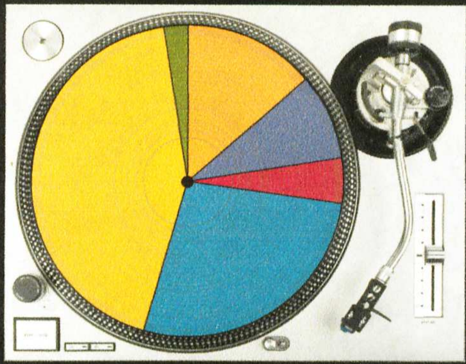

- performance royalties
- advances
- live shows
- licensing
- retail sales
- merchandise
- commissions
- fan support
- synch licensing
- grants

Artist Revenue Streams

a multi-method research project examining changes in musicians' sources of income

Future of Music Coalition is conducting a multi-method research project to assess how musicians' revenue streams are changing in this new music landscape.

Meteoric transformations in the creation and distribution of music over the past ten years have drastically changed the landscape for musicians. New technologies have greatly reduced the cost barriers for the distribution and sale of music, and a vast array of new platforms and services — from Bandcamp to blogs to Twitter feeds — now help musicians connect with fans.

Many observers are quick to categorize these structural changes as positive improvements for musicians, particularly when compared with the music industry of the past. While it's fair to say that musicians' *access* to the marketplace has greatly improved, how have these changes impacted their ability to *generate revenue* based on their creative work? Almost all analyses of the effects of these changes rest purely on assumptions that they have improved musicians' bottom lines.

The Artist Revenue Streams project has collected information from a diverse set of US-based musicians about the ways that they are currently generating income from their recordings, compositions, performances or brand, and whether this has changed over the past five years.

The project collected data through three methods: in-depth interviews with more than 25 different musician types; financial snapshots that show individual artists' revenue in any given year and across time; and, a wide ranging online survey that collected rich data from over 5,300 US-based musicians and composers in fall 2011.

With data in hand, we have begun to publish an array of findings about musicians' revenue streams and their earning capacity.

Future of Music Coalition
Education, Research and Advocacy for Musicians

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Qualitative + quantitative data

1200 pages of qualitative data. From August 2010 to December 2011, we conducted over 80 in-depth interviews with a range of US-based musicians and composers — from jazz performers, to classical players, TV and film composers, Nashville songwriters, rockers and hip hop artists. We used a technique called snowball sampling, a process whereby existing study subjects recruit future subjects from among their acquaintances. Nearly all the interviewees were full time musicians or composers. The interviews have been coded and are referenced frequently in data memos.

Financial case studies. We also received and analyzed accounting data from five different working musicians, generating annual revenue pictures and time series data for each based on real income and expenses. These analyses were published as in-depth financial case studies, available on the website.

Online survey findings. The Money from Music survey, which ran from September 6 – October 28, 2011, was open to all US-based musicians and composers 18 years of age or over. Participation in the survey was promoted widely among musicians through an aggressive combination of partner outreach, earned media, advertising, flyering, social media and word of mouth. It was completed by 5,371 musicians, thus generating a rich and robust data set.

The survey's primary purpose was to ask whether musicians or composers earned any income from specific revenue streams and, if yes, whether that income was increasing or decreasing and the reasons why. But, because of additional questions asked, we are able to filter and crosstab the revenue data in dozens of ways. We can examine income patterns by:

Demographics: age, gender, race, personal gross income, educational level, zipcode
Genre: either primary genre or genre in which they say they make the most money
Role: composer, recording artist, performer, session player, teacher
Activity/output: number of compositions/ recording credits, years doing craft, workweek hours
Support structures: memberships, PRO associations, label affiliation
Use of technologies: Whether they use any of the various technologies: CD Baby, Tunecore, Facebook page, Bandcamp. We have about 30 options.

It's also possible to look at the survey data from the perspective of the revenue streams themselves, such as income from sound recordings, compositions, public performances, and about 15 other discrete revenue streams.

Five copyright-related findings

1. A paragraph from Peter. Income's relationship to copyright varies according to a musician's role, career trajectory, genre

2. On many platforms, musicians lack leverage over how much they are paid. Individual recording artists have no leverage over the rate that they are paid when their sound recordings are used in on-demand streaming services (Spotify, Rhapsody, Deezer, Rdio) – a business model that is likely to grow in popularity over the next few decades. Major labels have had undue influence over the rate-setting process, which has happened through private negotiations and been paired with demands by the major labels for equity stakes or upfront payments for the use of their catalog. These advance payments means the record labels may not be seeking the highest per-stream rate possible from music services. While this may not affect the major labels adversely, it has impacted musicians down the chain, including those signed to indie labels and those using aggregators like CD Baby or Tunecore to get their music into these services. Even if these unsigned musicians wanted a higher per-stream rate, the indie labels and aggregators don't have the leverage to demand anything higher than what the major labels are receiving. Musicians – especially those who are not signed to a major label – are left with a fraction of a penny rate, likely even lower than the rate negotiated by the major labels for their own catalog.

The data from our survey and interviews suggest that the payments for on-demand streaming services are small, but growing. But awareness of the issue, and frustration with the obfuscation about rates, is a burgeoning issue in the music community.

While there is probably no policy that can be enacted to address this, it does underscore the stark differences between on-demand streaming services, for which the rates of payment are negotiated privately between two parties, and the non-interactive digital services like Pandora, Sirius XM and webcast stations, which operate under a statutory blanket license and pay a publicly-disclosed rate.

3. The DPRSA created a legitimate new revenue stream for recording artists, session players, and composers. The passage of the 1995 Digital Performance Right for Sound Recordings, and the subsequent development of a process to set rates, license users and to collect and payout the digital performance royalties, has been beneficial to musicians. Not only did the DPRSA create a brand new revenue stream, which has grown significantly over the past 10 years, but its tiered licensing structure with different rates for tiny webcasters, NPR, pure-play webcasters, and satellite radio led to an explosion of technological progress an greater consumer choice. This has impacted composers as well; even though they are paid by ASCAP, BMI and SESAC, the number of platforms now streaming music has continued to grow, thus boosting the performances of compositions as well.

Interviews and survey data suggest that income from digital performance royalties is also small, but growing. A number of interviewees mentioned the value of SoundExchange royalties, especially those working in niche genres for which there are Sirius XM programmed channels. For some of our interviewees, this income was noticable, and growing.

A policy recommendation is to continue to support the digital public performance royalty, and the statutory license for webcasts in general. The clear benefits to musicians are: digital performance royalties are paid directly and simultaneously to performers and SRCOs; the rates are public, and negotiated through a process that includes many stakeholders, and; SoundExchange's power structure ensures that artists are equally represented at the board level.

4. PRO income, in general, is a good thing. The entire public performance royalty structure, with its blanket licenses and collections on a wide range of uses, is a good thing for composers and songwriters. After the original songs or compositions are created and licensed, PRO royalties can flow back to composers for years, based on performances of the existing work. For artists whose other revenue streams may fluctuate wildly from year to year, PRO money can be a reliable source of income across time, paid through a predictable process.

Our survey and interviews show the long-term payoff of this structure. Public performance royalties can provide lasting income for composers for many years (especially those that have been embraced by commercial radio).

A policy recommendation is for musicians/composers to realize how important metadata/proper attribution is to ensure that their royalties flow back to them properly. US performance rights organizations should also adopt census models wherever possible (especially for radio airplay), and always strive for more accuracy and efficiency.

5. Transparency and financial literacy are critical. Musicians, especially those signed to major labels, are often not provided with enough financial detail on their royalty reports to understand exactly how they are making money via their sound recordings. Labels often send their artists simplified accounting statements that are not only lacking in a direct accounting of costs, but are also light on details about the volume and price of sales or streams in the accounting period.

This stands in stark contrast to the business practices of digital aggregators like CD Baby and Tunecore that serve independent artists and bands. Both services provide ridiculously detailed monthly statements, cataloging the sources of sales/streams, the volume of activity, and the territory that the money was earned in. In both cases, these statements are available to clients online 24/7, and accumulated earnings can be distributed back to artists via Paypal or check (once minimum payment thresholds are met).

The survey and interview data suggests that many artists are participating in new revenue steams, but they are often confused about the differences among different services, and how the money flows back to them. This is understandable – it's a fast-changing world and one in which the details are critical.

FMC has two recommendations: first, artists and managers who are working with indie and major labels should demand more transparency and detail from their labels. Second is the recognition that musicians, and their managers, need to get better trained about what revenue streams are available to them, and how to access them. Managers need to learn more about revenue streams, and have greater awareness of ancillary revenue dependent on copyright use. FMC has a clear role in this, and this work is a natural extension of ARS.

Reports and data memos

The Artist Revenue Streams team has published more than 20 data memos to date. We have presented about the project or its findings at the Future of Music Policy Summit, CMJ, Americana Music Conference, MIDEM, Network of Career Development Officers, JazzConnect at APAP, San Fran Music Tech, SXSW, Canadian Music Week, Harvard's Berkman Center, Berklee College of Music, ReThink, NARM's Music Biz Conference, MEIEA Music Educators' Conference, NYU's Music: Parts and Labor Conference, Boston's Rock Shop, The Julliard School and Baruch College. In many instances, these presentations were expanded into the data memos listed below, each available on the project's website at http://money.futureofmusic.org.

About the artists who participated
Survey Snapshot
Maps of Survey Respondents
Technologies Musicians are Using to Produce/ Create Music *
Technologies They're Using to Promote/ Distribute/Sell Music *

Financial case studies
Indie Rock Composer-Performer
Jazz Bandleader-Composer
Contemporary Chamber Ensemble
Professional Orchestra Player
Jazz Sideman-Bandleader

Genre- and role-based reports
A First Look at Jazz Musicians
Jazz Musicians and Money from Music
About Session Musicians and Freelancers *
About Songwriters and Composers *

Consumers' attitudes about creators
Data Driven Answers to Four Common Assumptions About How Musicians Make Money

About specific revenue categories
Bands, Brands and Revenue
Off the Charts: Income from Sound Recordings
Orchestral Recordings and Performer Payments

External factors affecting compensation
Does Radio Airplay Matter?
Going to Music School
Musicians' Teammates & their Effect on Earnings
Teams, Time Allocation and Technology
Are Musicians Benefiting from Music/Tech?
Music Cities *
Association and Union Membership *

About music's value
The Value of Copyright to Musicians *
The Social and Cultural Value of Music *

About research on musicians
How Many Musicians Are There?
Are Musicians Making More or Less Money?
Why "I don't know" is an Acceptable Answer
Leverage: how much or little control musicians have over how – and how much – they are paid

* forthcoming

The value of this research

FMC sees at least five uses of the research data:

First, the results provide musicians, the media and the music community at large with a comprehensive analysis of how musicians from many different genres are being compensated in the digital age. This data serves as a vital benchmark for understanding the shifting revenue streams for musicians.

Second, the data can help service organizations and advocacy groups understand how they can best serve their constituencies. Giving unions and service organizations data that captures the experiences of other musicians could help them identify trends, map policy objectives, and recruit more members.

Third, it can help musicians, advocates and the media make a more informed case to the general public about the complex realities of being a musician in the current landscape. For instance, many music fans assume that "all artists make money from touring" or "all artists are wealthy" so they don't feel guilty when downloading songs for free. Perhaps if the public better understood the complex nature of musicians' revenue (and the relatively small numbers we're talking about), we can enrich the public dialogue.

Fourth, this research could serve as an external assessment of the value of new technologies and services available to musicians and fans, for musicians. Many new business models have launched in the past ten years that use music to attract users. While many of these include a revenue component for rightsholders, there has not been any systematic effort put into examining if, or how, musicians as a whole have benefited from participating in these new models.

Fifth, the results of this research could have policy implications. Our research may highlight how policy decisions affect artists' revenue, and serve as a way to leverage change. We may also realize that, despite the technological progress that these new business models represent, the vast majority of musicians live from gig-to-gig and struggle with middle-class issues like mortgages, gas prices and finding affordable health insurance. No matter what the outcome, FMC recognizes the immense value in undertaking this work as a fundamental part of understanding musicians' earning capacity, now and in the future.

Future work

We believe that this work has enormous value on its own, but with additional funding and institutional support, its worth could be amplified in a number of ways:

Extending the value of existing data for musicians

There is more we can do with this data to help musicians better understand their earning capacity.

Educational seminars with musicians and composers, where we walk participants through the 42 revenue streams, collect data from attendees, generate individual data profiles for each person, and lead peer-driven discussions.

Curriculum development for key music industry and conservatory schools. Faculty and students at music industry schools and conservatories are keen to present their students with tangible examples of what to expect in the “real world” of performance and composition.

The power in replication

ARS has primarily been a benchmarking effort – a snapshot of how musicians’ revenue streams are changing, and why, in 2011. While the data itself provides a rich and compelling snapshot of musicians today, the real power lies in replication. The most accurate way for us to measure change amongst US music creators is to repeat the process – especially the interviews and survey – every two to five years to capture comparative data across time.

Comparisons with other countries

Another powerful comparison would be to conduct this research in another country. By definition, the ARS project was constrained to US-based musicians and composers, and the entire question set reflected the contours of US copyright law and business practice. However, the research model is transferable to other countries. We have had preliminary conversations with stakeholders in Canada, England, and other EU countries, with the strongest interest coming from Canada. Clearly, the benefit of comparison from country to country is to better understand how different cultural support structures (public funding and grants, in particular, but also radio airplay quotas and cultural export strategies) and laws affect the creative community in different countries.

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