

2018

You Get What You Pay For: Why Spotify is an Artist's Most Valuable Asset

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This article was written as part of the curriculum for the Bachelor of Music in Music Management and the Bachelor of Science in Music Industry Studies at University of the Pacific. Each student conducted research based on his or her own areas of interest and study.

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Recommended Citation

Eggers, Evan T. (2018) "You Get What You Pay For: Why Spotify is an Artist's Most Valuable Asset," *Backstage Pass*: Vol. 1 : Iss. 1 , Article 20.

Available at: <https://scholarlycommons.pacific.edu/backstage-pass/vol1/iss1/20>

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You Get What You Pay For: Why Spotify is an Artist's Most Valuable Asset

By Evan Eggers

Much of the older generation who refuse to use streaming services are swift to ridicule the copyright holders and the services that stream copywritten content, arguing that they refuse to pay the artists a fair amount in royalties. In fact, many would go as far as to say that the streaming services are cheating the artists, or even stealing from them. Spotify, for example, is under fire because their estimated rate that the royalty rate they pay is lower than a penny per stream at \$0.0038 per stream. (McIntyre, 2017) In comparison, most artists, once they have recouped their advances, will take a percentage of the sale of each digital or physical album. But are performers really missing out by receiving smaller royalty checks from streaming services? Or are they essentially paying for access to the metrics the streaming services are gathering about their fanbase?

Streaming services offer artists and managers a variety of data about each song and listener at the click of a button, much of which cannot be accessed through physical music sales. For example, Spotify has a feature that enables users to view an artist's number of monthly top listeners. Traditionally, sales data on music sold by CD was compiled by SoundScan periodically, and released to the artist's team. With the rise of streaming services, artists do not have to rely solely upon services such as SoundScan to analyze their sales rates because they can track it in real time through their profiles with each streaming service. Soundscan is a service operated by ACNielsen that "is the authority in tracking what music people are buying both in-store and digitally," by tracking titles at the point-of-sale, and allows the data to be "viewed by UPC, ISRC, artist, market, retailer type or genre." (Nielsen, 2018) Artists can also get more detailed information on each listener than one could with the sale of a CD. Most often, a

physical or digital sale can only tell where a consumer purchased the music, and the format in which they purchased it. Spotify allows artists to see where the listeners are actually listening, which format they chose (mobile or desktop), what time of day they are listening, and which songs they play on repeat. Conversely, to find out a single's popularity, one would need to contact a radio station, which by law is only required to pay the song copyright holders, not sound recording copyright holders, or consult *Billboard Magazine's* weekly charts. With access to more refined data about an artist's target market, managers and agents can plan a tour based on the places where the artist has been most listened to, and in turn plan the most profitable live shows or tours, the revenue stream *most* lucrative for an artist today according to Kristin Thomson and Jean Cook's research for *Rethinking Music*. (Thomson and Cook, 2011)

Not only do artists have access to the immense amounts of data, but they also have access to a promotional platform that easily eclipses what can be achieved by physical sales. First off, streaming is the primary source of music consumption for listeners under the age of twenty-four. Approximately 54 percent of 13-15 year olds and 62 percent of 16-24 year olds are choosing to engage with streaming services that provide access to licensed art. (Maskell, 2016) The music streaming platforms are only growing, just like the audience using them. Younger generations are becoming consumers of music, and their platform of choice is streaming. To ignore an audience touchpoint which will soon be the major source of music distribution would be a mistake not even a rookie would make.

Through Spotify's partnership with Songkick, the artist can inform these many fans when they will be performing at a local venue on the same platform where so many of their fans will be accessing their favorite music. These tours are often planned to go through the cities and regions where the artists are listened to most on various streaming services. For example, artist

Lucy Rose stated that because of the data she had through Spotify for Artists, she had “the courage to tour Latin America. It was overwhelming to hear fans sing along so far from home.” (Spotify, 2017) Her entire tour would never have happened without the information made available to the artist’s management team. Links to an artist’s merchandise vendors can also be embedded on the artist’s Spotify page, further reaching their fanbase and target market, and leading to an increased ability to milk the market for further profit. CD sales and radio play cannot make the same impact, especially since they do not provide the convenience of one click purchases that streaming services do for both the artists and the users.

While the ownership of the artist’s user data may give power to the streaming services, the streaming services rely upon the artists for content to create or develop an artist’s brand that can be just as powerful. Beyoncé has a strong brand that could doubtlessly survive if she chose to leave online streaming as a distribution channel, and is also a leader among the community of artists. Should she choose to leave Spotify, others may join her, leaving Spotify in a deficit for in-demand content, and threatening their ability to continue serving their consumer clientele. This possibility is one reason that the services are motivated to continue to provide a quality product to both the artists and the consumers. However, by withholding the content from streaming services, the artists would be abandoning a source of highly valuable data that they could not easily collect elsewhere. It is a symbiotic, mutually beneficial relationship with its own checks and balances; Beyoncé provides her music, and Spotify provides its platform and expertise in distributing media to the users in a way that her label is unable to match in the digital age. Beyoncé gains access data on her fans, and Spotify has desirable content on its platform, which keeps users with Spotify.

The stereotypical argument from those opposing streaming tends to be that terrestrial radio is much better because they pay higher royalty rates than streaming services do. However, terrestrial radio is only required to pay for the song copyright, meaning only those involved in the writing and publishing of a song receive payment, and no royalties are required for the sound recording copyright, whereas online radio and streaming services are required to pay for both. (Schneider, 2017) Unless an artist is also credited with writing their music, they do not see a penny from terrestrial radio. While the Fair Play Fair Pay Act, a bill that is back on the congressional floor, abets the movement to pay artists, there is a significant amount of revenue that has already been lost over nearly a century of broadcasting. (Schneider, 2017)

If theft from the artists and rights holders is the primary concern, then rest assured, things are looking drastically better than the last decade. The advent of Napster in 1999 brought with it the demise of paid music consumers, creating a generation of listeners who are reluctant to pay for music. However, according to recent survey data, 13-15 year olds are showing a different trend, with 82% of them engaging with licensed music (54% of which is comprised of streaming), and of those, 67% agree that the artists should be paid when their music is played. (Maskell, 2016) These teens were the most supportive of this idea, with only 62% of 55-64 year olds and 62% of 45-54 year olds (some of the primary opponents of streaming) in agreement. (Maskell, 2016) As these children gain freedoms, jobs, and purchasing power in the next few years, the number of paying customers in this age bracket has potential for growth, as well as the rate that they are paying for their music. Streaming and paid access are a necessary stepping stone in the slow process to potentially rebuild a market for music sales.

As in any transactional relationship, one must provide compensation for the service provided. The artists and their labels are required to compensate the streaming service for their

work and resources that have been invested in furthering their career. Right now, that comes in the form of lowered royalty payments than those that would come from previous record sale distribution channels such as MP3 downloads and physical sales. These services have proven to be beneficial to many artists, giving them the “courage to tour” in unfamiliar areas, and have their art reach beyond the confines of their local markets. (Spotify, 2017) Jay Prince even cited Spotify as the source that provided him with his purpose “to keep creating” because “people all over the world are appreciating [his] music.” (Spotify, 2017) The artists are paying for a service, and when they take full advantage of the data compiled for them, artists are certainly getting their money’s worth out of Spotify.

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