Music streaming: friend or foe to the independent musician?
by Keith Hatschek (23/12/14)

On November 3, 2014, Taylor Swift and her management team very publicly "broke up" with Spotify leading to the removal of Swift's albums from one of the leading music streaming services. The reason? Royalty rates for artists and songwriters are too low, according to Swift and a chorus of many other established artists and songwriters. In fact, streaming royalties are a tiny fraction of what an artist earns when they sell the same song or album on iTunes. A per song stream on Spotify pays 0.006 to 0.008 cents, while the single song royalty rate for a songwriter on iTunes is 0.091 cents. That's more than 100 times the streaming payout. Or put another way, it takes 166 streams to equal one digital track sale. No wonder some artists are put off by the difference!

What the artist actually receives will depend on whether a label is involved as an intermediary between the streaming service and the writer and performer. And one year after artists and songwriters stormed the hall of Congress to protest the proposed "Internet Radio Fairness Act," which many artists saw as a back door attempt to further reduce streaming royalties, the topic of music streaming is even hotter today.

In early 2014, Nielsen Entertainment analyst David Bakula stated that he is optimistic about music streaming growth, citing that the "118 billion [music] streams reported in 2013 generated about the same revenue as 59 million albums sold, or about one-fifth of the total albums" sold last year. This correlates with both the increasing numbers of fans using the leading music streaming services as well as the larger overall share of revenue attributed to streaming, according to reports issued by the RIAA.

Based on these facts, it would seem unwise for most artists – independent or otherwise – to follow Swift's lead and dismiss offering some or all of their music in an intelligent and well-thought out way through select streaming services. Clearly, streaming has become a substantial part of the revenue pie and appears poised to continue steady growth.

While Ms. Swift and her high profile manager, Scott Borchetta, have been among the most visible music artists complaining about the perceived paltry per stream earnings that artists and writers earn from streaming services, they have hardly been a lone voice in the wilderness. A wide range of established artists and writers have been very outspoken in their complaint that streaming rates, which are actually set by the U.S. Copyright Royalty Board, are inadequate to compensate music creators.

Perhaps the most vocal and creative opponent has been Radiohead front man, Thom Yorke, who last year famously described Spotify and other music streaming services as "the last desperate fart of a dying corpse," claiming that the three remaining major labels gladly were partnering with the top streaming services to simply repurpose and profit from their extensive back catalogs of hit songs. The mercurial Yorke's current view of what's best for artists is to distribute music directly to fans, cutting out all of the various middlemen. Yorke did this a few months ago for his solo Atoms for Peace project, Tomorrow's Modern Boxes, which he released through a pay-gated BitTorrent website.

EDM star Diplo recently reissued his 2004 album, F10rida, at a $5 price point using BitTorrent's new bundle system. Artists who self release through this method keep 90% of the revenue, less any publishing royalties due, and also gain access to a reported trove of consumer data which can be used for follow up marketing.

With Taylor Swift's recent release, 1989, registering sales of 1.3 million CDs in its first week of sales, the lost revenue from streaming the album would be significantly less when compared to the revenue for Swift, her co-writers, producers and managers from the sales of actual CDs and downloads. In a Time magazine report on the breakup, Borchetta stated that Swift had received just less than $500,000 for domestic streaming in the previous 12 months. Spotify fired back, referencing that when worldwide revenues were measured, she had earned $2 million. Time also estimated that a year ago for such artists as Lorde, Eminem, and Avicii, some of the most streamed popular songs would have earned between $200K and $1 million.

Still, when touring, merch, exclusive marketing deals for clothing and make up, and millions of records sold are factored in, streaming income doesn't make up for what it costs a superstar music artist such as Swift. Why not? Because the availability of Swift's music on free streaming sites allows fans to skip purchasing her music; hence, her decision to remove it. She is known around the world, so discovery is no longer a concern. The same goes for other top artists, notably country star, Jason Aldean, who reversed direction and pulled his latest release, Old Boots, New Dirt, from Spotify after it had racked up 3.4 million streams during its first week. The Black Keys have not put any of their blockbuster albums on streaming sites. Even legacy acts such as The Beatles, AC/DC, and Led Zeppelin have kept their back catalog off of the major music streaming services as the demand for physical CDs of their music continues to roll on.

Music streaming sites' role in music discovery

For an indie artist, regardless of genre, getting your music heard for the very first time is one of the most challenging aspects of building a career in music. With thousands of artists releasing new music every hour around the globe, how do you get your music heard? The two most powerful and effective ways to get that crucial first listen with a consumer are through a live show or alternately via a referral from a trusted source. That's where streaming services offer a distinct advantage and opportunity for emerging artists.

Curated playlists, something that are easy to create in Spotify and other music streaming apps, allow you to offer up set lists of music you enjoy and to interpolate some of your own songs into the mix. The power and potential of curated playlists to foster easier paths for fans to discover new music is so great that Beats Music hired Trent Reznor as their Chief Creative Officer to oversee how music would be curated and promoted on the site, which is viewed by many as the most artist-centric of all the streaming services due to the fact that, unlike Pandora and Spotify, they don't offer a free, ad-supported version of their service.

Reznor doesn't agree with the artists condemning music streaming services and told Billboard, "I'm on the side of streaming music, and I think the right streaming service could solve everybody's problems . . . [music] ownership is waning and everyone is comfortable with the cloud." So it's clear that artists are not unanimously against music streaming. Further, it's been whispered that in 2015, Apple will roll out a revamped Beats-based streaming service as part of the next Mac OS update, which could exponentially expand the number of paying customers for streaming as Apple CEO Tim Cook confirmed that roughly 800 million consumers worldwide have iTunes accounts, most with credit cards on file.

The need for transparency

For decades, how artists and songwriters earned money was shrouded in secrecy. Short of getting a law degree and immersing oneself in copyright code and contracts, most musicians simply understood that "If I get a lot of airplay and/or sell a lot of records, I can earn some good money." This veritable "code of silence" was broken with the 1991 publication of Don Passman's landmark book All You Need to Know About the Music Business, which explained how artists earned money from record deals and what roadblocks and obstacles would likely be in their way as they worked to establish themselves in the industry. With knowledge came the eventual desire for artists to establish and maintain more and more creative and business control of how their music was sold. Artists such as Brett Gurewitz, Ani DiFranco, the stable of Saddle Creek bands, Reznor, Allison Kraus, and many more decided that they would remain more independent and not relinquish total control of their music and recordings to a major record label.

This DIY attitude shift can be seen not only as an effort to keep more of the revenue pie, but also to foster a more transparent business model with regard to the financial dealings surrounding music distribution. When it comes to transparency, Spotify seems to be leading the way in explaining how the complex revenue model of their business works for artists and labels. In a blog posting, they break down royalties and payments they offer so there's a little less mystery in how much money their service pays out to artists and writers. Based on all of the information here and in Time's November 2013 royalty projections cited earlier, it seems clear that if your tunes are being played consistently on streaming services, you'll start to see some revenue, even if you don't quite reach the $1.2M in streaming revenue Avicii racked up that year.

Taking a cue from the movie industry

The music industry has in large part been shaped by fire – it's been fuelled by controversy for decades, and battles over formats, royalty rates, exclusivity and earnings are nothing new. What's different now is that the shift Reznor mentioned, from ownership to access, is likely the most significant change in the last 50 years of the music business. If the projections offered by Spotify for the growth of worldwide streaming come true, in time, streaming revenues may surpass even the biggest boom years of the recorded music industry, 1999-2000.

A recent Billboard op-ed, "Why Streaming (Done Right) Will Save the Music Industry" by Rhapsody co-presidents Rob Glaser and Jason Epstein, suggests that maybe artists can develop a middle ground approach to working with streaming services that include free, ad-supported players such as those offered currently by

Pandora and Spotify. They suggest that the strategy used effectively by the motion picture industry of "windowing," which staggers the release date in different mediums, may be a good alternative. If a top artist keeps her newest music off of the free versions of streaming services for a year, then fans will be motivated to buy it or get a subscription to a paid service that has her newest songs available.

By having their back catalog available on the free streaming sites, while placing a modest premium on the newest tunes, such a strategy can serve to support better revenue for artists (new stuff costs more) while maintaining risk-free access and music discovery for artists' back catalog.

This shift between music ownership and access is a revolution every artist must consider. We are nearing a tipping point when music access is going to trump ownership for casual music fans around the world, especially those who rely on mobile devices, although the resurgence in vinyl sales proves there will always be a smaller group of hard core music lovers that collect physical albums. And if the trends continue with more and more emerging countries such as China, India, and Brazil developing growing middle class populations with an interest in pop music, it will become vital to develop a sustainable streaming model that artists can understand and profit from, as the market for music continues to expand globally.

In a recent Associated Press story about the streaming debate, Paul Roper (president of Dualtone Records) states that his band, The Lumineers, consistently averages about 1 million streams per week, even though the group's record sales ebb and flow around their tours and releases. He also works closely with Spotify to access and measure consumer data on his baby bands, helping him to market them more efficiently. He says that as industry insiders, we forget that it's early in the adoption cycle for music streaming. Roper stated, "We are still in the infancy of this market and the general public is uninformed with how it works."

Gaining access to consumer information that can help target one's marketing efforts, compared to the relative secrecy of the iTunes model which shares almost no consumer info with artists, may on its own be enough of a reason to embrace the thoughtful and strategic addition of streaming to your own music marketing and distribution plans. No matter what side of the argument you take, it seems clear that music streaming and music access will be one of the most important drivers of music discovery and consumption in our lifetimes. DIY artists, songwriters, and labels music not ignore it.

Special thanks to Brandon Dill and Christopher Wentworth for sharing their own recent research into music distribution and streaming which helped to inform this article.

Keith Hatschek is a regular contributor to Disc Makers Echoes blog and directs the Music Management Program at University of the Pacific. He's also written two music industry books, How to Get a Job in the Music Industry and The Golden Moment: Recording Secrets from the Pros. Article Source: Disc Makers Blog

Streaming share of music industry revenue (data from Keith Hatschek article):

2007 3%
2008 4%
2009 5%
2010 7%
2011 9%
2012 15%
2013 21%

(Source RIAA)

Number of streaming subscribers (May 2014):
(data quoted in Keith Hatschek article)

Spotify 10 million
Weezer 5 million
Pandora 3.3 million
Rhapsody 1.7 million

(Source: www.pando.com)

Swedish Songwriters Push for Fair Share of Streaming Music Revenues I
An Open Letter By Marc Schneider | February 17, 2015

Swedish songwriters have a bone to pick with digital music streaming services, which they say are not allocating a fair percentage of their revenue to the people who actually write the songs. In an open letter published on Monday in Aftonbladet, 133 songwriters and producers from regional rights society STIM call for a more balanced approach in the distribution of digital revenues.

The letter cites a survey by global authors' rights body CISAC which found that songwriters are ending up with only 3 percent of streaming revenue from Spotify in the U.S., with the rest going to labels and publishers. STIM points out that there hasn't been a similar study done in Europe, but that "the allocation of revenue here surely doesn't differ substantially."

Because digital music services and record labels do not disclose exactly how much they are paying, the songwriters believe their "voices are seldom heard" in the debate about streaming as a business model -- all this despite "the vast majority of music gracing the sales and streaming chart is created by songwriters who are not artists."

Songwriters can't rely on touring and merchandising revenue for income, they say, and are not being "compensated in any other way for the loss of income experienced due to the digital market." The result could be that "very few songwriters will be able to afford to create music other than as a hobby."

The letter was timed to coincide with a meeting between the Swedish Society of Songwriters, Composers and Authors (SKAP), labels, Sweden-based Spotify and others to discuss how digital revenues are divided.

"The digital revolution has meant that record companies drastically reduced their costs of production and distribution of music," the letter reads. "In recent years, the record industry in Sweden flourished thanks to Spotify, and indications are that Europe and the rest of the world will follow suit. But the songwriters, investing time and money into creating the music service offering, have not received anything back. It is therefore high time to create balance in the distribution of digital revenues."

STIM members outline three areas where industry stakeholders should focus on:

The first step should be greater transparency. Spotify, other digital services and record companies make use of so-called NDA, Non-Disclosure Agreements to prevent transparency in the distribution. STIM and the other collecting societies are forced to write on these confidentiality agreement and shall not reveal even to its members the breakdown. Their suppliers - songwriters - must not know how much they get paid for their products -- the songs.

The second step should be to find an allocation model that allows the whole industry to thrive , not just the record labels and distributors who live on the values we musicians produce.

The third step that should be discussed is that very few of streaming services endeavored to add credits to the songwriters and producers. We think it is not right that those who created the music also should get credit for it.

Article Source: Billboard magazine

Avicii Manager Defends Spotify: 'Too Many People Have the Wrong Idea About What Spotify Is' By Ash Pournouri| February 06, 2015

Avicii's 2013 hit "Wake Me Up!" is the most-streamed song in Spotify history, with more than 339 million global streams to date. That success is due not only to the fact that it's a great song, but also because from the start, we saw Spotify as our music partner, not just a streaming service and revenue source.

Too many people have the wrong idea about what Spotify is. It's not a one-way street; it's a two-way platform that allows you to creatively market your music while generating revenue, and it played an integral role in breaking Avicii stateside and exposing him to new audiences worldwide.

Before the release of True, Avicii's 2013 album -- which includes the singles "Wake Me Up!" and "Hey Brother" -- he was best-known in the United States for his club hits and from touring. As we began setting up the album, streaming services became an invaluable part of the marketing plan. Weeks before the album's release, we set up a Spotify playlist for fans to subscribe to. More than 100,000 global listeners signed up to an empty playlist, which we soon filled with a medley of songs that would be on the album. Once "Wake Me Up!" came out, we encouraged our music friends and family to add the track to their Spotify playlists, which helped spread the song to those who would have never heard it otherwise.

More than 18 months after the song's release, streaming income from "Wake Me Up!" remains strong and promotion through Spotify creates a long tail that continues to lift catalog. Avicii experienced double-digit chart gains after debuting his exclusive Spotify New Year's Eve playlist, One World Party. According to Billboard, his previous single "The Days" was up 71 percent overall and had an 83 percent increase in Spotify streams. Even more impressively, current single "The Nights" garnered 1 million streams in the States for the week ending Jan. 4, a 91 percent increase overall and a 148 percent jump in Spotify streaming. Catalog also got a boost, with his breakthrough "Levels" notching a 21 percent increase in streaming.

As much as we are Spotify proponents, we won't ever exclude other audiences. We have to be everywhere, and work to be creative in all our relationships.

Music creators are entitled to fair financial compensation and it's important for managers, artists and songwriters to look at the long view: In Spotify's home country of Sweden (my and Avicii's homeland as well), digital accounted for nearly 70 percent of music industry revenue in 2013 -- with subscription services representing 94 percent of the digital market -- and helped grow that revenue for the third consecutive year, according to IFPI. As Spotify scales up in the States, the money paid out to artists and songwriters will only increase.

As much as we are Spotify proponents, we won't ever exclude other audiences. We have to be everywhere. But Spotify can help get the conversation started. We also manage Cazzette, and in 2012, the Swedish DJ duo was the first act to release an album initially only on Spotify. We went exclusively with Spotify for the first three months of the album's release because we wanted to create awareness to help launch an artist without a developed fan base. It was a successful campaign and we managed to have Cazzette spearhead a conversation about the music industry in the Wall Street Journal, Intelligent Life and Billboard, which was half the point.

Streaming is, for the foreseeable future, the optimal way of consuming digital content as the world grows more and more connected. According to Next Big Sound, there were more than 434 billion total music streams in 2014, up 95 percent from 2013. And an Edison Research report shows that teens spend more time streaming music than listening to AM/FM radio. Are you really going to say "no, thank you" to millions of Spotify users because you are waiting for the old way of doing business to return?

Article Source: Billboard Magazine

As Spotify hits 10M paid subscribers, here's why paying customers, not ads, will save the music industry - BY David Holmes (May 21, 2014)

Today Spotify announced it had hit 10 million paid subscribers and 40 million monthly active users. That's impressive growth for the music streaming service, which in March 2013 (the last time Spotify published its user stats) had only 6 million paying customers and 24 million active users.

While those 40 million actives is a nice number demonstrating that the company is finally getting some mainstream attention, in truth it's the paying folk, not the freeloaders, that really matter to Spotify and to the music industry at large.

Here's why:

According to figures released last March by the Recording Industry Association of America (RIAA), streaming music sites including Spotify, Pandora, Rdio, and others generated $1.4 billion in revenue last year in the US. That's a 39 percent increase over 2012, and it amounted to one-fifth of all US music industry revenue on the year.

Now here's where things get interesting: Of that $1.4 billion, almost half came from customers who pay to use Spotify, Rdio, or Pandora, amounting to $628 million. A slightly smaller chunk, $590 million, came in the form of performance royalties which are collected and distributed by the performance rights organization SoundExchange. (The vast majority of these come from Pandora; services like Spotify and Rdio are "on-demand," not radio, meaning they negotiate directly with labels). The remaining $220 million came from advertising-supported streaming and was generated in large part by YouTube and Spotify's non-paying customers.

This matters because there are far more people listening for free on Pandora than there are people who pay for streaming music, and even more people listening for free on Spotify and YouTube (which is, after all, still the largest music streaming service in the world). And yet, it's the comparatively small number of paying customers that comprised the lion's share of music streaming revenues in 2013.

The numbers here tell the real story. Spotify has 10 million paid users; Only 3.3 million people pay for Pandora; Deezer has 5 million who pay; Rhapsody has 1.7 million; Rdio doesn't publish its subscriber counts, but if layoffs and recent statements from its CEO are any indication, there may be a reason for that.

That amounts to, generously, around 25 million paying subscribers. Compare that to Pandora's 72 million non-paying monthly active users, who helped generate that SoundExchange revenue. Even more strikingly, compare that to Spotify's 30 million freeloaders, plus whatever portion of YouTube's 1 billion monthly active users are using it to stream music: Accustream estimates that 38.4% of all YouTube views are music videos, meaning there could be almost 400 million monthly active users contributing to that paltry ad-supported slice of revenue.

Granted, these are global figures, but the US ratios between paying and non-paying listeners may be even worse, considering that Deezer, with 5 million paying customers, has thus far focused its efforts internationally. Nevertheless, the revenue-potential of a paying customer appears to far outweigh that of a non-paying customer supported by ads.

This is all a long way of saying that to boost streaming revenue in a way that's meaningful to artists' bottom lines, more people have to start paying for music. $1.4 billion is a nice chunk of change, but it would have only amounted to 9 percent of the entire pie at the industry's peak in 2000.

From this perspective, Spotify's impressive paid-subscriber growth is a good sign for the industry, but it's not enough (and may never be enough) to lift music revenues to their former glory. Apple's purported acquisition of Beats, which only offers a paid option, holds promise. Perhaps Apple can use its impressive marketing machine to convince untapped portions of the streaming market (read: olds) to pay $9.99 for unlimited ad-less access to virtually any song on the planet on mobile and the Web.

As someone who grew up dropping $17.99 apiece on CDs at Virgin Records, that's a bargain. But the new generations are also going to have to pony up if the industry is ever to make a meaningful comeback. And who can predict what those post-millennials will do next?

Article Source: Pando.com

Music Licensing From a Songwriter's Perspective [July 2014]

If you're like most Americans, you probably have a hard time remembering the last time you bought a CD. And rather than downloading songs and albums from iTunes or Amazon, you probably find yourself listening to Pandora, Spotify, iTunes Radio or another music streaming service instead.

We're moving into a world where our music libraries exist entirely in the cloud. We no longer own music we love; we stream it whenever and wherever we want.

At the same time, the federal regulations that govern how music is licensed — and thus, how songwriters like me are compensated for our work — don't reflect the way people listen to music today. Indeed, they are stuck in the distant past. And it's threatening the future of American music.

You might ask, what does the federal government have to do with music licensing? As it turns out, a lot.

For starters, there's the U.S. Copyright Act, which hasn't been updated in more than a decade. And then there are the decades-old legal agreements, or consent decrees, that govern operations of ASCAP and BMI, the nation's two largest performing-rights organizations (or PROs), which track music usage and collect royalties on behalf of songwriters and composers.

Established in 1941, the consent decrees lay out strict rules for how PROs must operate in the marketplace, and how songwriter compensation is determined. But the last time the ASCAP consent decree was amended was in 2001, before the iPod even hit stores.

We all know that the music marketplace has changed dramatically since then. And new music services are finding ways to take advantage of this outdated regulatory system.

Consider the fact that streaming music giant Pandora pays a songwriter, on average, nine cents for playing their song 1,000 times. Meanwhile, record labels and artists often earn 12 to 14 times more than songwriters for the exact same stream.

Such an imbalance would not happen in a free market, where real competition exists and songwriters have more control over how our music is licensed. But under the current consent decree system, songwriter compensation reflects the true value of our work less and less, even as our music is being played by more people and over more devices than ever before.

Because the current system has failed to generate free market rates for digital services, major music publishers are considering withdrawing from ASCAP and BMI entirely. There is a very real risk the entire system of voluntary collective licensing will soon collapse, leading to more fragmentation, increased inefficiencies and higher costs for everyone, including consumers. Unless we do something to fix it.

As an organization that has played a central role in the growth of the American music industry over the last century and now represents more than 500,000 songwriters, composers and music publisher members, ASCAP has been urging policy makers to modernize the music-licensing system. Fortunately, those efforts are gaining momentum.

Most notably, the Department of Justice has recently opened a formal review of the ASCAP and BMI consent decrees. The U.S. Copyright Office is conducting a study to evaluate the effectiveness of the current music-licensing system, including specifically the ASCAP and BMI consent decrees. And the Songwriter Equity Act, introduced by Rep. Doug Collins (R-Ga.) in February to amend two outdated portions of the Copyright Act, is steadily gaining bipartisan support in both the House and Senate.

Last month, the U.S. House Judiciary Subcommittee on Courts, Intellectual Property and the Internet held two hearings focused on music-licensing issues. I was honored to testify on behalf of songwriters, and I shared three very specific ways we're asking the DOJ to update the ASCAP consent decree.

First, we need a faster, less-expensive process for settling rate disputes with businesses that use music, which considers independent agreements reached in the free market as benchmarks. Second, we should provide songwriters with crucial flexibility to manage their own rights. Permitting them to grant ASCAP the right to license their music for some uses, while maintaining the right to license other uses directly, would provide songwriters with more control, and would foster competition in a rapidly changing marketplace. Finally, we can streamline the licensing process for thousands of music creators and users by giving ASCAP the ability to license all of the music-composition rights a business needs to operate their service in one transaction.

In order to ensure a strong future for American music, we need a music-licensing system that works the way we will be, not — to paraphrase a great songwriter and friend — the way we were.

Working together, I am confident that we can preserve the immense benefits of collective licensing for businesses that license music and for listeners who enjoy it, while ensuring that songwriters, composers and music publishers are compensated for the true value their music brings to the marketplace.

Paul Williams is an Oscar, Grammy and Golden Globe-winning Hall of Fame songwriter, and president and chairman of the board of ASCAP. His most recent Grammy was as a songwriter and featured artist on Daft Punk's award-winning album, "Random Access Memories."

Managers And Performers Alliance (AMP) Calls For 50/50 Split On Streaming Royalties

AMP (Artists, Managers, Performers), the recently formed alliance between the Musicians' Union, the Music Managers' Forum and the Featured Artists Coalition, is calling for streaming royalties to be split equally between the artist and the label in a submission to the EU consultation on copyright.

AMP argues that streaming is not a sale in the traditional sense and does not involve any of the associated costs for the label. The alliance believes paying streaming royalties on a sales basis, the current standard practice, makes no sense and is unfair to the artists.

Jon Webster, CEO of the Music Managers' Forum said: "The MMF have long campaigned for digital services to be treated differently from analogue, so we are obviously pleased to support the call for an equitable rate for artists and performers when dealing with streaming income."

John Smith, General Secretary of the Musicians' Union said: **"It is no longer necessary for a record company to pay to manufacture, store and distribute physical product. In the pre-digital era, artists understood that these costs went some way to justifying the low royalty rate. There are none of these costs associated with streaming, so why are the labels paying a royalty based on a physical sale?"**

Crispin Hunt, Co-CEO of the Featured Artists Coalition said: "Musical artists' royalty rates must be modernised to reflect the digital environment in which their music is now largely consumed. The FAC joins AMP in calling for artists to be accounted to with complete transparency at **an equitable rate on all digital income**, including advertising revenue, catalogue access fees, unrecouped advances and any other income based upon the value of the licensing of artists' catalogue, and in any future third party deals which impact artists' earnings. The industry must be able to sustain its investment in music, but artists and performers must also be able to sustain their investment in creativity."

Article Source: Music Week