The Decline of Musician Compensation: How Streaming Changed the Industry

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The Decline of Musician Compensation

It seems to be taken for granted just how much the internet has changed the way we live. For people under the age of 30, who never lived in a time before the internet, it is hard to comprehend just what it was like during the time before it. As TV writer Matt Roller notes in a viral tweet, “Fifty years ago, if you wanted to see a picture of a raccoon, you either had to already have it or drive to a library. And a raccoon in a funny hat? Forget about it.” (Kindlegarten). This tweet resonated with so many people because it made them think of just how new and life-changing this technology is. Not only that, there is importance in it because of how it shows how consumption of media has changed due to the internet. Media consumption is one of the most impacted areas over the years due to the internet. As Roller points out, nearly every image is easily found by a Google search. The same can be said with books, movies, and my specific focus, music.

The music equivalent of this is streaming, with services like Spotify pretty much every song is easily found and listened to by a quick search on your phone for either free or close to it. This is a stark contrast to fifty years ago, where much like a picture of a raccoon if you wanted to listen to a song, you either had to already have it, know someone who did or go to the store and buy it.

Clearly, this drastic change in consumption must in some way affect those whose art is being consumed, and that is exactly what this paper will be focusing on. It will look at these changes in consumption, specifically, those changes related to the internet, and exactly how they have affected the artists, which is something consumers rarely think about. The paper will then look into what artists themselves can do about these kinds of changes to better benefit themselves, and what further changes to the consumption model could be beneficial. I will first look at how consumption of music has changed throughout the years due to technological advancements and how these changes affected the music industry as a whole, ending with the current age of streaming. I will discuss what it is like being a musical artist in today's age, how distribution and compensation work, and the different financial opportunities that have come about thanks to the internet. I will specifically do a deep analysis of compensation related to streaming services like Spotify, pointing out the flaws in the current system and offering potential solutions to the problems. Artists, specifically up-and-coming indie musicians looking to make money in the industry will benefit from the information in this paper by learning what to expect when it comes to being a recording artist as well as potential ways to circumvent the obstacles associated with doing so.

History of Music Distribution Technologies

The internet has fundamentally changed how music is both produced and consumed. Today music listeners can listen to any song, anywhere, and practically for free. This is revolutionary when put into perspective the older ways that people consumed music. Before any type of recording or playback device, all music consumption was very limited, with only specific places to consume it such as opera houses or churches, and any kind of music consumption in the home was often experienced by means of private piano performances (Kramer). This made most music unobtainable to the average person who did not have the leisure, education, or income to devote to attend or participate in a symphony or private performance. Then came the phonograph, invented in 1877 ("The Phonograph"). It was arguably just as transformative at its time as the internet was in the modern age. It allowed people to listen to past performances of songs, on the instruments they were intended for, all from the comfort of their home without the need of any live musicians. This kind of home listening experience stayed roughly the same, with notable changes in increased affordability and sound quality with the invention of the vinyl record in 1931 (Greenberg). Other technological advancements were being made around this time as well, Samuel F. B. Morse's telegraph, a machine used to communicate in morse code originally invented in 1844 was being upgraded to be wireless (Bellis). In the early 1900s, the military was quickly adapting this wireless means of communication, and with its increasing popularity, as well as the increasing popularity of the telephone, the radio was born, combining the ideas of wireless communication, and voice transmission *(Id)*. The radio was soon brought into the home for music and media consumption, it allowed people to listen to music that they did not own, or did not know, opening up a large library of music to the average listener (Halper).

The next logical step for personal music listening was to take it outside of the home with increased efforts to make it portable. Portability started in the car with custom installed car radios in the late '20s *("A Short History of the Car Radio")*. These radios, despite being expensive for the time, allowed the average person to finally take their music listening experience on the go as long as they could drive there. The only problem with this method of portability was its lack of customization, having to rely on the radio meant listeners could not listen to what they wanted to listen to much like what they could do with vinyl. This problem was solved more than 30 years later, in 1962, with the invention of the cassette tape (Sommerfeld). Although it was first made for home listening systems and offered a more compact and convenient way of storing and listening to music at home, it was not until 1968 where portability became one of its perks as well ("*When Did Cassette Tape Players Come Out?").* This came with the first cassette tape player designed for car stereos and solved the problem of customization and personal preference when it came to the portable listening experience. Cassette tapes quickly became a popular listening medium thanks to their convenience and cost-effectiveness compared to vinyl, so much so that more advancements into cassette technology were being made. In 1979 Sony released a revolutionary technology: the Walkman (*"Sony Walkman").* It was a small, portable cassette tape player designed so that anyone could listen to music anywhere they went. Being small enough to put in your pocket, attach to your belt loop, or simply hold in your hand, the opportunities to listen to personalized music vastly increased making music much more accessible and widespread.

It was not long until the next innovation in music. In 1981 ABBA released *The Visitors* and it made its mark as the first popular music album to be released for the CD (Atwood). The CD or compact disk allowed for a much more pleasant listening experience, with its higher sound quality, longer playback time, and increased resistance to the elements it quickly became a lead player in music consumption (Riemenschneider), (*"U.S. Sales Database")*. However, it stayed relatively similar to the Walkman in terms of portability and personal customization. That was until the popularization of the internet in the late ’80s and early ’90s (Lee). All of these innovations in accessibility and portability created a boom in recorded music sales and distribution. With more people being able to afford larger amounts of music and having the ability to listen to it on the go, more money pooled into the music industry, allowing for artists and labels to earn more of a profit off of music distribution (*“U.S. Sales Database”)*.

Music Distribution and the Internet

During these early days of the internet, the big music labels and companies had yet to find a home on the web, and thus music was not offered commercially until the early 2000s (Wikström). However, in this short period, people found a way to use the internet and computer to their music listening advantage. Software was created, and freely distributed, that allowed computers to read the files off of CDs and rip them onto the computer’s hard drive (*“What’s new”)*. With this came an unmatched way for people to replicate music and retain its fidelity, allowing these files to not only be shared amongst friends via CD burning but also through the web with peer-to-peer file sharing sites such as Napster. The exact impact of these sites and practices will be discussed in detail later in the paper, but it should be noted here that these sites allowed for ease of access to music that had never before been seen, not only changing how people got music, but how they consumed it, and how much they consumed. Eager to find a home on the internet and to try and combat piracy the music industry jumped onto iTunes, a music library made by Apple Computers in 2001 and gave people the first legal way to buy music and transfer the files to their portable MP3 players (Wikström). With their ability to hold hundreds of MP3s, or digital song files, these MP3 players further increased personalization and portability, and with their ability to download single songs, people no longer needed to buy full albums which even further increased music accessibility (Knight).

The next great development for music consumption came with the model we are all used to today, streaming. Now spearheaded by companies like Spotify and Apple, streaming is a culmination of everything that was good with each one of these past methods of consumption. A nearly free and unlimited access to music much like Napster, the portability of an MP3 player, and the high fidelity of a CD. Streaming has changed music consumption like no other innovation, so many more people have access to so many more songs than ever before. To put it in perspective, 487 million people have music streaming subscriptions and are streaming a total of 872.6 billion songs per year (Statista Research Department). Music consumption is so much easier and so much more ingrained into our daily life, music consumers have never benefited more from a piece of technology than now. However, can the same be said for the artists whose art is now being distributed differently? Clearly, this drastic change in consumption must affect those whose art is being consumed in some way, and that is exactly what this paper will be focusing on. It will look at these changes in consumption, specifically, those changes related to the internet, and exactly how they have affected the artists, which is something consumers rarely think about. Then looking into what artists themselves can do about these kinds of changes to better benefit themselves, and what further changes to the consumption model could be beneficial.

The Modern-Day Starving Artist

The term "Starving Artist" is not a new phrase. It was first introduced by the writer Henri Mergerin in 1851 in his book "Scenes of Bohemian Life," which romanticizes the image of the starving artist (*"La Vie de Boheme - The Original Starving Artists")*. That image has stayed relatively similar throughout the years. Picture an artist working full time at their craft while making little to no money from it. As a result, the artist must sacrifice basic needs such as housing, food, and sanitation to avoid having to earn money from anything else other than their art. In recent years, there have been some who claim that in the modern age the starving artist has been pushed out by technological innovations, and is now replaced with an artist who has no excuse not to make a living from their art. These opinions can be seen not only all over the creative industries, but outside it too, specifically non-art related economists tend to speak loudly on this subject, and their loudness inevitably changes the way people, including the artist themselves, think about the creative economy. Take Chris Anderson's opinion in his Wired article "The Long Tail," where he argues that the largest potential for making money in the arts is shifting away from the top-charting artists, to the more niche and self-published ones (1). He argues that thanks to companies like Amazon and Apple, artists should have no problem reaching an audience, and in turn, no problem being paid for their work (*Id)*. In figure 1 below we see his model visualized, where more money is flowing into the thinner right side of the graph than the thicker left side due to it stretching out almost forever. Since the long tail has stretched further and further out thanks to the internet, there are theoretically more and more niche spaces for musicians to find money in their craft.

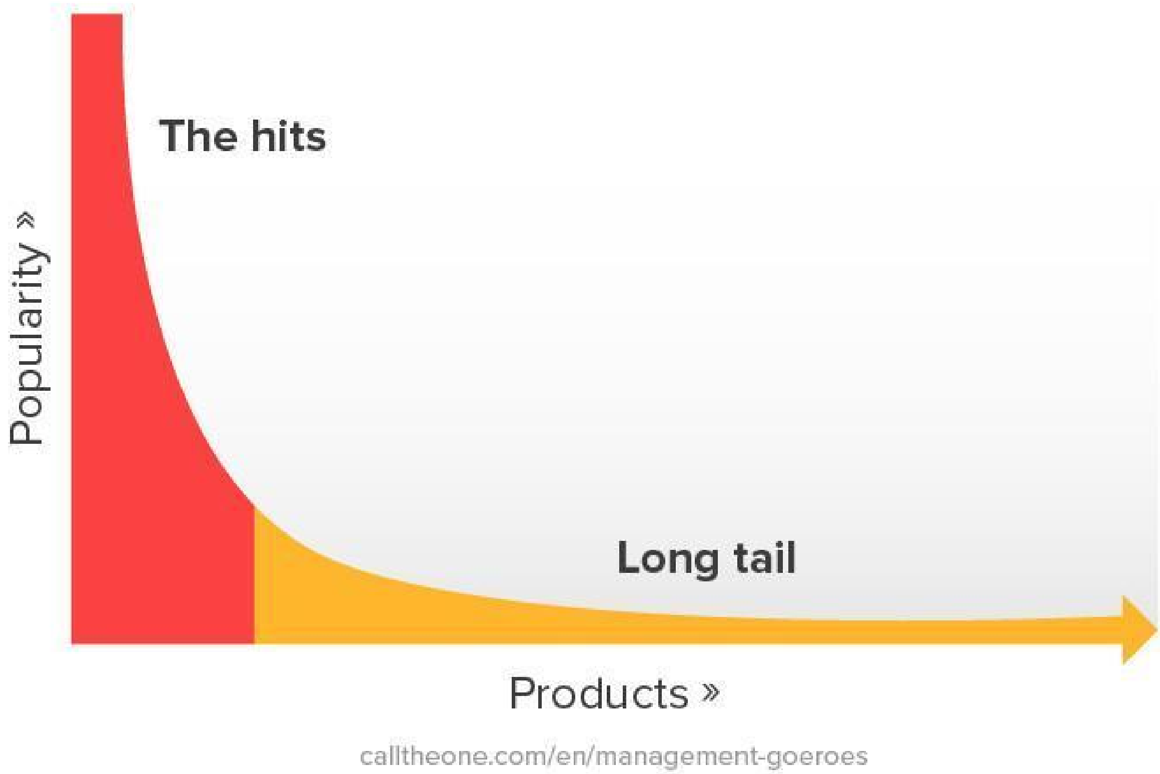

***Figure 1: The Long Tail** (Vlieger 2013)*

To put it in perspective, Chris Anderson does not have a background in the arts, studying physics and quantum mechanics in college, and going on to write business and technology articles for The Economist and later Wired (*"Chris Anderson | Speaker | TED")*. Despite this, his ideas are still stuck in the art world, and nearly two decades since his groundbreaking article's release, we are not only still hearing techy economists state them, but artists themselves are also subscribing to them. Take Andie Lafrentz for example, a self-taught visual artist who quit her tech job in 2019 to pursue an art career full time (1). In 2020 she wrote a blog on her website titled "Why the Idea of 'Starving Artist' Does not Exist Anymore". She argues the same thing that Anderson did back in 2004, but now with even more big tech companies to thank, she says that thanks to social media, sites like Instagram, YouTube, and Facebook that "It's almost laughable to think that artists today have it tough." (*Id).* Thanks to the internet and social media, reaching people has never been easier, you can post a picture on Instagram and promote it to thousands of people in just a few minutes. You can look up art competitions and galleries across the world and talk to them thanks to email, the possibilities are endless. Lafrentz argues that thanks to all of these resources at our disposal, the only other thing needed to make it as an artist is the right mindset *(Id)*.

While this way of thinking holds some validity, for example, yes, it is easier to reach people than ever before, and thanks to cheaper hardware and software making art has the lowest barrier to entry than ever before. The argument starts to fall apart when one question is asked, "Who is going to pay you for that art?" Objectively it is easier than ever to make art and to show people that art, but that does not mean that people will want to consume or pay for your art. This is the argument put forth by William Deresiewicz in his book "*The Death of the Artist: How Creators Are Struggling to Survive in the Age of Billionaires and Big Tech".* He looked at the modern art world and interviewed many different artists from a variety of disciplines, and when these artists were asked their opinion on the big tech argument, a consensus was reached which could be summarized in this quote from the book; "Sure, you can put your stuff out there, but who is going to pay for it? Digital content has been demonetized, writing is free, music is free, video is free, even images you put up on social media are free." (13). The internet has allowed for ease of access to media for the masses at little to no cost, essentially democratizing it. This democratization that has been brought about by big tech sites like Facebook, YouTube, and Spotify have essentially "spoiled" the consumer base. A large portion of those consuming media today does not remember a time without the internet, simply because they were not born yet. These consumers, along with everyone else who has been assimilated into the digital age have grown accustomed to consuming any piece of media in just a few clicks without paying for it, or at least not directly.

No other form of art has been hit harder and changed more drastically from this democratization of media than music. Some other art mediums have stayed somewhat familiar throughout the digital revolution, books for example are one of them. Physical books are to vinyl as e-books are to mp3's, and even with this, physical books are still very prevalent and most importantly, profitable (Deresiewicz 197). Despite the lower cost, and ease of access it seems that some people just prefer to read their books on paper instead of an E-reader (this is said in death of an artist, find the citation/quote), which shows the importance of the medium in writing, the same cannot be said for music, however. Throughout the digitization of the world the medium of music has gone from vinyl to CD, to MP3, and now to cloud streaming. While the average reader will most likely own their favorite books in a physical format, the average music fan will most likely own little to no music in a physical format. This shows that the medium does not matter that much to the average listener, they only care about how easy it is to listen to their favorite songs, and that's why streaming is so popular today.

The Beginnings of Democratization

> "The issue is not whether the internet is good for musicians, but whether it is good for their ability to earn a living" (Deresiewicz 174).

Music consumers today love what these companies are giving them. YouTube and Spotify have made it easier and cheaper to listen to music than ever before in history, allowing for so many more people to access so many different artists at the click of a button. There is nothing inherently wrong with that, having more access to music is objectively a good thing and arguably nobody, not even musicians would say that the public's increased access and usage of music is a bad thing that should be changed. Because that is not the part of this system that needs changing. It is when you go behind the curtain, and see things from the artist's perspective and not the audience's perspective where you start to see where this system has gone wrong.

This current system came about with early peer-to-peer file-sharing sites in the late 1990s, most notably Napster (Harris). These sites were internet pioneers, allowing people to share files from their computer, specifically music files, with anyone in the world free of cost (*Id*). This was a big first step in the early days of the internet towards the democratization of media as it allowed people to millions of files in just a few clicks. A good comparison would be to a public library, but without regulation. Its intent was good, to give free access to people who need it, but that lack of regulation led to some troubles down the road, specifically in the music industry. Napster was initially launched on June 1st, 1999, and back then the leading medium of recorded music in the United States were CDs coming in at $12.8 billion, which accounted for 87.9% of the total $14.6 billion generated by the recording music industry that year (*"U.S. Sales Database")*. What Napster allowed for now, whether they intended for it or not, was people being able to rip the audio files from the CD's that they had purchased and then upload them to the internet for anyone to download free of cost, taking away the need for a large group of people to purchase the music that they wanted to listen to. This impact was seen quickly, from 1999 to 2003 total U.S generated revenue dropped from $14.6 billion to $11.9 Billion, an 18.49% decrease in revenue, and CD sales dropped 12.5% over this time (*Id*). This kind of drop in revenue is something that the music business had never seen before. Over the next 12 years, music revenues continued to drop as the industry struggled to find a way to combat the piracy that Napster and other peer-to-peer copycat sites had created. In these 12 years, revenues continued to drop another 43.69% to $6.7 billion in 2015, merely a shadow of its $15 billion former self in 1998 before peer-to-peer file sharing (*Id*).

During this time the CD had been all but pushed out, making up only 21.5% of total revenue sales for 2015 as the music industry tried to salvage itself with a new concept forefronted by the technology giant Apple and its music platform iTunes (*Id*). iTunes is a digital media library where people can buy and organize everything from music, to movies, to books. It is similar to the other media libraries we have seen so far like Napster in that it strives to bring media to the masses and values ease of access. A notable difference is that Apple acts as a filter, not allowing just anybody to upload whatever they wanted, but instead only those that go through official publishing steps to have their files hosted on the iTunes website. This, along with the required payment to download any files put hope into the music industry that peer-to-peer file sharing sites would be replaced with the new business model, the digital single.

Music Finds a Market on the Internet

The single is nothing new, it dates back over 50 years to the age of wax cylinders but it was made popular by the vinyl record. Artists would release just one song and press it onto a record so consumers could buy just their favorite song instead of the more expensive full album (Majewski). However these digital singles were not like this, they were not the bands one chosen song to be promoted, instead what the new model that the labels were trying to push was one of an album of individually wrapped songs. Fast disappearing were the days where someone would buy an entire album, physical or digital, but instead, they would simply comb through the songs and pick their favorites and buy them individually for $.99 each, ultimately costing the consumer less, as well as netting the artist less. In its best year back in 2011, the iTunes formula generated the U.S music industry a whopping $2.87 Billion, despite 2011 being the 3rd highest year of music sales by volume for both physical and digital formats between 1973 and 2020 (excluding streaming consumption) (*"U.S. Sales Database")*. Compare this to CD's at their height in 2000, accounting for $13.2 billion in revenue in one year. So while the iTunes model may have gotten some people out of the cycle of piracy, clearly it was not enough, too many people were still pirating their music, and the current model was not nearly as profitable as it needed to be in order to sustain the music business, the big labels needed something fast, and to their luck they got it. A smaller player founded back in 2006 that had been slowly gaining a following during the time of the iTunes model was about to explode and take over the music industry and implement its own business model and the big labels were about to jump all in on it. This new player was Spotify with its subscription-based streaming model.

Streaming: the All You Can Eat Buffet

Spotify was created as a direct response to pirating, its creators, Daniel Ek and Martin Lorentzon recognized that people no longer wanted to pay for music *("How Spotify came to be worth billions")*. They did not want to pay $.99 per song, and they certainly did not want to pay $10 for a whole album when they probably only would have liked a few songs anyway. Consumers wanted music whenever and wherever for no cost, or in Spotify's case, a cost so low it is probably better to use Spotify instead of pirating due to the convenience of streaming compared to the now relative difficulty of peer-to-peer file sharing sites. In some ways, Spotify is reminiscent of Napster, both are similar to a public library, which is why both captured the appeal of the public. They are easy to browse catalogs of media that have everything you could want, the only difference being Spotify charges you a small amount for its use, and does not allow for piracy in the ways Napster did. That "small amount" came in the form of a monthly subscription, and for $10 getting access to pretty much every song you could ask for is practically negligible compared to what music used to cost. This subscription model was such a hit with the consumers that in 2020 75.1% of all recorded music revenue came from streaming services, which is a comparable amount to the CD sales in the 80s and 90s (*"U.S. Sales Database")*. This new business model consistently increased music revenues year after year to the point that in 2020, recorded music brought in $12.2 billion, an 82% increase from its 2015 low of $6.7 billion *(Id)*. Clearly, from these numbers the music industry has been saved, technological advancement made way for new and more profitable business models, pushing more and more money into the industry. But we have to stop and ask ourselves, who is this model profitable for? And how do these drastic shifts in models affect the people whose art is being sold?

It does not take much to find the musicians' opinions on Spotify, especially with how vocal they are, even taking the necessary steps to protest across the country in favor of more transparent and sustainable business practices (Nast). While the overall revenue for the music industry may have gone up thanks to Spotify, the artist's compensation for the consumption of their work has not. With an average of $0.004 per stream on Spotify, it's no wonder why artists are protesting their new compensation rates. But why are these rates so low? And how do they affect artists?

Spotify uses a "Pro-rata" system, which means "proportional," to determine how much to pay out to a specific artist (Ingham). Since consumers are no longer paying directly for a certain song or album, but instead for the ability to access every album with only that monthly charge, the artists they listen to no longer directly get the money they paid to get access to their music. Instead, Spotify uses a simple equation to divide up the subscription money, simply put, the number of streams you get is compared to the total streams on the platform, and that percentage is how much of the total subscription money that you get *(Id)*. So in this model consumers are paying artists that they do not ever listen to, since if a single artist gets 5% of all streams in a given month, then 5% of your money will go to that artist regardless of if you listened to them or not. With this model, Spotify pays $0.003 to $0.0084 per stream, and with an average of $.004, it takes roughly 2,500 streams to earn the same amount of money as one $10 album sale (*"How much does Spotify pay per stream?")*. If we wanted to earn an average US salary from Spotify we would need roughly 1 million streams a month, over 12 million streams a year at this payment rate to make roughly $50,000, and that is not considering record label cuts or taxes. Spotify released their data relating to this $50,000 a year number and stated that 13,400 artists earn that amount or more a year (Ingham). And with 8 million artists on Spotify, that comes out to only 0.17% of artists making an average salary from Spotify (*"How many artists actually make bank on Spotify?")*. An argument may be made by those in favor of the current model, and the tech companies in general that a person is much more likely to stream a song than buy it, and since you can set up a free account and listen on Spotify, getting those high streaming numbers should be no problem for the average indie artists. This argument is the same "long tail" argument we saw earlier, and while yes, the tail is long due to the large number of artists on Spotify, it is not fat thanks to the minimal compensation per stream, leaving no meat for the lesser-known artists. To put it in perspective, between 2019 and 2020 1.6 million artists uploaded new music to Spotify, however, only the top 16,000 of them ranked in 90% of all streams (Blake). That is 1% of all artists on Spotify getting 90% of all listens and in turn 90% of all revenue. Leaving only 10% of revenue for the remaining 99% of artists. Compare that to the age of the biggest album of all time, Michael Jackson's "Thriller" in the 80's where the top 20% of artists shared 80% of music revenues (Deresiewicz 81). The long tail argument seems to fall apart more and more when you look at it from the artist's perspective, especially when you consider that 20% of songs on Spotify have never been streamed a single time (Deresiewicz 77). So to say that the thousands or even millions of streams needed for any kind of income will just come rolling in because people simply have access to your music is misleading and does not occur in practice.

Crowdfunding and Patronage

Despite all the downsides the internet has seemingly created for musicians, it would be unjust to go on without talking about new opportunities that the internet has presented. The internet allows for an immense amount of exposure, allowing artists to reach people that they never before would have, the problem being that when these new people consume their art, the artists get paid very little for it. Certain websites have seen this and attempted to allow people, artists or not, to monetize their newfound exposure opportunities outside of music consumption. Crowdfunding sites such as Kickstarter and direct subscription sites like Patreon have become the largest players in terms of sourcing more money for artists. Crowdfunding and subscription-based sites offer a great opportunity for artists, Kickstarter allows you to simply state your vision or project and let your fans or anyone interested directly fund your project, and Patreon allows for fans to directly support their favorite artists by giving them a small monthly sum. These sites have great premises, and for some users they made their dreams come true and supported them financially where other sectors of the industry have failed them. For others, specifically the vast majority of musicians, these sites do not offer the finance-saving- solution that may be promised. The biggest flaw with these kinds of sites is that no one expects to give money in return for nothing, these sites are not charity sites, they are designed to have the user provided with something in exchange for their money. Kickstarter and similar sites for example have a reward system, the more you give the better the reward you get, and these rewards are set by those running the campaign as a way to encourage people to back their project. Take Charley Faye and the Fayettes for example. They are a musical group that has used Pledge Music to raise money for their albums. To incentivize people to back her projects she offers rewards such as "personalized videos straight from Charlie's living room," "a night out with them in Austin," or a chance to hang out with them in the studio during the making of their new record (Deresiewicz 102-103). When asked if she wanted to do any of those things she responded with; "no, none of us want to, none of us in the world want to." *(Id).* Despite not wanting to offer these rewards, they still get offered across the site by users simply because they are the kinds of things that attract people to spend money on them, and without such high caliber rewards, a crowdfunding campaign is likely to fail. This is why crowdfunding sites should not be seen as a solution to low compensation for the consumption of art. So many artists, musician or not, do not want to run a campaign because the rewards may become like a second job, and ultimately take away from their ability to make art in the first place.

Patreon, the monthly subscription site, derives its name from the word "patron," meaning "a person who gives financial or other support to a person, organization, cause, or activity." (*"A Brief History of Patronage").* Patronage dates back many centuries but has always been closely associated with the arts. Before modern times the artistic business model used to be that someone, typically a Nobel, or someone part of the church would become the patron of an artist, so that the artist could make work for them *(Id)*. An example would be the pope becoming the patron of Michelangelo to have him paint “The Last Judgement” *(Id)*. This kind of business model has been long unpopularized by capitalism and artists’ increasing ability to sell their art directly to the world. However, Patreon has since revived this model, and with it, the idea of the “1000 true fans.” This phrase is one of the other arguments by those who support big tech, it was coined by Kevin Kelly and he states that due to the internet you no longer need millions of fans, instead just a small 1,000 “true” fans that will buy pretty much anything you try to sell them (1). Thanks to the increased ability to have your business or products seen by many people due to the internet, finding these 1,000 should not be an impossible feat. He argues that with 1,000 fans spread throughout the world, each giving you on average $5 a month, you could easily earn $60,000 a year *(Id)*. Patreon takes both the 1,000 true fans idea and the patron idea and suggests that creators and artists ask their fans for about $5 a month, having those super fans provide another source of income for you. This idea, like other ones we have seen, is not inherently a bad one, it is simply another way for artists to make money, which is a great premise, but its validity starts to fall apart when we ask that same question, “who will pay you for that art?”, especially in the music world.

Many musicians who have set up consistent online presences have Patreon accounts, bands, and influencers alike, but just how effective are they? A closer look into musicians who have set up Patreon accounts can help us best answer that question, starting with Mike Bradley. Mike is a guitarist who posts videos on YouTube, he started back in 2008 and continues to make around 2 videos every week (*“Mike Bradley - YouTube”)*. Throughout his time he has achieved 75,000 subscribers and 12 million total views, he is no huge influencer, but instead a musician with a modest, and achievable sized fanbase *(Id)*. Despite his 75,000 YouTube subscribers, he only has a total of 8 patrons, and with patron tiers ranging from \$1-\$50, that is anywhere from \$8-\$400 a month, probably closer to the smaller end of the scale (*"Mike Bradley is creating Videos & Music")*. A similar musician is Pete Cottrell, also a YouTube guitarist but instead with 222,000 subscribers, but despite the hundreds of thousands of fans, he seems to be unable to find those 1,000 true ones, amassing only 66 patrons for \$180 a video, or roughly \$360 a month (*"Pete Cottrell - YouTube"), ("Pete Cottrell is creating Music Videos")*. The only musician that I have come across with a sizable true fan base is Rob Scallon. With his whopping 2.2 million subscribers on YouTube, he has achieved 325 patrons paying anywhere from \$1-\$10 per video for something in the range of \$975-\$9,750 a month, with a realistic estimate being around \$2,500 a month (*"Rob Scallon - YouTube"*), (*"Rob Scallon is creating Music Videos"*). He is a stellar example of the 1,000 true fans model, although he achieved it with only 325. However, gathering 2 million average fans to achieve 1,000 true fans does not seem realistic for the average musician or band, Scallon is just one of the few with viral success.

According to a 2017 study, only about 2% of creators on Patreon make more than the federal minimum wage every month (Sraders). This is more evidence of the "Long Tail" of digital commerce and just how skinny it is. It seems not to matter most about the quality of your content, but how visible your content is to people, leaving those with more visibility the ones with the most patrons. Despite that, many creators, including musicians, use Patreon in hopes of making just a couple extra bucks a month as is the case with Mike Bradley and Pete Cottrell. The problems with the model are similar to the problems with crowdfunding sites. Patreon is not a charity site; people are expecting something extra in return for supporting you in an extra way. These musicians that we looked at offer exclusive content only found on their patrons including free downloads of their songs, early access to content, sheet music of their songs, behind-the-scenes videos, exclusive commentaries, and private monthly lessons. So not only do these musicians create their music and other content for their general fanbase, but they have to create an entirely unique set of material for their patrons, and depending on how many patrons they gather, determines whether having that second set of responsibilities makes it worth it in the first place. This is the main problem with these sites as well as the problem with the argument that they are here to save modern-day creators, the additional work needed to achieve even an extra small amount of money each month may just be too much and may cause musicians to do things they do not desire. These extra responsibilities will ultimately take away from the end product as musicians spend more time catering to their super fans and less time on the craft of their music. It is worth noting however that these dollar amounts are in addition to other income they generate, most notably Youtube ad revenue, and digital music sales. So these sites should not be thought of as a total solution to lower compensation for music consumption, but rather an aide to help with financial struggle.

Focus on Your Strengths: Thinking Beyond Distribution Income

The above criticisms are not to suggest that making a living from music is no longer achievable, but rather that the internet's democratization of media has made making a living as a recording artist through distribution a significantly harder achievement than ever before. However, being a musician does not stop at music distribution, as musicians typically have many different income streams, some of which could be vastly more lucrative than others, which forces artists to do as the title says and focus on their strengths. This is an idea introduced to me by Jake Stam, a Purchase College Alumni, and member of the band Friends at the Falls. He says that musicians must treat their band as a business, and every band has its strengths and weaknesses, places where they will excel, and places where they will fall short, and just like any good business owner you focus on your strengths and cut your weaknesses (Stam). It is not enough to simply put your music out there and hope the internet takes it away and makes you money, especially with how less lucrative music sales are compared to the analog days. He suggests that during those first years of "eating shit" where, as a small band you are either making very little money or losing money making music that you analyze the market as if you were an entrepreneur to see where your greatest possible income sources are. He told me of Friends at the Falls' success with live shows and how a single show could pay more than 1-2 months of streaming revenues. As a result of observing this success, they consciously include the aspect of playing live into their songwriting. They will focus on writing songs that they love but that also work well live and will be something an audience would want to see.

He went on to talk about the band "The Score" and how different their strengths are to Friends at the Falls. The Score, with their 5.3 million monthly listeners on Spotify write huge anthem-based songs, and their strengths lay in licensing, or selling the rights to your music so it can be used commercially by other companies (*"The Score"*). They are the kinds of songs that you would hear in a truck commercial or at the beginning of a football game to hype up the crowd. These are the kinds of songs the band loves, and that they are good at writing and no doubt when they found out just how much potential money was to be made in licensing for them, did they double down on these kinds of songs. However, they still have weaknesses, these kinds of songs are seemingly not the kind that people want to see live, especially when compared to someone like Andrew McMahon, who despite his smaller 800,000 monthly listeners, sells out larger venues than The Score (*"Andrew McMahon in the Wilderness"*), (Stam). Jake told me that this was because of each artist's strengths, they simply made the music they loved, and one was more lucrative with streaming and licensing, and the other was more lucrative with live shows and the artists did the smart thing and focused on those strengths. An artist can easily fail when they do not focus on their strengths, or when they try to be something they are not in hopes to exploit a more lucrative avenue. For example, if an artist sees the amount of money that there is to be made from licensing, but the music that they love to make is not suitable for this approach they may change their style. They may go from a style that they love to write in and play, to a style that they are only writing in because they want to make money, or that they want to please someone. It is disingenuous, and the public can figure that out, "If you are not putting your heart into it, it is transparent, people can tell," Jake told me, and that is why those that try to play the game like this do not make it. However this idea of analyzing the market, and focusing on your strengths puts hope into the notion that despite music consumption not generating revenue like it used to, there is still money to be made in the industry, you just have to find where you fit into it all, and to not get discouraged when your weaknesses show.

A New Model for Fairly Compensating Recording Artists

In the world of democratized media, it still may not be enough to simply say “focus on your strengths.” Along with trying to better ourselves to fit into the mold that we are given, we should think of ways to shape the mold into something more forgiving so that those who aspire to be artists can thrive. Those starting out whose strengths fall in music distribution may have to wait longer for profitability, or may never reach profitability at all simply because of how little they would earn from distributing their music online through Spotify and other streaming sites. Because of this, a new model must be implemented, a model that gives smaller artists and others who rely on music distribution as their main income source a fair chance. With the high price point of producing quality music, along with the ever-increasing cost of living, sinking a full-time job’s worth of your time into music and not making money from distributing it can push many artists, especially new ones, to quit the game entirely. Leaving only those who can afford to eat the cost and those who cut corners in order to be able to afford it. This ultimately leaves the world with lower quality music, with quick songwriting and production tactics, and music made by DIY artists who do everything themselves for the sake of cost, both leading to less intricate music, and lower attention to detail all around. Artists must be compensated for the consumption of their art with a model that keeps the benefits of democratization but keeps money in the hands of the musicians, and not the greedy business heads.

Music is an art and suffers in quality when it has to abide by the rules of publicly traded companies whose main goal is increased profitability. Music exists on much more artist-friendly sites whose goal is more in line with the artists rather than the investor. Sites such as Bandcamp are a good example, being a privately held company whose financial details are not public, however, their artist-driven attitude objectively makes their executives seem less profit-driven when compared to Spotify's publicly held stock and CEO who is worth roughly 3.7 billion dollars (*"Daniel Ek Net Worth"*). That difference could be explained away by popularity as Spotify is exceptionally more popular than Bandcamp, but it is also worth pointing out each company's intent. Spotify is driven by profit, and Bandcamp has a more artist-centered, community-based approach and focuses on the artist's well-being and power over their own music ("Bandcamp Founder Explains Long-Term Community Building"). This if nothing else proves that music can exist in a space online without the hosting site being purely profit-driven.

During my research and discovering the different methods in which musicians have been paid throughout the years I tried to rack my brain to come up with a new model, something not yet done before and something that would be a step forward in terms of innovation, and not a step backward in an attempt to capture the long-gone days of higher profit margins. In doing so, I came up with a concept that I called "fan-rata", or "fan-rate", it would take an individual's monthly subscription and divide it amongst the artists that they listened to, instead of dividing their monthly subscription into what the user base as a whole listened to, in doing so it would allow fans to support the artists that they listen to in a more direct way, much like how when someone would buy a CD of their favorite artist, the money from that sale would go to the artist, not divided amongst a group of them. In my research, I also found that I was not alone in thinking this way, as this model is one that is present on the internet today.

The new model being proposed here would be taken up by a company that takes the good attributes from the aforementioned sites and adapts them into one site while adding new ideas to better benefit the artist. This company would ideally be a non-profit, or even a B corporation to ensure that its existence is for the public's good, allowing for musicians to make money from the consumption of their art while providing people with ease of access to music and information. It would take Spotify's streaming model, as Bandcamp still uses the pay-per-song model and streaming is a much more popular and universally preferred model of consuming music. With it would be a similar price point at $10 a month which is where the compensation for both the artists and the company would come from. Since Spotify takes roughly 30% of subscription revenue for itself, this new model would need to take less, somewhere between 10%-15%, allowing for the business to run, while still offering one of the highest payout ratios for any streaming service (*"How much does Spotify pay per stream?"*). In doing so it will be adopting Bandcamp's "artists first" attitude, allowing for the best of both of these models to coexist.

Secondly, this model will reinvent the way streaming royalties are paid, as mentioned earlier, streaming services use a pro-rata system, meaning all revenue is pooled and split up between the artists based on their percentage of streams in relation to total streams. Essentially if you receive 5% of all streams on Spotify, close to 5% of everyone's subscription money will be going to you. This model, while it may seem equal, is inherently flawed, the idea of paying artists you have never listened to is completely new to streaming and did not exist prior, even in recent times of iTunes and the digital single when you bought a song that money went to the artists and didn't get pooled and distributed to artists based on percentages. This model allows for situations like a single listener using Spotify yet only listening to 1 artist in that given month, unlikely but still possible. In this situation, Drake would likely receive more of a cut of this person's monthly subscription than the artist that this person exclusively listened to, which is not a fair system. In the new Fan-rata system I outlined, this would not be a possible scenario, the artists that you listen to would be the only artists receiving a cut of your monthly subscription. To take a deeper look into the impact this new system can have, we focus our attention on the others who have had the same idea, specifically Soundcloud.

Soundcloud, a popular name in streaming and audio file hosting announced earlier in 2021 that they would be switching to this fan-powered royalty system, which is identical to the one I just outlined (Minsker). On their website, they give rosey numbers of mid-sized artists increasing their monthly streaming revenue by six times (*"SoundCloud's new, game-changing payout model"*), so does this mean the problem is fixed? Should artists simply move their music to Soundcloud to earn a liveable amount from music distribution? Unfortunately, the answer to lower streaming revenues isn't that simple, while a step in the right direction, Soundcloud still has its flaws which prevent it from solving the problem fully. From what it seems, this change on Soundcloud's end only benefits those whose audience majority listened to their music with Soundcloud, which is a niche group of artists. By looking at Spotify's 345 million monthly listeners versus Soundcloud's 175 million monthly listeners trying to switch your fanbase to Soundcloud only, or a Soundcloud majority would essentially cut your potential listeners in half (UCAYA), (Gilbert). There are many reasons why Soundcloud does not have a similar user base as Spotify and the biggest one arguably being how it is viewed in the eye of the public. Spotify, from a consumer's perspective, is clean, quick, reliable, and most importantly has a high-quality music library, this can be attributed to how they handle new music being put on their platform. It is advertised that anyone can put music on Spotify for free, but seeing how there is no "upload" button when you make an account makes it so that statement is not always true. Most artists, especially smaller ones who handle distribution themselves, will most likely have to use a third-party service such as Distrokid to distribute their music to online stores and streaming sites such as Spotify. Most of these sites are not free, and the free ones take a cut of your royalties from online distribution as payment. These methods act as a filter for sites like Spotify, causing only those who are serious about distributing their music and willing to pay money for it to be the ones that are hosted on Spotify, Soundcloud however has a different approach. Acting much like YouTube where anyone can upload anything they want without paying to do so, which in turn leads to a lower-quality library than Spotify's. When you look up a song on Soundcloud you can see the original song, uploaded by the original artist in the search result, but you will also see other uploads, fan-made covers, live audio shot by fans, and fan reuploads at a lower quality, and in some cases the real audio is not the first one to show up, or even the one with the most plays, making for a generally confusing experience. Compare that to Spotify, where when you search a song you will be greeted with the original version, and then suggested official songs by the same or similar name, or officially released cover versions by other bands, not low-quality fan-made recordings. Spotify's increased regulation on original songs as well as cover songs makes it so that only what the user is trying to find will be shown to them, making it so the public knows that Spotify is where you go for the best quality, not Soundcloud. The musicians know this too, as many artists including Friends at the Falls do not have their music on Soundcloud despite the chance to earn more per stream than Spotify, there just simply isn't a market there for them. This is why the new proposed model must invoke high user confidence, taking Soundcloud's payment system but with Spotify's user trust and song regulations.

All in all this new ideal streaming app should be priced accordingly to other current ones at $10 a month per user, where $9 of that gets sent directly to the artists that that individual user listens to based on how much they listened to them in a month, a pro-rata system but localized entirely within the fans playlist. It should be a service that invokes trust in the users that they will be shown the content that they are looking for, not unofficial versions of their favorite songs. This will be achieved through the regulatory methods used by Spotify and many other streaming platforms that use a small paywall for uploading to ensure that only the official and properly licensed versions of songs get uploaded to the site. Lastly, the company should be fan and artist-driven, not investor-driven. Profit-centered models and publicly traded companies have their place and that place is not with companies that artists rely on for their livelihood.

This new model could greatly improve the compensation of artists and allow for smaller artists to earn some money in their early years, allowing them to continue making music. If Soundcloud's example of artists increasing their revenue up to 6 times is true, then this model is superior for the artists and should be implemented all around the industry. However, the math behind Soundcloud's projects is not shown, which is an important part of legitimizing this model, so I will do some of my own math to explain how this could affect artists. Since this is not a per-stream model, and rather payment rate is decided based on how much an individual listens to you, we first have to see how many songs/artists people listen to in a given month. In my research through the tracking of the Spotify habits of the people I know through the application Last.FM, I found that on average people listen to 62 artists per month, with a low of 41 and a high of 75, as well as 362 songs per month, with a low of 158 and a high of 408. At this rate, in the $0.004 pay-per-stream model of Spotify, the average person is sending $1.45 to the artists that they listen to after Spotify takes their cut of their $10 subscription, and then the remaining is split up between all the artists on the platform pro-rata. Meaning that on average, your streams account for about $0.02-$0.03 of your favorite artist's monthly streaming revenues. This number will be different for every artist, as it is an average, but if we take Friends at the Falls for example, who told me that they were making roughly $1,000 every month from Spotify with their 100,000 monthly listeners, we can see that every one of their listeners accounts for an average of $0.01 per month, close to my $0.02-$0.03 estimate (Stam). It is clear to see that our subscription is split thin in this pro-rata system, and going forward these are the numbers to beat with our new fan-rata system.

In this new model, nine dollars out of every subscriber's subscription would be distributed back to the artists, much higher than our previous $1.45, and still higher even if you include the remaining amount of your Spotify subscription that would be split up between the rest of the artists on the platform, which would total $6.95 combined. However, the difference here is that our $9 would be split between those 62 artists that we listened to, instead of the millions of artists on Spotify. Just by taking a quick average, $9 split 62 ways would be $0.145 per artist, but since our model is proportional to the amount that you listen to each artist we will have to go a little deeper.

Figure 2 below shows the average amount of plays that each band would receive in our 62 band average, listed from highest percentage played, to lowest. These numbers were obtained by recording the specific percentages from multiple people and then averaging them, making it so the total in our graph will not equal 100%. It is instead used to better estimate how frequently a specific person's most listened-to band would be played in a month.

Artist Placement	Percentage played
1	7.06
2	4.95
3	4.32
4	3.65
5	3.64
6	3.42
7	3.13
8	2.23
9	2.2
10	1.99
11	1.99
12	1.69
13	1.56
14	1.4
15	1.4
16	1.4
17	1.3
18	0.95
19	0.95
20	0.95
21	0.95
22	0.95
23	0.95
24-38	0.85
39-43	0.72
44-62	0.42

Figure 2: Percent amount played per artist in one month.

From this graph we can see that the number one most streamed artist for a single person in a given month would receive an average of 7.06% of all their total streams, meaning that in our average of 62 artists and 362 songs per month, our top artist would receive 26 streams. In Spotify's model that would equate to about one cent (26 * $0.004 - $0.104), However in our model that would equate to about 64 cents (0.706 * $9 = $0.635), 64 times increase in revenue. That is only looking at a person's top artist, which would be getting the most money from our subscription and thus the largest revenue increase, so we should also look at those large numbers of artists who only receive 1-2 of our plays per month. In this new model, even those who only get 1 of our 362 plays in a month would receive about 2.4 cents from our $9 subscription, which is a 6 times increase than Spotify's .004 cent per stream model. When it comes to average listening numbers, this model would greatly benefit everyone across the board.

To take it further it is logical to think that a fan base of any given artist would consist of people who have that specific artist as their most played, as well as people who have them as their least played, so to get a realistic estimate as to how much this could increase an artist's income we can average out all the percentage plays to find a likely number that would represent how much each monthly listener would represent in terms of income. The average percentage played comes out to be 1.2%, (a total of 75.37% divided by 62 artists), and if you multiply that by our $9 subscription, you would get an average of 10.8 cents. So we can reasonably guess that in this new model each monthly subscriber would average out to represent 10 cents worth of income, which is a 3-10 times increase when compared to Spotify's. In terms of Friends at the Falls' numbers, if each one of their 100,000 monthly fans represented 10 cents, then they would be earning $10,000 a month from their music, not $1,000.

It is important to note that my number of average streams may not represent everyone, the sample size for my research was small and the numbers would certainly vary if a global sample size was taken. Certainly, if someone were to listen to fewer artists per month than my average, the payment rate per artist would go up, making the model more effective, and if someone were to listen to more artists, and more songs, it would decrease the payment per artist, making the model less effective. To put it in perspective, for those artists at the bottom of the list, who only receive 1 stream a month to earn the same $0.004 that Spotify would give them for the same 1 stream, a given artist would need to account for a tiny fraction of 0.045% of one person's total streams, or 9 times smaller than the smallest number in our graph. In practice, this may look like someone who listened to a hefty 2,200 songs a month and our artist in question only received 1 of those streams. This is an unlikely scenario but it is worth pointing out the flaw in this system that more streams, specifically a wider variety of artists streamed per person, result in lower revenue for those artists. However, it clearly takes a lot of this to even reach the lows of Spotify in terms of payment, and even if these high-streaming outliers do exist, there is no doubt that they would be averaged down by those who stream an average amount, allowing for artist compensation to stay high.

Without a doubt, this model can allow for small and mid-sized bands to finally earn their share and start making a notable sum from their music consumption. This model will provide midsize bands with a livable amount of money from their music, allowing them to quit their day jobs and pursue music full time without fear of financial collapse, allowing them to put all their effort into music which means higher quality music all around. The same can be said for smaller bands who have yet to see a profit from any musical investment. These small bands may finally be able to generate enough money to start funding bigger and better projects, moving away from bedroom recording and into studio recordings which will only net them more listeners, and in turn, money down the road. Another benefit, albeit much less tangible but arguably more important is motivation. The lack of profitability in the music industry and the stories of how little Spotify and other streaming services pay out discourages many musicians from taking their music beyond anything more than a hobby. If people finally saw that the main part of the music industry became 10 times more profitable and that it doesn't take hundreds of thousands to millions of monthly listeners to break even, then more musicians would want to make music, and in turn, more quality music would get made, and most importantly, more dreams would be achieved.

A Reflection of the State of Music

Music consumption has come a long way in recent years, changing drastically with each technological revolution. From personal performances to analog tape, to digital files, music is becoming increasingly more accessible, customizable, and affordable. These changes have integrated music into the daily lives of most people, making music consumption a second nature habit for them. However, with all its benefits, the vast changes in consumption comes with some downsides, specifically changing the way artists get paid. Streaming services like Spotify have become the main hub for music consumption for many people, and as Jake Stam puts it, their payment system is "a slap to the face." The amount you get paid does not seem proportional to the number of unique people that will consume your music in a given month. I dove into the numbers of Spotify to see just why the payment numbers are the way that they are and exposed the unfair nature of the current system to explain why it benefits the mega-stars and shareholders while hurting the medium and small-sized artists. I recognized that a new system had to be put in place, a more fair system that fostered opportunity and equity in the music industry. With the new Fan-Rata system, artists of all sizes can receive an adequate amount of money for the consumption of their music. This can be the deciding factor as to whether artists can turn a profit, make the music they want to make, or even make music at all to begin with. Without proper compensation, so many musicians give up during their early years or don't even start at all due to the preconception that music isn't profitable, a notion led by Spotify's low payment numbers.

With Soundcloud implementing this system back in early 2021(*"SoundCloud's new, game-changing payout model,"*), further study should be done on the exact effects it has had on their artists on the platform to determine the practical effectiveness of this new model as well as its radiating effects on other sectors of the music industry. But based on Soundcloud's public data on increasing artist revenue and my research and predictions, it is in the best interests of other streaming platforms to follow suit and implement this model. The implementation of this new model would bring about a new musical revolution without changing the means of consumption. With it would come more opportunities for those starting out, or even those years into their journey who have yet to see profitability. With adequate cash flow going to artists of all sizes, music of all kinds can receive the attention to detail that it deserves, proper funding can go towards songwriting, production, and marketing, ultimately increasing the quality of music of all kinds.

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