The New Power Trio: Bands, Brands and Revenue

A presentation and paper at MIDEM by Future of Music Coalition

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Meteoric transformations in the creation, promotion 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 true that musicians' *access* to the marketplace has greatly improved, how have these changes impacted musicians' 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.

For the past 18 months, the US-based nonprofit organization Future of Music Coalition has been managing the Artist Revenue Streams project, a multi-method, cross-genre research initiative to assess if and how US-based musicians' revenue streams are changing in this new music landscape.

Throughout 2010 and 2011, the Artist Revenue Streams project collected information from a diverse set of US-based musicians and composers about the ways that they are generating income from their recordings, compositions, performances or brand, and whether this has changed over the past five years.

In this research memo prepared for MIDEM, FMC provides a "first look" at a specific data outcome: if and how US-based musicians and composers are leveraging their brand to earn money or increase their profile.

This is just one of a dozen data releases that will emerge from the Artist Revenue Streams project.

Future of Music Coalition
Education, Research and Advocacy for Musicians

Methodology and definitions

Research methodology

Artist Revenue Streams project employed three methodologies: in-depth interviews with more than 80 different working musicians — from jazz performers, to classical players, TV and film composers, Nashville songwriters, rockers and hip hop artists; financial snapshots that show individual artists' revenue over time; and a wide ranging online survey that collected data from over 5,000 US-based musicians and composers from Sept. 6 - Oct. 28, 2011.

Data sources for this paper

The top-level data released in this paper includes information from both the online survey that ran in September - October 2011, and from qualitative interviews that we conducted with various musicians and composers between July 2010 and December 2011.

The definition of "brand"

Through our interviews, case studies and survey, we collected data from a wide range of musicians about how they are leveraging their brand to (1) earn money, (2) build audiences; (3) cultivate philanthropic support; or (4) establish relationships with corporations and brands. For us, this can include income from any of the following sources or activities:

- merchandise sales
- fan club earnings
- persona licensing
- honoraria or speaker fees
- ad revenue from websites and other properties
- income from YouTube's partner program
- producing
- acting or
- product endorsements

It can also include income related to:

- corporate sponsorships
- grants from foundations or federal or state arts agencies
- fan funding.

In relative terms, there are only a few high profile musicians who can leverage their brand to act in a TV show, or to license their name for a line of jeans, but many artists are leveraging their brand to participate in revenue streams that are tied to their personal profile as a musician/composer.

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

Survey goal and revenue categories

The goal of the survey was to gather information from musicians and composers about whether they earned income from specific revenue streams and, if yes, whether they were increasing or decreasing, and why. Because revenue streams are numerous and complex and – in many cases – only applicable to some musician types, we grouped revenue streams into eight categories that reflected the contours of copyright law and the type of musician who was eligible to earn them.

The eight revenue categories that we asked survey respondents to apportion their revenue into were:

1. **Money from songwriting/composing** including publisher advances, mechanical royalties, ASCAP/BMI/SESAC royalties, commissions, composing jingles and soundtracks, synch licensing, ringtone licensing, sheet music sales
2. **Salary as an employee** of a symphony, band or ensemble
3. **Touring/shows/live performances fees** earned as a solo performer, or by their bands/ensembles
4. **Money from sound recordings** including sales of physical or digital recordings (iTunes, CD Baby, traditional retail, sales at shows), payments from interactive services (Rhapsody, Spotify), SoundExchange royalties, master use licensing for synchs or ringtones
5. **Session musician earnings**, including payment for work in recording studio or for live performances, freelance work
6. **Merchandise sales** Non-music items, such as t-shirts, posters, etc.
7. **Teaching**
8. **Other.** This category included about 20 other possible revenue streams that we asked about separately, from corporate sponsorship to producing, fan funding, honoraria, ASCAPLUS awards, and a range of AFM and AFTRA funds.

After completing the top-level question about revenue, survey respondents were presented with a variety of specific questions about each of revenue steams in these categories. For instance, if they indicated they received income from mechanical royalties, they were asked additional questions about whether that income had increased or decreased, and why.

Survey snapshot

OVER **5000**
US-based musicians & composers completed the survey.

AVERAGE AGE **45.2**

40 percent
spend more than
36 hours a week
composing, performing, teaching or working on their craft.

42 percent
earn all of their money from music.

35 percent earn
$50,000+
from music, annually.

Primary genre
of survey takers

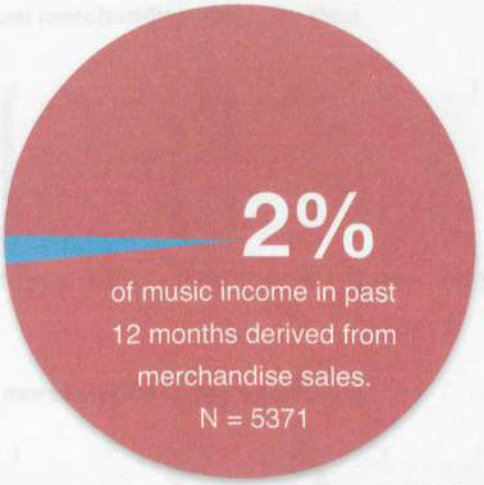
Classical	35%
Jazz	17%
Rock	7%

Survey findings on merchandise revenue

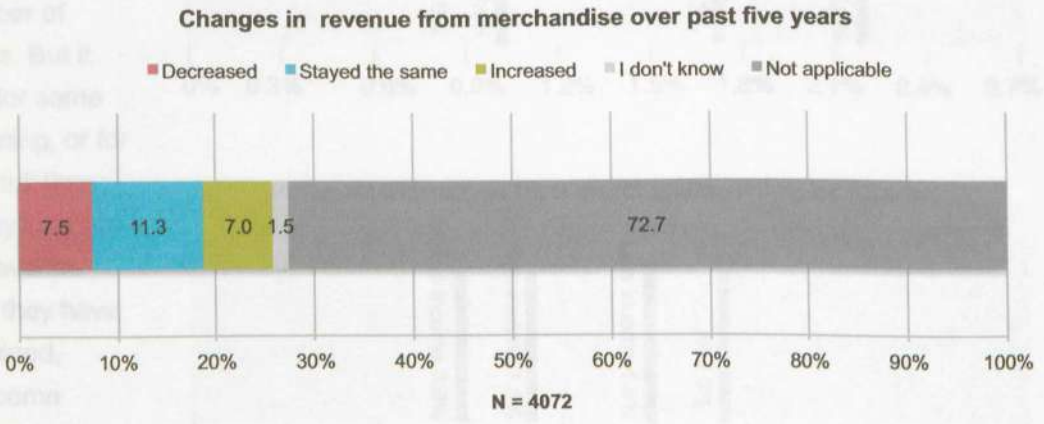
Merchandise and branding is only relevant for a small number of US-based musicians.

The online survey included a number of questions about income from merchandise sales – items like t-shirts and posters (these questions did not include sales of recorded music at shows, which were asked about separately). Respondents' answers indicate that merchandise sales is a revenue stream for only a select group of US-based musicians.

- Participation levels: Only 667 – or 12 percent – of survey respondents reported making *any* money from merchandise sales in the past 12 months.
- Revenue derived from merchandise: When asked to apportion their music-related revenue amongst the eight different categories (income from selling sound recordings, licensing compositions, and live performance, etc), revenue from merchandise accounted for about 2% of our survey respondents' revenue last year.



Another survey finding reinforces this point. When asked about changes in revenue from merchandise sales, 73% of survey respondents said the question was "not applicable" to them.



Remember, our survey respondents included (1) composers and songwriters, many of whom do not perform, (2) salaried orchestra players, (3) session musicians and (4) teachers – music professions for which merchandise sales is not typically part of their revenue picture.

Survey findings on merchandise revenue

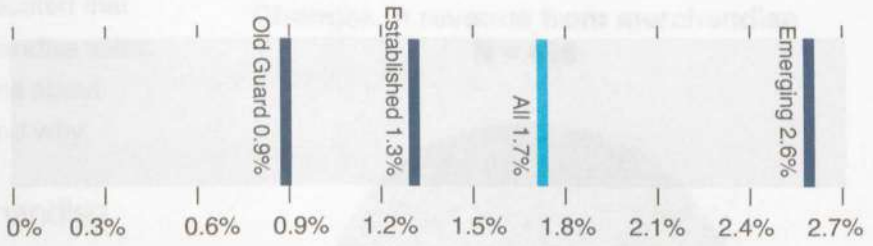
We were also able to filter the data about revenue from merchandise sales by various criteria.

While the total percent of revenue derived from merchandise sales remained under 3 percent for all respondents, it is interesting to see who does earn more:

- emerging professionals, who have 0 to 5 years of experience
- non-full time musicians
- those who did not attend a conservatory or music industry school, and
- those with a personal gross income under $20,000.

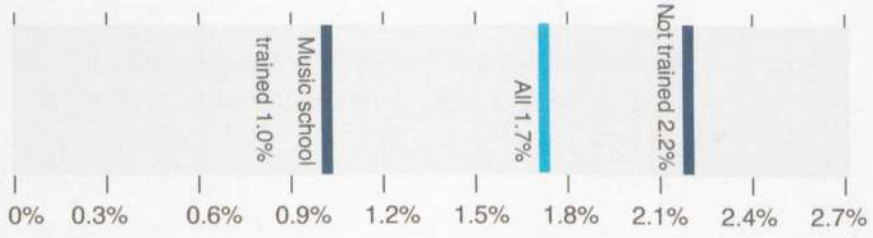
These findings are not a surprise given the survey population included a healthy number of full time, salaried players. But it may also indicate that, for some musicians who lack training, or for whom music isn't yet a full time career, merchandise plays a more prominent role in their revenue picture simply *because* they have fewer options than a trained, experienced, or high income musician.

Percent of revenue from merchandise sales, by experience

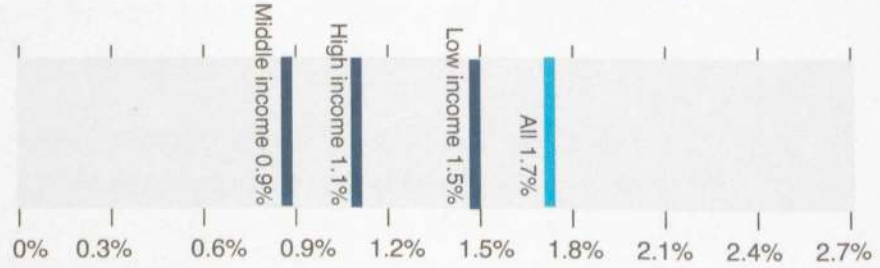


Percent of revenue from merchandise sales, by time

Perecent of revenue from merchandise sales, by training



Perecent of revenue from merchandise sales, by income



Survey findings on changes in merchandise revenue

For those survey respondents who indicated that they do earn some money from merchandise sales, the survey included additional questions about whether their income was changing, and why.

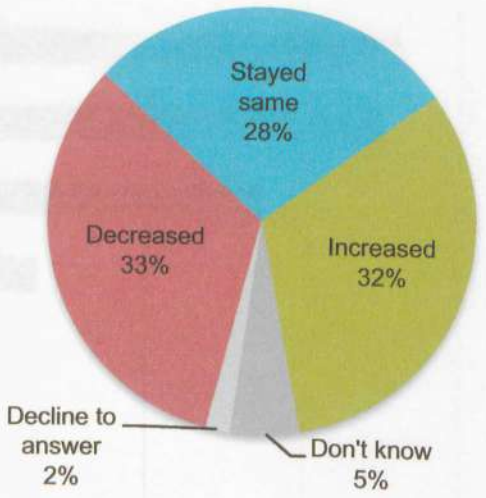
Changes in revenue from merchandise

To the right, we see an even split amongst our respondents, with about a third saying their revenue from merch has increased, a third saying it stayed the same, and a third saying it decreased.

Reasons for change

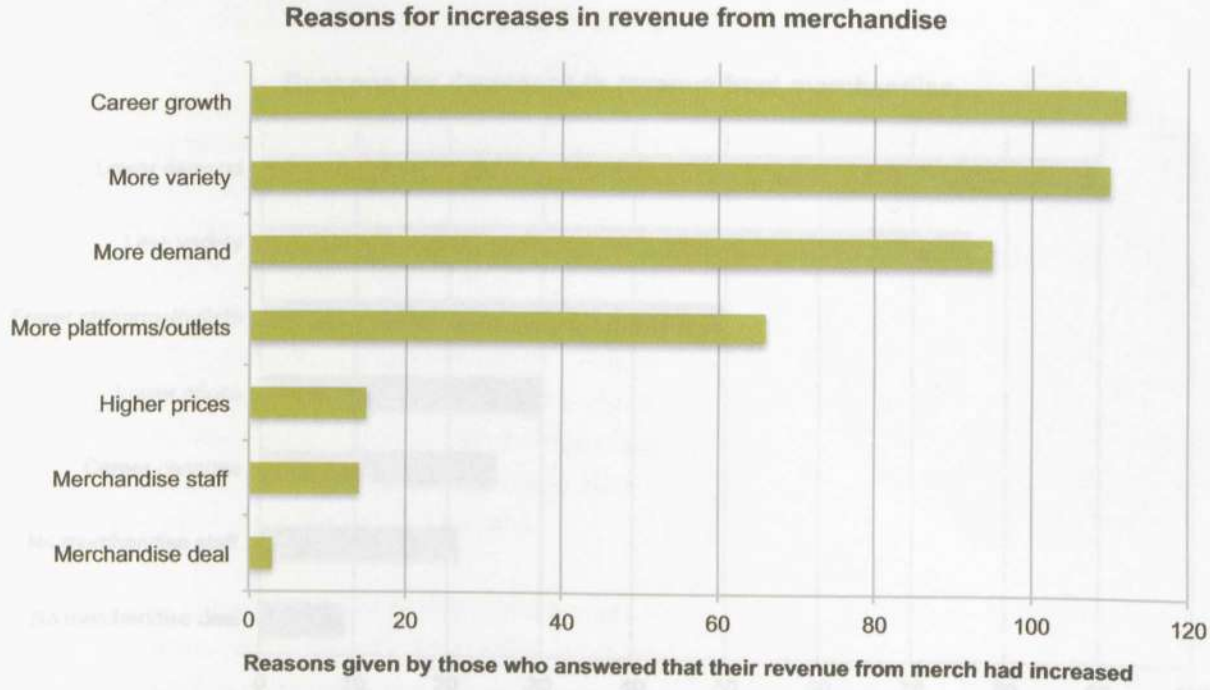
Below are two bar charts that itemizes the reasons that musicians felt their income from merchandise was either increacing or decreasing.

Changes in revenue from merchandise
N = 495



Survey findings on changes in merchandise revenue

First, let's look at those survey respondents who said they'd seen an increase in merchandise revenue over the past five years.



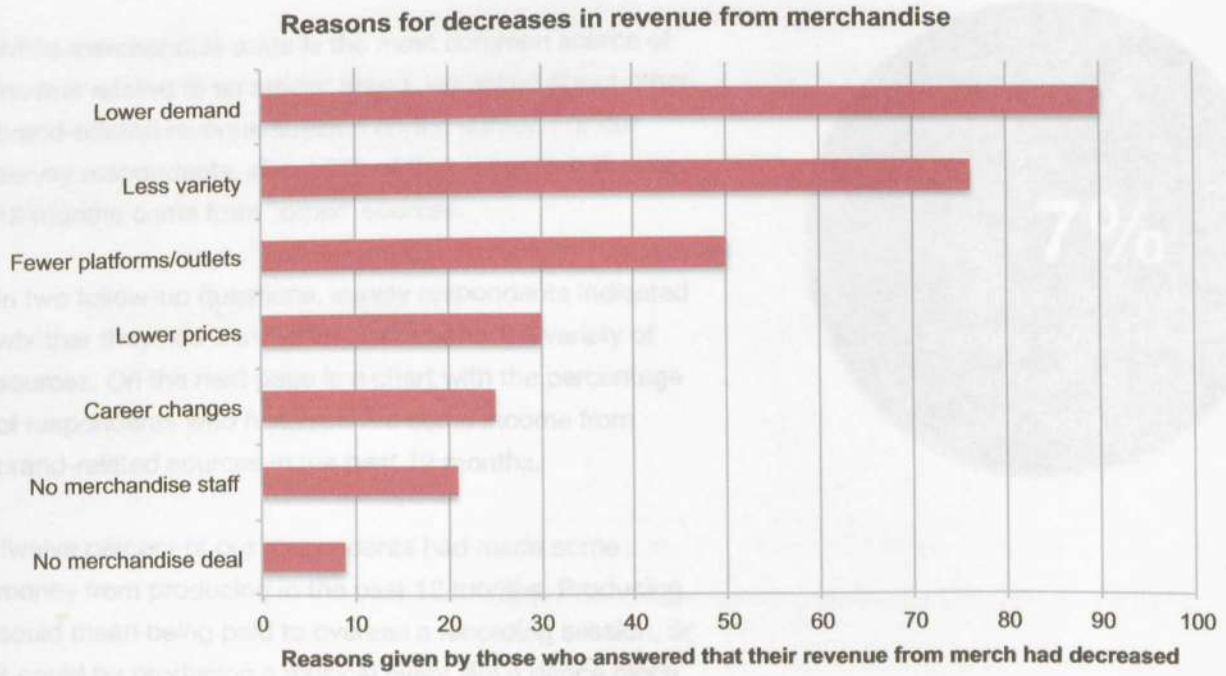
The top reason: career growth. The musicians responding to this question said their profile had increased, so they have more opportunities to sell their merch, and likely more demand as well.

Second: more variety. This is something that was echoed in the interviews we did; savvy artists are recognizing not only the power of their brand, but also the importance of knowing your market. Bands are careful to make the right range of t-shirt sizes and styles, and the really smart ones recognize there's sometimes a big difference between what will sell in Kansas City and what will sell in Los Angeles. They're also recognizing the importance of pricing, making sure there's everything from the $80 hoodie to the $1 sticker and pin on the merch table.

Third: more demand. This might just be a simple recognition of an artist's rising popularity, but it also reflects a larger trend. An artists' recorded music can be played everywhere: on the radio, on CDs, on Spotify, on P2P networks. But merchandise can be limited. It's something where quantity can be controlled. And some of the smarter artists are doing just that: they're creating limited edition t-shirts, or tour-only posters, that constrain supply and, therefore, increase demand.

Survey findings on changes in merchandise revenue

Now let's look at those survey respondents who said they had seen a decrease in merchandise revenue over the past five years.



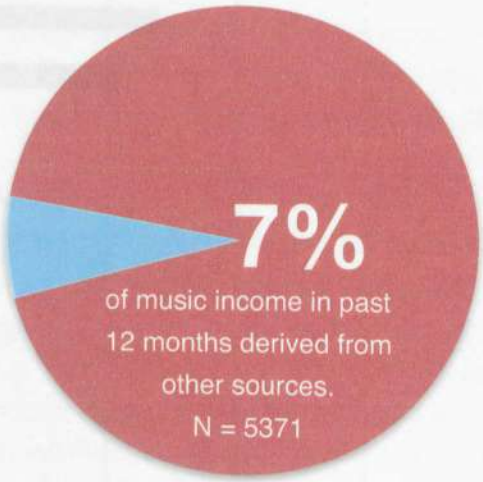
The top reasons given: lower demand, less variety, and fewer platforms/outlets. This could reflect a number of possibilities. It could be that they aren't out playing as much, but it could also be that there simply isn't the same level of demand or excitement amongst fans for their merchandise. Could it be that the artists aren't producing merchandise that's appealing to fans? Are they overplaying their markets and have saturated them? Is the pricing wrong? Is it the economy and a lack of disposable income? We can understand this better by seeing what some or our interviewees said about merchandise later in this paper.

Survey findings on branding revenue

"Brand" includes a variety of different income-earning activities.

2

While merchandise sales is the most common source of income related to an artists' brand, we asked about other brand-related revenue streams on the survey. For our survey respondents, about 7% of their income in the past 12 months came from "other" sources.



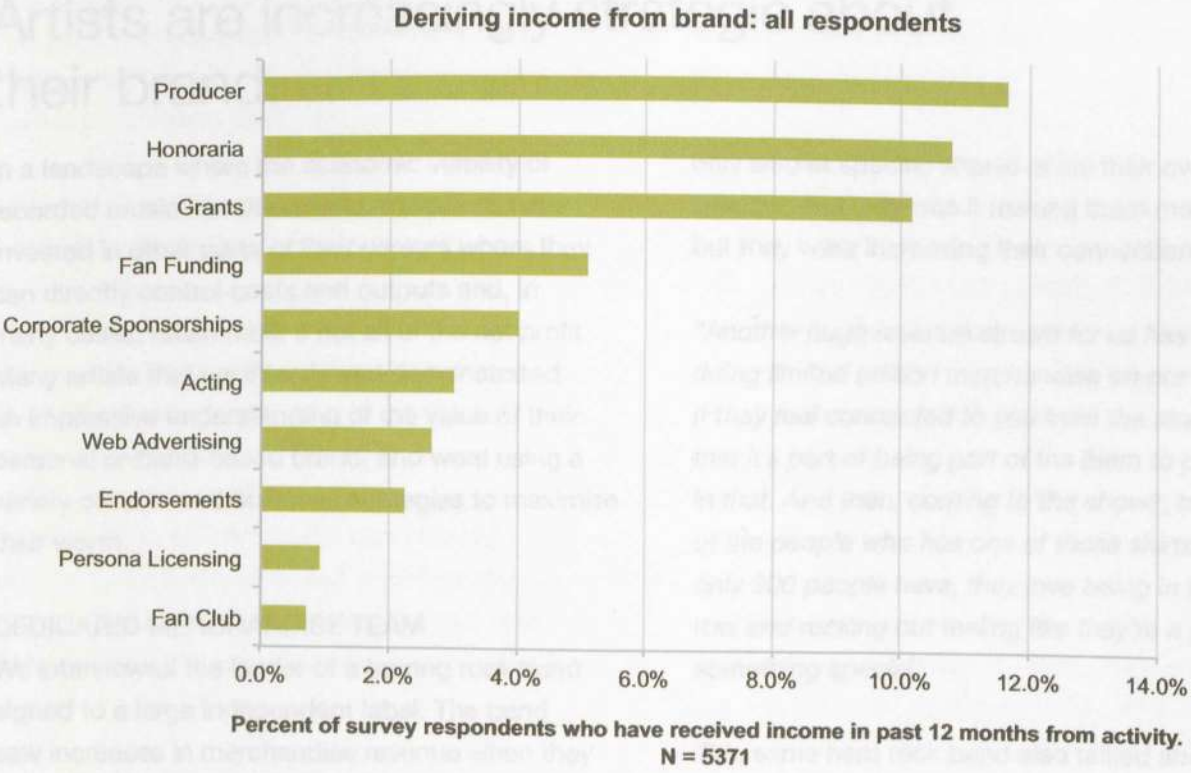
In two follow-up questions, survey respondents indicated whether they had derived any income from a variety of sources. On the next page is a chart with the percentage of respondents who had received some income from brand-related sources in the past 12 months.

Twelve percent of our respondents had made some money from producing in the past 12 months. Producing could mean being paid to oversee a recording session, or it could be producing a musical event like a dance piece or a performance.

About 11% of our survey respondents had made some money on honoraria or speaker fees in the past 12 months.

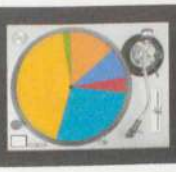
About 10% had earned some income from grants. This can be money from a state or local arts council, or a private foundation. Remember that a good portion of our survey takers work in the less commercial fields like jazz and classical for which there are funding mechanisms to tap into in the US.

Survey findings on branding revenue



Five percent of our survey respondents had received some income from fan funding in the past 12 months. In the US, we've seen a growing number of artists turn to their fan base for financial support. This can be direct appeals to an existing fan base a la Amanda Palmer, Jill Sobule or Jonathan Coulton, or they can be managed through a site like Kickstarter or Pledge Music.

Lower on this chart are the parts of the music industry where leveraging your brand takes a certain amount of fame: corporate sponsorships, acting, endorsements, and, finally, licensing your persona or running a fan club. The fact that only a small percentage of survey takers have earned money from these streams in the past 12 months shouldn't be a surprise given the high hurdle it takes to get there. And, in some instances – corporate sponsorships and product endorsements – it might be that the individual musicians don't see that money in their pockets, but that the relationship offsets tour expenses, or provides them with free goods in exchange for their support.



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Interviewees' comments about branding revenue

Artists are increasingly strategic about their brand.

3

In a landscape where the economic viability of recorded music has decreased, musicians have invested in other parts of their careers where they can directly control costs and outputs and, in many cases, retain most if not all of the net profit. Many artists that we interviewed demonstrated an impressive understanding of the value of their personal or band-based brand, and were using a variety of tools and business strategies to maximize their worth.

DEDICATED MERCHANDISE TEAM

We interviewed the leader of a touring rock band signed to a large independent label. The band saw increases in merchandise revenue when they brought on a dedicated merch staffer.

"We do pretty well. We have a dedicated merch guy now and he makes a lot of the difference. I feel like, he's motivated by percentage and he has some input on designs. He is a merch guy, He knows what he's doing and he even works on things like signings at festivals and makes a lot of the difference."
- US rock band

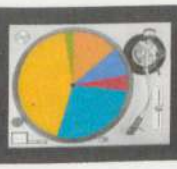
LIMITED EDITION MERCHANDISE

We interviewed a touring hard rock band that was seeing the value in limited edition merchandise, only sold at specific shows or via their own band website. Not only was it making them more money, but they were increasing their connection with fans.

"Another huge revenue stream for us has been doing limited edition merchandise on our website. If they feel connected to you from the start, they feel that it's part of being part of the team to participate in that. And then, coming to the shows, being one of the people who has one of those shirts that only 200 people have, they love being in the front row and rocking out feeling like they're a part of something special.

This same hard rock band also talked about the power of limiting the number of outlets selling their shirts. A classic supply/demand strategy.

"So that's become a huge part of our revenue stream, keeping the competition away by not giving a million websites our shirts where two times a year we see some mechanical statement of a small chunk and we really don't understand it. We're like, 'Okay, it may be accessible to less people but we're going make more money and sell more and it's going to be cooler, less people are going to have it and we're going to have more money.' It just makes sense." -- US hard rock band



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Interviewees' comments about branding revenue

FAN CLUBS AND BAND ACCESS

For more prominent bands, another source of income can be built around providing exlusive access to the band itself via a fan club.

An artist who plays guitar in a platinum-selling rock band told us how their fan club worked.

"We have a fan club and we'll have exclusive merch and we offer them opportunities to come watch sound checks and do meet and greets and stuff." – US rock band

He went on to tell us that the band managed the fan club on its own. On tour, their merchandise guy also took care of fan club responsibilities and meet-and-greets, and it had become another source of income for the group.

HIP HOP AND BRANDING

One business manager told us about hip hop's somewhat unique ability to forge these relationships:

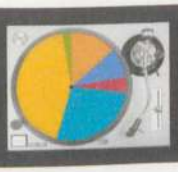
"[A]rtists in rap music seem to have a lot more commercial appeal and tend to be in a better position to leverage their celebrity outside of traditional music and make money from multiple sources. I, in my experience, have not seen people in other genres of music to be able to capitalize on their celebrity the exact same way." – US business manager for hip hop acts

An attorney who represents a lot of hip hop clients told us about his artists' making multiple side deals to leverage their brand:

[...]*" obviously there are recording deals and there are record producer deals, but there are others who have enough branding power that they are entering into ancillary agreements outside of recorded music, but it's related to their brand that is consistent. And really starts with the music."* – US attorney whose clients include major hip hop acts

But the same attorney talked about how rare these lucractive relationships are.

"It's a limited number [who can benefit from corporate relationships] because there aren't that many artists who have enough brand leverage that the company would care. So you tend to see some of the same faces associated with certain products and offer their exclusivity, et cetera. By and large that's not something that will trickle down to the average recording artist." – US attorney whose clients include major hip hop acts



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Interviewees' comments about branding revenue

For jazz and classical musicians, "brand" means something very different.

4

Most of the interview quotes to this point have been from bands or artists that work in genres were merchandising and branding are commonplace. But what about jazz and classical players?

Through our interviews, it was clear that many jazz and classical performers and managers have mixed feelings about brand and revenue.

The manager of a reknowned classical quartet talked about conflicting priorities in her role representing the ensemble:

"I've often thought that would be a fun thing to do but it takes away from our main purpose, and our main goal is to promote the artist with orchestras or with presenters and I think that would take away from the primary goal."

This person also expressed the challenges of navigating the commercial world.

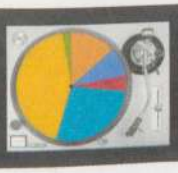
"I remember several years ago, Vogue magazine was doing a spread about something and they wanted a string quartet and we didn't have anybody available. [...] Later on I discovered that another string quartet got that gig and I was horrified because the string quartet was never named in the spread. I thought, 'Well that would also be something, that if you get it then you would insist on the XYZ string quartet getting placement in the spread.' They weren't. It must have been Vogue because they talked about the kind of lipstick that she was wearing and the clothes but they never named the string quartet and they're a very famous quartet. I think it's something that we should get into our way of thinking if only for that one moment when an artists gets asked to do it." – US classical ensemble manager

The manager of a small stable of cutting edge jazz artists expressed a willingness for some of his performers to seek corporate funding for projects that have traditionally been supported by foundations, grants, patrons and institutional funding.

"Well for us it's grown. It's an area that we've been interested in and we've been successful getting corporate underwriting for various projects, tours, live performance, recorded performance."

But the same manager recognized that it changed the relationship between the artist and the funding source.

"We're not raising a charity, it's quid pro quo, we have something that they can use and they have something that we can use and it's beneficial."



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Interviewees' comments about branding revenue

Corporate sponsorship and fan funding fills in where record labels have dropped off.

5

It's no secret that label budgets to support tours or album cycles have been going down. As a result, musicians are seeking other sources of money to support big projects, tours, or future releases.

CORPORATE SPONSORSHIP

Some artists told us how they're turning to corporations for financial support to finances tours or projects, and finding the relationships to be easy and mutually beneficial.

"For us corporate sponsorship of videos has been a total revelation because video budgets that we would scratch eyeballs out for five years ago are now pretty easy to come by from people who don't want any creative input or control, they just want that 10-second end slate, they want to know that a few million eyeballs are going to see their name and think that they're cool because they're associated with us. That's a really, really big deal..."
-- US rock band

A manager of socially-active rock bands agreed that sponsorships were an important part of the equation these days, but to proceed with caution.

"Not all corporate sponsorships are good. I think you really have to find the ones that philosophically your band can stand behind so that you're not doing damage to what the fans perception of the band is and the process. The worst thing that I can have happen is that if we do a sponsorship with somebody and a fan goes and sees something at a booth at a show, something like that, and then they respond with, 'Why are they doing that?' That ends up hurting the band in the long run." – US based rock band manager

FAN-BASED SUPPORT

And some told us about how they're turning to their fans for support.

"[Prior to 2000] we didn't really have a tasteful system by which fans could donate money. A lot of it I look at as random, fans who are real fans, who are supporters, they're going to pretty much look for small windows that you give them. Then it's like public radio, it's like, 'Now's the time that we're asking, you've been listening for free all year, this is the time where we have to kind of annoy you and poke you and say hey you've got to give us 10 bucks if you want this to keep happening.' "

"[A]rtists have to feel no shame about asking their audiences and their fans for support and money, fans have to feel no shame and no weirdness about just giving money to artists that they like and are supporting." – US musician/performance artist

Conclusion

The Artist Revenue Streams data strongly points to two key points.

First, we must keep conversations about branding revenue in perspective. Despite technological changes that have made it easier for creators to participate in the marketplace, the survey data clearly underscores the fact that revenue from merchandise sales and branding is an activity that only a few musician types can participate in. Suggesting that today's musicians should just "play shows and sell t-shirts" in lieu of other forms of compensation ignores the reality that many professional musicians – from composers, to salaried orchestra players, to session musicians – have career structures that do not allow them to build audiences or leverage their personal brand in that way. This should in no way diminish their value or importance; instead, we should remember that the community of creators is large, diverse, and specialized, and does not lend itself to "one size fits all" solutions.

For the musicians and bands who do have a brand, the survey and interview data suggests that they benefit from being flexible, open-minded, strategic about their brand management, and unafraid to involve their fans in the process.

We are in an age when the revenue from selling sound recordings has diminished, and where music is ubiquitous. Because artists have lost exclusive control over their music, they have built up value around other assets, and leveraged that. We see that in the hard rock band whose fans clamor for their limited edition merchandise. We see that in the corporate support for one of the world's most prestigious classical quartets. We see it as hip hop artists make guest appearances in Hollywood movies. Yes, good music and top notch performances are what makes these artists desirable, but in the absence of royalties from recorded music sales, the smart artists are figuring out ways to leverage their brands to broaden their fan bases, and earn money.

Future data releases

Future of Music Coalition encourages you to take a deeper look at our Artist Revenue Stream findings through upcoming releases where we will examine a range of questions about how musicians and composers' revenue streams are changing in the 21st century.

BY ROLE
Composers and songwriters
Touring musicians
Session and freelance players

BY GENRE
Jazz players and composers
Classical players and composers

BY LOCATION
Music cities

BY EXPERIENCE OR TRAINING
Emerging professionals versus old guard
Conservatory or music school graduates
Label relationships
Organizational affiliations

For more information or for greater detail about this project, visit money.futureofmusic.org