International Artist Organisation Of
M U S I C

STREAMS & DREAMS

A FAIR MUSIC ECONOMY FOR ALL

PART 1, 2022

Daniel Johansson

SUMMARY

This report was commissioned by IAO and written by music industry researcher and analyst Daniel Johansson. The views expressed in the discussions are solely representative for the author.

IAO is a nonprofit organisation based in Paris that was officially founded in 2015 by its founder-members: FAC (UK), GAM (France), CoArtis (Spain), GramArt (Norway) and FACIR (Belgium). Other members are Dansk Artist Forbund (Denmark), the Musicians Unions in Sweden and Finland (Musikerförbundet and Muusikkojen liitto) as well as CAFM (Croatia) and De Muzielgilde (Belgium).

The purpose of the study is to investigate the prerequisites for a fair digital music economy, with the goal of including all sides of the music industry. Since IAO is the umbrella association for organisations representing the rights and interests of featured artists, the natural focus is on artists.

The report presents the result from a 2022 survey conducted among 200 practitioning and professional artists and musicians in six countries in Europe, as well as summarises the existing research and knowledge regarding economic compensation, f.e. user-centric models vs pro rata models, collective management solutions, fan based donation schemes, and the unwaivable equitable remuneration (ER) scheme.

Summary of selected results from the participating artists:

87.5% are dissatisfied with their revenues from streaming platforms.

75.5% believe that the current pro rata model is unfair.

46% are dissatisfied with their record label deal.

35% of DIY artists are dissatisfied with their distributor.

70% think that so called "buyouts" are negative for artists in general.

76% of artists received less than €1.000 from streaming during the last 12 months.

36.5% do not trust their CMO to distribute money in a fair way.

90% have not earned anything from streamed concerts during the last year.

70% believe that an unwaivable equitable remuneration right is important.

The author would like to thank Nacho Garcia Vega, Tore Østby, Maria Engström Østby and Elisabeth Sivertsson for valuable feedback on the content, form and design of the report, as well as AIE, SoundCloud, Deezer, Spotify, SAMI, Musikerförbundet, GramArt, Impala for information and sharing of knowledge.

STREAMS & DREAMS

A FAIR MUSIC ECONOMY FOR ALL

PART 1, 2022

Daniel Johansson

International Artist Organisation
www.iaomusic.org

Contents

1. Introduction

Ever since streaming became the dominating format for consumption of music in the digital context, a discussion has been going on in the music industry regarding how streaming revenues from ads and subscriptions should be distributed and allocated to different rights holders[1].

At the same time as streaming platforms (DSPs) like Spotify and Apple Music have come to the rescue for rights holders, considering the widespread music piracy during the noughties, there is clearly a large discrepancy between those artists that can make a good living from music streaming, and those artists that are counting pennies.

This report focuses on the specific role of *performers*, or artists, musicians. As a part of the investigation, an online survey has been conducted among 200 performers in Spain, France, Belgium, Denmark, Norway and Sweden.

The amount of streaming revenues are often connected to the amount of work that has been put into the development of an artist career online, by the artists themselves as well as by the management, record label, promoter and other actors involved in an artist's career. Platforms like TikTok, YouTube, Twitch, Triller, Twitter, Facebook, Instagram and many more, have become a crucial new "stage", where artists need to "perform" nowadays to gain the interest and love from their fans.

Artists that do not have a passion for creating videos on TikTok and YouTube, communicate with fans through social media (sometimes multiple times a day), develop and communicate digital merchandise and constantly be active on this new online stage, are having a harder time to generate streaming revenues, no question about it.

The new music and media landscape demands that artists have a strong interest in the digital domain, or, expressed in another way, artists in the new paradigm might best be described as online "influencers" releasing music. As Sam Saideman, the CEO of Innova Management, describes it:

"Every marketer, musician, record label, and general industry person is trying to "crack the code." Seeing people's growth on TikTok is leaving folks thinking that others are "winners" of the algorithm's "golden ticket," when in reality, all that needs to be done is to stop investigating how to cut corners and instead, start investing time and energy into creation. In this world, there is no substitute for hard work."[2]

Since many of the above mentioned social media and digital platforms do not generate revenues of any significant size, the connection between an artist's online following and streaming platforms like Spotify and Apple Music is crucial. Even though an artist might have a large following on TikTok, YouTube or Instagram, it does not mean that they are generating large amounts of revenues from streaming.

---

1 This discussion has f.e. been an intrinsic part of panels at music industry conferences and trade fairs for many years, such as Midem in France and SXSW in the United States. Another example is the political debate in the United Kingdom during 2021, including hearings in the UK parliament. (See f.e. https://www.theguardian.com/music/2021/apr/10/music-streaming-debate-what-songwriter-artist-and-industry-insider-say-publication-parliamentary-report)

2 https://www.hypebot.com/hypebot/2022/06/musicians-the-algorithm-doesnt-owe-you-but-it-definitely-owns-you.html

Also, each streaming platform has their own "DNA", that is, their own business model with different subscription tiers and views on how the economy towards rights holders and the audience should be constructed. Just because an artist has success on SoundCloud, does not mean he or she will succeed on Apple Music. Tidal, Anghami, Boomplay, Deezer, Napster, Pandora, Audiomack, JioSaavn, YouTube Music, QQ Music, Yandex Music, Resso, Amazon Music, Joox, KK Box, Melon and all the other platforms have their own specific take on streaming.

For some, if not most artists, this is a very demanding new landscape to operate in. The dreams are high, but the streams often come in low.

The purpose of this study is to gather and present knowledge on how artists view their career in the digital domain, as well as to understand their beliefs regarding things like user-centric distribution models, an unwaivable equitable remuneration right (ER), their trust in labels, CMOs, distributors as well as other aspects of the online sector.

The survey shows that 87.5% of respondents are unsatisfied, or very unsatisfied, with their revenues from streaming platforms. This correlates quite well with a former study done by AEPO-ARTIS[3], as well as with other surveys[4].

Whether this is a result of an unequal system for monetary attribution, or just a simple fact in a very competitive market that is demanding a new sort of "digital engagement" from performers, is one of the important questions to answer in this report.

There is a huge difference if a dissatisfaction over streaming revenues among performers comes as a result of a highly competitive situation based on fair premises, or if the dissatisfaction emanates from unfair remuneration based on f.e. structural imbalances, old contractual traditions or ineffective monetary distribution models.

3 In 2020 a survey was conducted as a part of the #PayPerformers campaign, managed by C8 Associates on behalf of AEPO-ARTIS, and in collaboration with European CMOs, trade unions and other performer organisations. The survey showed that 90% of artists and musicians receive less than €1,000 annually in streaming revenues (https://committees.parliament.uk/writtenevidence/14990/html/).

4 See https://faroutmagazine.co.uk/musicians-streaming-income-survey/

2. The prerequisites for performers in the digital context

In the music industry, and the copyright legal system, there is a difference between the person who *performs* music, and the one that *writes* the music. Even though both roles are often held by the same individual (or many individuals related to the same music), the economic system is separated between them. Session musicians are also often being subject to buy-out solutions, meaning that they are often not eligible for royalties in the same manner as featured artists and songwriters.[5]

Songwriters, or authors, mainly receive their revenues from streaming through collecting societies (CMOs[6]) and music publishing companies, while the artist, performer, mainly receives revenues from a record label or digital distributor. In other words, the role of the songwriter is related to the "song", while the artist is related to the "track", or performance of the song, either as a recording or live.

The legal situation for the role as a songwriter (or *composer*, *music creator*), could be regarded as somewhat judicially stronger historically than that of the performer. The creator of a song has copyrights related to the song, which is stated in copyright laws around the world, while performer rights have not been as well established in the digital context. That is one of the reasons as to why both authors and performers are included in Article 18 of the EU Directive on Copyright in the Digital Single Market, approved by the EU parliament in 2019[7], regarding fair remuneration in exploitation contracts. It states:

1. Member States shall ensure that where authors and performers license or transfer their exclusive rights for the exploitation of their works or other subject matter, they are entitled to receive appropriate and proportionate remuneration.

2. In the implementation in national law of the principle set out in paragraph 1, Member States shall be free to use different mechanisms and take into account the principle of contractual freedom and a fair balance of rights and interests.

Performers are often more dependent upon contractual rights and agreements, meaning that revenues from streaming platforms are usually governed by royalty clauses in individual contracts with labels and distributors, rather than by general rules provided in laws by governments. Representatives for performers have for a long time stated that this leads to performers having a weak negotiating position towards investors in their music[8].

At the same time, the commercial rights of the actors investing in music has to be protected. Without these investments many of the performers would probably not have been able to create the same kind of career at all. So, as described in Article 18, contractual freedom has to be balanced towards the right for fair remuneration for *all* in the music industry.

---

5 Featured artists are the group or individuals most prominently featured on recordings, while non-featured artists are session musicians, studio musicians etc, performers adding to the recording but not necessarily performing the music live or being well known for participating in the recording.
6 Collective Management Organisations, sometimes also called Performance Rights Organisations (PROs).
7 https://eur-lex.europa.eu/eli/dir/2019/790/oj
8 See for example https://completemusicupdate.com/article/european-performers-back-the-uk-artists-calling-for-equitable-remuneration-on-streams/

Two of the main entities that a songwriter and performer is contractually connected to are the *music publisher* and the *record label* (also called the "master owner"). Traditionally, record labels have had a larger share of revenues than the music publisher from the sales and streaming of recorded music:

"Every contract is different, and more established artists and songwriters will usually secure better deals than new talent. Though as a general rule, record contracts are tipped in the label's favour, allowing them to keep the majority of revenues generated, whereas publishing contracts are likely to be more favourable to the songwriter. Record labels would justify this by arguing that they usually take a much bigger financial risk than the publisher, especially when working with new artists.[9]"

Because record labels often have taken the largest financial risk under the recording agreements, a general unbalance in clout, or negotiation power, has been highlighted during the discussions preceding the decision on the directive by the EU parliament. As a result of the streaming paradigm shift, the relationship between artists and record labels have somewhat changed though[10].

A study from 2015, commissioned by IFPI, showed that already in the early years of streaming, the share of revenues to artists increased while major label share in general decreased[11]. This was specifically apparent on the Swedish market, which at the time was one of the markets that had converted into the streaming economy:

"Significantly, the market with the most positive trend in artist remuneration has been Sweden, where paid streaming predominates, accounting for 68 per cent of total industry revenues. In Sweden, payments to artists over the five year period rose 111 per cent against a 47 per cent increase of corresponding sales revenue. Furthermore, the IFPI data shows that in the majority of markets where subscription services account for more than 30 percent of revenues, artists have benefited from the growing sales and are receiving more money and a larger share of the revenues."

Of course, this investigation was compiled by the largest label organisation in the world, based on data from major labels that are having an interest in painting a picture of fairness, but that could be said of all actors related to the music economy. All have their specific interest with potential biases.

Nevertheless, there is no question that the contractual situation has changed since the advent of streaming. This could specifically be said regarding new featured artists, in comparison to earlier featured artists, so called "legacy artists", that entered the music industry ecosystem before streaming became the dominating format.

In general, new featured artists could be argued to have a higher awareness of how the digital economy around recorded music is working, leading to a better position in negotiations and making it possible for them to receive a larger share of revenues. As the distributor and label AWAL points out in a blog post regarding the history of the record deal after 2015:

"Across the board, artists suddenly had more freedom to form their own teams or creative collectives, distribute music, and measure the impact with clear reporting. A new breed

9 Music Managers Forum/CMU Insights (2015) Dissecting the Digital Dollar https://themmf.net/site/wp-content/uploads/2015/09/digitaldollar_fullreport.pdf
10 https://www.billboard.com/pro/record-label-deals-artists-power-dynamics-music-biz-2022/
11 https://www.musikindustrie.de/fileadmin/bvmi/upload/06_Publikationen/DMR/ifpi_digital-music-report-2015.pdf

of labels have emerged as a result, acquiring rights or licenses to songs and leveraging the current low price of distribution to release them on streaming platforms around the world. These deals tend to resemble 50/50 net profit splits for multi-song or one-project commitments with low four- or five-figure marketing budgets and five-year licensing windows."[12]

But, to fully understand performers' situations in the digital context, it is important to know that many new artists are still finding themselves stuck in contracts that are giving them a much lower share of streaming revenues than what can be considered fair[13].

For new artists it can be quite complex to understand all the different parts of contracts concerning the economy around recorded music, which sometimes leads to a situation where artists are signing deals without having a full knowledge of the details. Labels, publishers, management and other parties have a responsibility to create a fair basis for the artists they work with. That is why an effective implementation of Article 18 in various member countries in the EU has been so important.

2.1 Different categories of performers

To be able to describe the difference between performers, the following categorisation of artists could be made:

1) Featured artists signed to major labels
2) Featured artists signed to independent labels
3) Do It Yourself artists distributing music by themselves
4) Non-featured artists, session musicians, studio musicians etc

Besides this, the distinction between new and legacy artists is important when trying to identify the "class" of artists that are suffering the most in the streaming paradigm. In the old era, the artists share of revenues usually were a royalty of 10-15%, if they received anything after deductions and recoupable costs that could be included in clauses of the deals.

Since labels, both majors and indies, often nowadays do not have to risk money for the production of tangible goods in the form of CDs or vinyls (although these formats are still valid for some artists and on certain markets), and the distribution mechanisms are digital and more or less automatic, the large part of the budget for releasing music is focused on the development and production of the artist and the music itself, promotion, analytics, marketing and related areas. These areas are of course very important, but the distribution risk is clearly lower in the digital context than in the physical.

Also, in the former paradigm, labels had to take into account the so called "mechanical right", the mechanization of music when reproducing on CDs etc. This fee was paid to a collecting society who then distributed the money to the songwriters of the music. In the cases when an artist also was the songwriter, he or she would also receive a payment from the label through that channel. In the streaming paradigm, it is DSPs that are responsible for clearing and paying for the mechanical rights.[14]

---

12 https://www.awal.com/blog/history-of-record-deals

13 The member organisations of IAO regularly have dialogues with contemporary artists that give testimony to still existing bad conditions in deals with record labels.

14 https://www.digitalmusicnews.com/2016/07/12/crash-course-mechanical-royalties/

Hence, we are witnessing the development of two classes of artists in the digital context, one that is compatible with the streaming economy, with larger shares of revenues and a larger contractual freedom, and another class which could be called “prisoners” under unfair deals. Depending on which category the artist is mainly situated in, the solution differs, there is no “fix them all'' solution, but rather many solutions that have to be considered.

In most countries, performers have CMOs that collect revenues from other forms of usage than streaming, such as the public exploitation of their music in radio and tv, in commercial establishments like restaurants, cafés, gyms, bars, hotels and other venues where music is used[15]. These organisations mainly collect for the performance of the recorded music, but do not collect when music is streamed by end users on streaming platforms such as Spotify and Apple Music. Songwriters on the other hand, receive a large portion of their revenues from streaming platforms through their CMO[16].

During the latest years there has been a debate going on in the music industry as to why performers do not have the same kind of unwaivable equitable remuneration right to revenues from streaming platforms as songwriters do. One of the main purposes of our survey has been to investigate how performers themselves think about such an obligatory payment system.

2.2 Revenues from streaming

The current dominating streaming revenue model for artists can best be described as a *“subscription based pro rata model”*. Spotify gives this description:

“Every month, in each country we operate in, we calculate streamshare by adding up how many times music owned or controlled by a particular rights holder was streamed and dividing it by the total number of streams in that market. So if an artist received one in every 1,000 streams in Mexico on Spotify, they would receive one of every $1,000 paid to rights holders from the Mexican royalty pool. That total royalty pool for each country is based on the subscription and music advertising revenues in that market.”[17]

When answering how artists get paid, Spotify states:

“In many cases, royalty payments happen once a month, but exactly when and how much artists get paid depends on their agreements with their record label or distributor. Once we pay rights holders according to their streamshare, the labels and distributors (collection societies and publishers, in the case of songwriters) pay artists according to their individual agreements. Spotify has no knowledge of the agreements that artists sign with their labels, so we can't answer why a rightsholder's payment comes to a particular amount in a particular month.”[18]

Apple Music on the other hand describes their payment and division model in this manner:

“We pay the same 52% headline rate to all labels. While other services pay some independent labels a substantially lower rate than they pay major labels, we pay the same

15 SCAPR is the international umbrella organisation for artist CMOs, providing a list of members here: https://www.scapr.org/our-ordinary-and-associate-members/

16 CISAC is the international umbrella organisation for songwriter CMOs, providing a list of members here: https://members.cisac.org/CisacPortal/annuaire.do?method=membersDirectorySearch

17 Spotify description under the web page Loud & Clear https://loudandclear.byspotify.com/?question=how-is-stream-share-calculated

18 https://artists.spotify.com/en/help/article/royalties

headline rate to all labels. This means artists can distribute music however they like, knowing Apple Music will pay the same rate. Sign with a label or stay independent; we believe in the value of all music. Our average per play rate is $0.01. While royalties from streaming services are calculated on a stream share basis, a play still has a value. This value varies by subscription plan and country or region but averaged $0.01 for Apple Music individual paid plans in 2020. This includes label and publisher royalties.[19]"

So, let us try to identify some of the potential causes for low payment from streaming platforms to artists:

- The music is having a hard time in the fierce competition on streaming platforms[20].
- The genre is not popular among the audiences that consume the most music on DSPs, since heavy streamers govern the division of revenues to a large extent.
- The artist is stuck with an unfair deal with master owners or licensees, giving the artist a fraction of revenues, or even none at all, depending on the clauses and potential recoupments often present.
- The artist is mainly non-featured, meaning he or she is a session or studio musician that are not eligible for streaming royalties.
- The artist built the major part of their career and catalogue pre streaming, that is, before 2010, and has not had their breakthrough in the streaming and social media era, with TikTok, YouTube, Instagram and other platforms as major exposure platforms.
- Potential negative subsidising effects on local repertoire due to the nature of the pro-rata distribution model for streaming revenues.

When the music industry gathers and discusses the digital music economy, one can often see labels, trade organisations, publishers, CMOs, streaming platforms, managers and other people discussing the premises for how artists get paid. The purpose of this report is to give an account for what artists *themselves* believe and feel, as well as to describe potential solutions to existing problems regarding the fairness of the digital economy.

19 https://artists.apple.com/support/1124-apple-music-insights-royalty-rate
20 https://www.digitalmusicnews.com/2022/05/04/spotify-playlist-study-major-labels/

3. The survey

During July – August 2022, IAO, in collaboration with member organisations, conducted an online survey among 200 artists in Spain, Norway, Sweden, Denmark, France and Belgium[21]. Artists were introduced to the survey by e-mail and through social media.

It is worth mentioning that these organisations might not represent the overall sector of performers in all of these countries, although it is most probably the best representation of performers available.

Also, the reason as to why performers have chosen to participate might influence the results. In general, respondents that are emotionally connected to a certain area have a higher participation rate than respondents that do not care. Hence, the sample of respondents might be skewed towards performers that have a negative view on streaming and the digital music economy in general. Overall though, the results correlate quite well with earlier studies, and have been taken into account for the concluding discussion.

The survey will be continued during 2023, and this report will be followed up by an update report with the results from more countries as well as a discussion on how Article 18 has been implemented in European countries during 2022/2023.

Of the 200 artists participating in the survey, 75 percent considered themselves to be featured artists, while 25 percent considered themselves to be non-featured artists.

A majority of artists were dissatisfied, or very dissatisfied with the revenues they receive from streaming:

Figure 1

How satisfied are you with your current revenues from streaming platforms such as Apple Music, Spotify, Tidal, Deezer, Amazon Music etc?	
Very dissatisfied	139 (69.5%)
Somewhat dissatisfied	35 (17.5%)
Neutral	18 (9%)
Somewhat satisfied	4 (2%)
Very satisfied	4 (2%)

Worth noting is that all artists responding to the survey are artists that in some way have a professional or semi-professional career, or are aspiring to be professional to such an extent that they choose to be a member of a trade union or interest organisation for artists. Out of the 11 million artists available on Spotify, approx 200.000 are "professional or professionally aspiring"[22].

21 English version of the survey available at https://www.iaomusic.org/survey. French version at https://www.iaomusic.org/survey-french. Spanish version at https://www.iaomusic.org/survey-spanish.

22 https://www.musicbusinessworldwide.com/podcast/spotify-just-dropped-stat-changes-everything-about-how-we-should-judge-the-streaming-economy/

The contractual situation for the participating artists was diverse, 7.5% were signed to a major label, 30% were signed to an independent label and 74% were DIY, although many artists responded multiple answers. During a long career, some artists might have been signing contracts with both majors and indies, as well as having released music on their own.

Figure 2

Describe your contractual situation as an artist (multiple choices)	
Signed to a major label	15
Signed to an indie label	60
Both major/indie	23
DIY (Do It Yourself)	148

When signed artists were being asked about their level of satisfaction with their current deal, a large part of the artists were either neutral or not satisfied:

Figure 3

If you are signed to a label that is not your own, how satisfied are you with the current arrangement and deal? (Does not apply to DIY artists)	
Not satisfied at all	31%
Somewhat unsatisfied	15%
Neutral	33%
Somewhat satisfied	14%
Very satisfied	7%

Notable is that only 21% of the artists signed to a label were satisfied with their deal. When cross examining if there were any patterns between being signed to a major label or indie label and satisfaction levels, we could not see any direct correlations. Artists seem to be evenly satisfied or dissatisfied regardless of what kind of label they are signed to.

There was a strong correlation between older catalogue and dissatisfaction with their deal though. Among the "somewhat satisfied" and "very satisfied" artists, there were only signed artists that have released their music after the year 2000, with a strong majority for artists of whom the largest part of the catalogue was released 2010 - 2022. Among the "very satisfied" signed artists, all had released their music post 2010.

Some of the participating artists started releasing music already before 1980, although most artists have the major part of their career after 2000 (multiple choices):

Figure 4

When was the main part of your music catalogue released?	
2020–2022	101
2010–2019	140
2000–2009	102
1990–1999	53
1980–1989	25
Before 1980	6

The majority of respondents received less than €1.000 from the streaming of their music on streaming platforms during 2021:

Figure 5

How much did you receive from streaming platforms in 2021?	
€0–999	76%
€1.000–4.999	12,5%
€5.000–9.999	4%
€10.000–49.999	4%
€50.000–99.999	2,5%
> €100.000	1%

One observation is that among the highest earners, there was still some dissatisfaction regarding the revenues. In general, high earning artists that were signed to a major or indie label tended to be more negative than the ones that were releasing music by themselves. Since only 23 artists of the 200 participating earned more than €5.000 from streaming during 2021, this result has to be verified further during the continued study in 2023.

There was a strong link between when their catalogue was released and their level of satisfaction regarding revenues. Out of the 12.5 percent of respondents that were either satisfied or very satisfied, 88% had their music released after 2010, and 12% during the period 2000 - 2009.

No respondent with their catalogue released before the year 2000 were satisfied with their streaming revenues. Of course, old music does not gain as much interest as contemporary music in general, this has always been the case, popular music has a "best before date". Besides the largest hits in history, a lot of music fades into oblivion, especially in the old paradigm when records stopped being available in record stores.

But, streaming has also led to a situation where old tracks can find new audiences and generate millions of streams in a way that was not possible before[23]. The big question is whether the artists themselves are benefiting economically, or if someone else does. This is something we will return to in the discussion regarding the evolution of different classes of artists in the streaming era, as well as potential solutions to the problem.

Focusing on DIY artists, we asked them how satisfied they are with their current distributor:

Figure 6

If you are a DIY artist, or have your own label, how satisfied are you with the current arrangement and deal with your distributor/aggregator?	
Not satisfied at all	17%
Somewhat unsatisfied	18%
Neutral	37%
Somewhat satisfied	19%
Very satisfied	9%

It is a little surprising that 35% of the respondents are not satisfied with their current distributor, since the market is filled with different alternatives and it is basically up to each DIY artist to choose the one that suits him or her best. Whether this is a result of artists not having knowledge regarding the different alternatives, if this dissatisfaction is related to particular distributors, or if it even is a spillover effect from low payments in general, remains to be seen in the next part of the survey in 2023.

When asking artists how much they trust CMOs, a question that is quite important considering the role of CMOs in a potential collective unwaivable equitable remuneration right, the results came in somewhat negative.

Figure 7

How confident are you that collecting societies are doing their accounting on a fair basis for all artists?	
Not confident at all	28.5%
Somewhat non-confident	18%
Neutral	22%
Somewhat confident	19%
Very confident	12.5%

Considering the fact that for some artists, revenues from CMOs are important, the above results have to be taken into account when elaborating on which models and solutions to use when creating a fair economy around music in the digital context. For most artists though, revenues from their CMO seem to be marginal compared to their other revenue streams.

23 See f.e. the tracks "Dreams" by Fleetwood Mac, and "Running Up That Hill" by Kate Bush.

Figure 8

How large a share of your total revenues from recorded music came from your collecting society during 2021?	
0–10%	84 (42%)
11–20%	29 (14.5%)
21–30%	10 (5%)
31–40%	5 (2.5%)
41–50%	9 (4.5%)
51–60%	11 (5.5%)
61–70%	8 (4%)
71–80%	14 (7%)
81–90%	10 (5%)
91–100%	20 (10%)

At the moment there is a discussion going on in the music industry regarding companies that are buying all the rights to music from songwriters and artists, so called "buyouts"[24]. For some artists, this practice can be positive, since it often gives them cash quickly, compared to the somewhat slower traditional copyright system.

One can describe it as two different ways of earning money on music, with the traditional copyright system being a long term asset (70 years after the author's death, or 70 years after the recording was made publically available), while the buyout system is more of a short term cash flow[25].

Depending on what kind of need you have, some artists and music creators choose the short term cash flow, although it might lead to less total payment in the long run. Many established music industrial organisations and individuals see the development of buyouts as a threat to the existing legal protection of performers and author's rights. We asked the performers about their own view of buyouts. Some of them expressed that it very much depended upon the situation, but a large majority were negative.

Figure 9

What is your opinion on companies purchasing all rights to the music for a fixed sum without paying further copyrights, so called "buyouts"?	
Positive	8 (4%)
Negative	140 (70%)
No opinion/Neutral/Both	52 (26%)

24 https://musiciansunion.org.uk/campaigns/composers-against-buyouts/buyouts-for-composers

25 Companies active in the area are f.e. Epidemic Sound, AudioJungle (Envato), Extreme Music, Pond5, Audiio, Motion Array, PremiumBeat, Artlist, Audio Network, Soundstripe, among others.

Additional comments to this question where answers like:

"Very individual cases. Good for those who want it."

"Two sides of the coin. Both good and bad."

"Really depends on where the artist is in their career. If it's a new artist, it's not a good idea."

"Depends on the deal, but mostly negative."

Summarising the results from the first questions of the survey, we can see that although there are some dominating views among the respondents, there are also different opinions. This is something to remember when discussing solutions to potentially unfair practices and structures in the digital music economy, all artists are different and there is probably not one solution to fit them all.

4. The palette of digital revenue streams

The democratization of music production, as well as distribution and marketing, has led to an explosion of music being released and uploaded to different streaming platforms. According to Spotify, 60,000 tracks were uploaded every day to the platform during 2021[26].

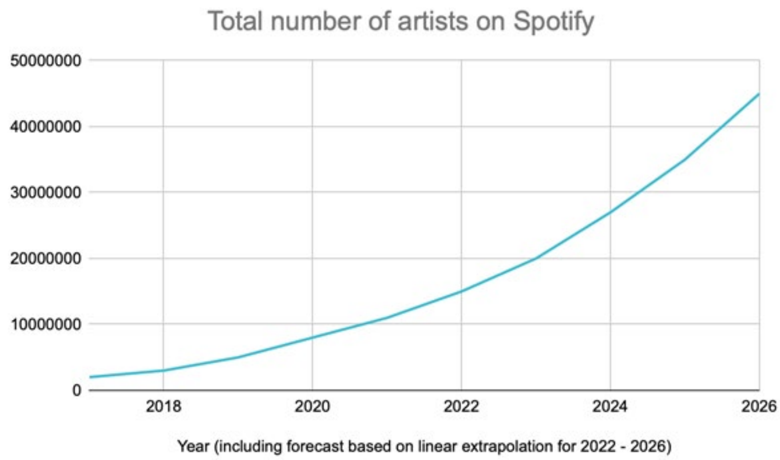
Hence, there are more artists releasing their music publically than ever, and of course, not everyone is going to be able to earn a large amount of money. In addition, considering the development of Artificial Intelligence and auto generated music, we can foresee that the rate of published artists will increase even more when new technology makes it very simple to create new music and distribute tracks to streaming platforms[27].

Given the increase rate of tracks uploaded to streaming platforms (in 2017 there were 30,000 tracks uploaded to Spotify every day, in 2019 it was 40,000 and in 2021 60,000 tracks) we can expect that it can reach the level of 100,000 tracks per day in just a few years[28]. Of course, all of these tracks will not become hits, in fact, many of them will probably struggle to reach the magical >1.000 stream count threshold.

The total number of artists, or algorithms, uploading tracks to streaming platforms is also increasing rapidly. This means that even though more and more artists are able to live off their music, the ratio between the total number of artists and those artists that can live off their music, is going to become lower and lower.

Given the official figures presented by Spotify during the latest years regarding how many artists and creators are available on the platform, for example 3 million in 2018[29], 8 million in 2020[30], and 11 million in 2021[31], the following prognosis can be made regarding the total number of artists on the platform in the coming years:

Figure 10



26 https://www.musicbusinessworldwide.com/over-60000-tracks-are-now-uploaded-to-spotify-daily-thats-nearlyone-per-second/
27 Examples of applications available are Starmony, AIVA, Amper Music, Boomy, Endel, among others.
28 Despite the critics of whether it truly is 60k tracks uploaded every day or not: https://www.hypebot.com/hypebot/2022/04/debunking-the-60000-songs-uploaded-to-spotify-a-day-myth-bill-werde.html
29 https://www.rollingstone.com/pro/features/spotify-million-artists-royalties-1038408/
30 https://www.musicbusinessworldwide.com/52600-artists-generated-over-10k-on-spotify-last-year-and-15140-of-them-uploaded-their-own-music/
31 https://routenote.com/blog/how-many-artists-are-on-spotify/

Indeed, the figure of 50 million artists on the platform is not something out of the blue, it is actually the figure that Daniel Ek, one of the founders, and also the CEO of Spotify, mentioned in a podcast interview with the The Verge in 2022[32].

This phenomenal increase of artists that can express themselves through music, could be called nothing less than a music revolution. Just as anyone nowadays can create high quality digital photographs with state-of-the-art effects on their smartphones, something that was extremely expensive and exclusive for professionals just a couple of decades ago, music creation, production and distribution is becoming decentralised and democratised as a result of the technology development.

So, how many of all these artists are actually generating any money? The Spotify Loud & Clear data shows how many artists that have generated more than $10,000 annually[33]:

Figure 11

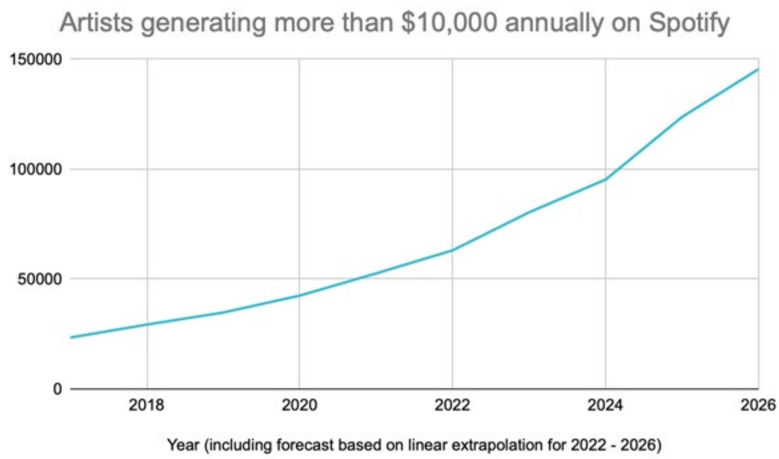
Number of artists generating more than $10,000 per year on Spotify.	
2017	23,400 artists
2018	29,300 artists
2019	34,800 artists
2020	42,500 artists
2021	52,600 artists

Although this trend is very positive, there is an important distinction between *"generating"* and *"receiving"*. Streaming platforms do not know what happens with the money when distributed to labels, distributors or CMOs.[34] Therefore it is important to highlight potential bottlenecks and imbalances that might exist in the music industry. In fact, it is quite plausible that out of the $10,000 threshold being used, a large part is attributed to other actors than artists themselves.

Nevertheless, if this development was to continue, we would have more than 100,000 artists generating more than $10,000 annually only from Spotify in 2024 and almost 150,000 artists in 2026.

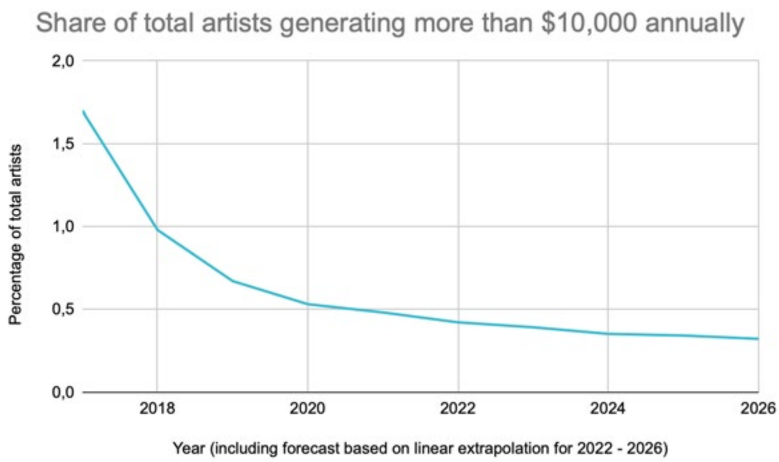
32 https://www.theverge.com/2021/2/23/22295315/spotify-ceo-interview-podcast-daniel-ek-music-stream-on
33 https://loudandclear.byspotify.com. In the Loud & Clear data, US dollars is used, while euro is being used in the survey and the rest of the report.
34 https://loudandclear.byspotify.com/#money-flow

Figure 12



When calculating the ratio between the number of artists that generate more than $10,000 annually, and the total number of artists, it is obvious that the share of artists reaching that level will decrease in the coming years:

Figure 13



This forecast is most probably valid for all streaming platforms available on the market, although Spotify is the only one openly providing the data needed for making such calculations.

Nevertheless, the fact that music production and distribution is becoming something that almost everyone can do, will lead to an even more disparate income situation for performers in the digital domain. As mentioned before, there are 11 million artists and creators available on Spotify, and 200,000 are "professional or aspiring to be professional".[35] This means that only 18% of the artists that are aspiring to be professionals, are in fact generating more than $10,000 on a yearly basis.

To be able to understand more about the revenues artists are receiving in the digital domain, one needs to identify and understand the different models, products and services existing on the market. There are several potential digital revenue streams available from the artists perspective:

35 https://www.musicbusinessworldwide.com/podcast/spotify-just-dropped-stat-changes-everything-about-how-we-should-judge-the-streaming-economy/

- Regular on demand interactive streaming with subscriptions in different tiers (Spotify, Apple Music, Tidal, Deezer, SoundCloud+ etc)
- Ad based freemium models for both audio and video (Spotify, YouTube, TikTok etc)
- Pay-per-download models (the first digital model with iTunes Store etc)
- Non-interactive streaming (web radio such as Pandora, Jango, iHeartRadio etc)
- Online synchronisation (ads, videos, films, series, gaming etc)
- Streaming of concerts, live or on demand (Twitch, Facebook, Staccs, Qello, Doors etc)
- Crowdfunding and fan pages (Bandcamp, Kickstarter, GoFundMe etc)
- Donations (Spotify Fan Funding, Tidal etc)
- Non-Fungible Tokens (NFTs) and other forms of digital merchandise
- Branding models (ISP-s bundling streaming subscriptions for free etc)
- Social media platforms (Facebook, Instagram, Twitter etc)

All revenue models have their advantages and disadvantages, depending on which kind of rights holder you are. For example, in our survey, only 10% of artists had received some kind of monetary compensation for live concerts online, either through ticketing, donation or on demand revenues for streamed concerts, during the last 12 months.

Considering the fact that a large portion of this period happened during the covid pandemic (June 2021 - June 2022), it is safe to say that although many tried to generate revenues by streaming concerts during lockdown, a small minority actually succeeded in doing so. Overall, the respondents reported receiving revenues from the following online sources during the last 12 months (multiple choices):

Figure 14

What kind of digital revenues have you been receiving as an artist/musician during the last 12 months? (multiple choices)		
Regular streaming (Spotify, Apple Music etc)	160	80%
Downloads	88	44%
Video platforms (YouTube, Vimeo etc)	57	28.5%
Social media platforms	20	10%
Streaming of concerts	20	10%
Online synchronisation	16	8%
SoundCloud	12	6%
TikTok	8	4%
Bandcamp	8	4%
Crowdfunding	6	3%
NFTs	3	1.5%
None at all	10	5%

Since the main purpose of our survey is to let performers voice their opinions and beliefs regarding the digital economy, we also wanted to investigate their hopes for future income. When asking them to give a prognosis for the coming year, the majority either thought revenues would stay the same, or decrease:

Figure 15

Do you think your revenues from streaming platforms will increase or decrease during the coming 12 month period? (Regardless of new releases)	
Decrease substantially	21.5%
Somewhat decrease	20.5%
Neutral	45.5%
Somewhat increase	8%
Increase substantially	4.5%

This question is obviously difficult to answer, since music in general is highly volatile and changing over time. Active artists are releasing new music all the time, and no one knows if and when a song or album suddenly gets recognised, gets added to a large playlist, is featured in a movie or game, gets spins on the radio, is used by a popular TikToker or YouTuber, or in any other way gets traction.

Nevertheless, we wanted to capture the "feeling" among performers, and the majority seems to believe that regardless of new releases, streaming revenues will either stay the same, or decrease. This shows that the majority of artists are rather pessimistic of the future development for their existing catalogue.

One of the problems that can be highlighted is the so-called value gap that has been discussed for many years. This value gap is a result of safe harbour legislation where online services of user-generated content have not had to compensate rights holders to the same extent as other DSPs. The implementation of the DSM directive might have a positive effect on this area, with regulation that hopefully will increase revenues from such platforms also to performers.

As a part of investigating revenues for artists, we also included a question regarding revenues from public performance, specifically if they receive any money from their label or distributor from the usage of music in background music environments such as restaurants, cafés, gyms, public transportation, stores etc. 54% answered that they do not receive any money from that kind of music usage through their label or distributor, while 27% answered yes and 19% did not know.

The reason for including this question was twofold. First, since this sector also has transformed into streaming in large, platforms for the public streaming of music are making new deals directly with labels, and not only collectively through CMOs. This means that in many cases artists could be eligible for royalties not only from their CMO, but also from their label for the public performance of the recordings.[36] Secondly, we wanted to

36 https://www.rollingstone.com/pro/news/universal-licensing-deal-background-music-usage-soundtrack-your-brand-1045465/

see how aware the respondents were regarding how revenues from public performance is distributed. This is clearly an area where there is need for improvement.

In large, the results from the survey show quite homogenous views on some aspects of music in the digital context, at the same time as there are clear differences between different forms of performers. Overall, the results correlate well with both the public discourse, where artists many times have highlighted very low payments from streaming, as well as with earlier studies and surveys.

So, are there any solutions to the problems? Two of the most discussed potential solutions are the unwaivable ER right and the user-centric distribution model. What do artists have to say about them?

5. An unwaivable equitable remuneration right

As described earlier, artists usually do not have the same kind of collective solutions for the distribution of revenues from á la carte on demand streaming platforms as songwriters do. The reason for this could best be described as a combination of tradition, clash of interests, lack of regulation, as well as disparate views on the importance and valuation of different contributions related to the production, release and marketing of recorded music.

Under an unwaivable equitable remuneration scheme (ER), artists and musicians not only get paid from their label or distributor when their music is streamed, but also from their CMO. This remuneration is not deducted from the revenues already distributed from the streaming platform to the label or distributor. It is an additional revenue distributed directly from streaming platforms to the CMO, who then divides the revenues to artists according to the detailed streaming data provided by the platforms.

According to our survey, 70% believe an ER solution would either be *somewhat* or *very* important for their revenues from streaming platforms.

Figure 16

In addition to your normal royalties from streaming, how important would you say that an obligatory royalty collected and distributed by collecting societies is for you as an artist and musician?	
Not important at all	4.5%
Somewhat unimportant	4%
Neutral	21.5%
Somewhat important	24%
Very important	46%

The majority of respondents are clearly in favor of such an add-on to the existing arrangement, which is not surprising since it is a guaranteed attribution, not dependent on existing deals with labels or distributors and does not inflict on any exclusive rights. On the other hand, 8.5% of respondents believed an ER solution would influence their revenues negatively.

The ER remuneration scheme has been active in Spain since 2018, with the organisation AIE collecting revenues from streaming platforms and distributing the money directly to performers. Roughly 3% of the streaming platform's gross revenue in the country is eligible for AIE and the performers[37].

For some artists in Spain, this revenue stream is more important than the revenues they get from labels or distributors, despite the fact that it is only a few percent of gross revenue for

37 https://committees.parliament.uk/writtenevidence/15300/pdf/

streaming platforms[38]. On the other hand, the results from our survey indicate that a larger share of Spanish artists tend to say that revenues from their CMO does not influence their income at all, 40%, compared to 32% for the whole set of respondents in all countries. At the same time, 36% of Spanish artists confirm that they receive more than 50% of their total revenue from recorded music through their CMO. This is clearly higher than in the other countries included in the survey, nearly 20% higher.

The opinions on an unwaivable equitable right to remuneration from streaming platforms differs dramatically between different actors in the music industry. In general, labels and label associations have been negative, while artists and artist associations have been positive. One of the main arguments from the label community is that an ER right might lead to a situation where DSPs will claim that they have to reduce the payment to labels, corresponding to the size of contribution that DSPs instead would pay artists through CMOs.

This is a valid argument, and needs to be taken into account. The purpose of the ER right is not to mainly reduce the payment to record labels and tamper with the already existing deals between labels and DSPs, or the already existing deals between artists and labels. The purpose is to create an add-on revenue stream directly to artists. This add-on revenue stream should in the end be paid for by increased revenues to the DSPs, in combination with a balanced and equal contribution by all actors. A situation where the DSPs would take the whole burden of the ER right is not a viable solution, it would create yet another unfair economic situation.

As described earlier, the implementation of the Directive (EU) 2019/790 (DSM) included a fair remuneration to authors and performers, and Thierry Breton, the Commissioner for the Internal Market in EU, concluded:

"The Commission considers that, in principle, Member States could transpose article 18 through an unwaivable remuneration right provided that this complies with relevant EU law, including the principle of contractual freedom, fair balance of rights and interests, and the exclusive rights in the copyright acquis. Any provision implementing article 18 should secure appropriate and proportionate remuneration to authors and performers and should not deprive them of their freedom to decide in the first place whether or not to license or transfer their rights."[39]

In 2022, Belgium decided upon such a remuneration right, as a part of the implementation of the DSM directive. Artist organisations joined in praise over the new scheme[40], at the same time as the international organisation for independent record labels, Impala, reacted negatively to this new unwaivable right. Helen Smith, the Executive Chair at Impala, commented the Belgian decision:

"We are very concerned by the new remuneration rights introduced by this legislation. We believe these new rights are not compatible with the EU Directive – they were specifically rejected by the EU institutions at the time of adoption – and will be impractical. Labels are the artists' main partners, the main investors in new music, and these new rules will seriously diminish their ability to take risk and invest in Belgian artists and Belgian music."[41]

38 Confirmed by interviews and conversations with representatives from AIE and CoArtis, as a part of the study.
39 https://www.europarl.europa.eu/doceo/document/E-9-2022-001255-ASW_EN.pdf
40 http://www.aepo-artis.org/en/news/detail/-257-1
41 https://www.impalamusic.org/belgian-copyright-law-one-step-forward-two-steps-back/

Instead, label organisations promote the solution agreed upon in France, where the main trade organisations for artists and labels (UPFI, SNEP, SCPP, SPPF etc) came to a voluntary agreement in 2022 regarding the relationship between labels and artists.[42]

In 2015, the French government announced an initiative with the purpose of pushing the music industry to reach a fair solution directly between the different rights holders, rather than writing the solution into new laws. When the EU directive on copyright was approved by the EU parliament in 2019, with phrasings regarding appropriate and proportionate remuneration, the French initiative increased and the different industry bodies came into compliance.[43]

The agreement includes the following parts, among other things:

- A minimum rate of royalties due to featured performers for the broadcast of their work via streaming.
- A guaranteed minimum advance of €1,000.
- A profit-sharing mechanism for the benefit of musicians when musical works reach a certain level of success.
- A fixed remuneration for the benefit of all musicians.
- A strengthening of FONPEPS - a private/public fund supporting employment.
- Increasing minimum fees for session musicians.
- Additional remuneration for artists, paid for by their record label, for every 7.5 million plays their song receives.[44]

Although the details of the French solution is yet to be fully revealed in public, as well as fully implemented and evaluated, it is of importance that record labels and artist organisations can unite in concrete and fair terms for all kinds of performers contributing to the assets that are generating revenues on streaming platforms.

An ER right is promoted in the WIPO report prepared and presented by Christian L. Castle and Claudio Feijóo during the meetings of the Standing Committee on Copyright and Related Rights in 2021[45]:

"All in all, the goals of authors, composers and performers seeking fair remuneration for their work, have not yet been achieved despite their efforts. (…) This is why a streaming remuneration payment by the services to performers is such a compelling solution to the systemic imbalance, even if it requires enhancements in the level of performance of CMOs in the effective tool of international reciprocity."

In Sweden, a governmental investigation came to the conclusion in 2022 that an ER right was not necessary in the country, and might even harm performers in the long run. One of the main arguments was that an ER solution would try to solve a problem between two parties, namely performers and labels, through a third party, namely the streaming platforms. Another argument was that the streaming platforms might be struck so negatively by such a solution that their business model might be threatened. Yet another argument against ER was that it could conflict with national property law.[46]

---

42 https://completemusicupdate.com/article/french-performer-and-label-groups-reach-voluntary-agreement-regarding-digital-remuneration/
43 https://www.upfi.fr/remuneration-des-artistes-interpretes-signature-dun-accord-historique/
44 Hayleigh Bosher (2022) https://ipkitten.blogspot.com/2022/05/change-is-afoot-in-music-industry-as.html
45 https://www.wipo.int/edocs/mdocs/copyright/en/sccr_41/sccr_41_3.pdf
46 https://www.regeringen.se/rattsliga-dokument/statens-offentliga-utredningar/2022/05/sou-202223/

The Swedish Association for Artists and Musicians, SAMI, reacted strongly. Stefan Lagrell, CEO, commented:

"We do not see this as a serious attempt to address the obvious problems. At a time when the need for reform is great, urgent and obvious, one can only see the investigation as a disaster. It is a betrayal of the artists and musicians behind the music that is consumed."[47]

In Germany, a variant of the ER right has been introduced for UGC platforms (User-Generated Content), such as YouTube and Vimeo. This implementation of the DSM directive means that in Germany, performers receive a guaranteed amount from their CMO when their music is used on UGC platforms, not only through their distributor or label.[48]

In the Netherlands, performers and authors have a right for fair remuneration when they are transferring their exclusive rights to someone else. There is also a provision that gives the performer the right to further remuneration if it is revealed that the agreed compensation is disproportionately low with regard to the income that the usage has generated.

In Norway, a change happened in the copyright law in 2018 regarding the rights for fair remuneration to authors and performers.[49] The new act included a section (69:2) that focuses on fair remuneration to authors and artists that have transferred their rights to someone else. The purpose of the new rules was to protect rights holders from being taken advantage of.

After four years it seems that the new act has not had any direct implications on praxis. GramArt, the organisation representing artists in Norway concludes that *"the absence of examples, or documentation that any changes have occurred, is probably evidence enough"*[50].

Opinions and beliefs on the need for an ER right clearly differs. On one hand there are supporters of a collective unwaivable remuneration solution where CMOs are collecting revenues directly from streaming platforms and dividing it to artists, and on the other hand there are supporters of a solution based on voluntary agreements between the label community and the artist community.

Let us call these two models the *Spain/Belgium model* vs the *French model*, and try to identify the pros and cons for each model:

Spain/Belgium model, positives:

- Increases revenues to performers in general, specifically for performers that have a very low share of streaming revenues in their contractual agreements, since it gives performers a guaranteed revenue from streaming platforms.
- Introduces a new layer of transparency into the system, since CMOs in general can be more open with their data, being nonprofit organisations.
- Streaming platforms (the ones that are actually earning the money) are directly involved in the model and negotiations.

47 https://www.sami.se/2022/05/havererad-ersattningsutredning-ett-svek-mot-svenska-musiker/
48 https://completemusicupdate.com/article/eu-commissioner-says-copyright-directive-implementation-can-include-a-new-er-right-for-performers/
49 https://www.njordlaw.com/new-norwegian-copyright-act-2018
50 Conversation with representatives from GramArt, the interest organisation representing artists.

- Increased collective bargaining power for performers when CMOs can negotiate on performer's behalf.
- The data gathered by CMOs from streaming platforms could be used to create better economic allocation keys than the current analogies being used when distributing money from f.e. background music.

Spain/Belgium model, negatives:

- A mandatory solution, the remuneration scheme is obligatory for everyone, even for artists that might be satisfied with the current situation and do not want to get paid through their CMO for whatever reason.
- Labels and distributors could have a decreased bargaining power towards streaming platforms that might use their ER involvement as a reason for lowering the payment, giving labels potentially weaker financial possibilities when investing in new music.
- ER does not solve the fundamental problem, which is unbalanced deals between labels that own the masters and artists, especially older deals under the former paradigm with tangible music formats. Instead it is streaming platforms that take the burden of balancing the economy.

French model, positives:

- Presumably faster solution than regulatory changes, since agreements are made between actors on the market rather than by governments (presupposes that the parties actually *do* agree).
- Aims to handle the fundamental problem, unbalanced deals between master owners and artists, by introducing minimum rates, additional revenues depending on the success of the music, as well as minimum fees for session musicians.

French model, negatives:

- Demands that organisations representing the artists and organisations representing the labels agree upon the terms in each individual country (which is not often the case).
- Individual artists do not have a say on what the organisations decide.
- Streaming platforms are not directly involved in the negotiations.
- Difficult to monitor as individual contracts between labels and artists are confidential. It is also unclear whether minimum rates might be bypassed by deduction and recoupment clauses.

As we can see, there are pros and cons with both models. A third solution might instead be to introduce a hybrid version of the Spain/Belgium and France model, or rather, a model where both solutions are active. To put it simple:

Our survey indicates that we need *both* solutions, at the same time.

An ER right, regulated in the copyright law, is probably necessary as a long term solution for creating guaranteed and fair revenues from streaming platforms to artists, in the same way as it is for songwriters. This right should not inflict upon the separate deals being made between those actors investing in the production, recording and marketing of music, mainly record labels, but should function as a direct flow of revenues to artists based on actual usage and direct reporting to CMOs.

At the same time, a solution where the label community and the artist community agree upon minimum royalty rates and fair terms in the deals that are being directly made between them, is probably also needed, as in France. This does not only concern "old" deals, the class of artists that are prisoners under unfair terms from the past, but also new deals being signed between performers and actors investing in their music. An important note is that the current French agreement does not include deals from the past, only deals that are being made from July 1, 2022, and forward.

These two models for a fair remuneration to performers should not be in conflict with each other, it concerns two different rights. An unwaivable remuneration right from streaming platforms to artists is in most countries a new remuneration scheme, something that has not existed before, while the voluntary agreement between artists and labels handles the fundamental problem of potentially unfair deals.

If it is difficult to implement the two models due to conflicting views, it might be necessary to let the legislator decide upon what might be considered as fair levels, also for this area. In the end, it might even be necessary to decide upon such general and fair levels through a joint framework on an EU level, governed by a new specific EU directive.

It is also crucial that the ones that are actually generating the revenues in the first place, the streaming platforms, are a part of both solutions. The streaming platforms are the ones that are creating the whole streaming economy, and a fair economy means that *all* actors have to be involved, sharing the revenues in a way that equals the contribution each actor provides to the end product.

Regardless of what the legislator, artist organisations, record labels, trade unions, political parties or lawyers say, in our survey it is obvious that the majority of performers themselves believe an ER right is important. Only 8.5% of the 200 artists in the survey deemed an ER right as unimportant.

At the moment there is a lack of other studies that are investigating this specific area among artists. We believe it is important to address what the performers themselves want, and will expand the knowledge regarding this specific remuneration right in part 2 of the study.

6. User-centric models

As a part of the ongoing contemporary discussion regarding the music streaming economy, the fundamental principles for the distribution of revenues from streaming platforms has come into question, mainly the so called pro rata model vs the user-centric model[51].

Under the pro rata model, heavy streamers have a huge influence over the division of all streaming revenues. Since the pro rata model is based on a royalty pool divided by the total number of streams in a country per month, heavy listeners have a stronger influence on the whole economy than moderate listeners.[52]

For example, in the hip hop/rap/R&B genres we can see an extreme amount of streaming, which is driven by a consumption of the same tracks over and over again[53]. This kind of listening behavior does not only influence the music in those genres, but all genres. The subscription revenues coming from users that do not even listen to hip hop/rap/R&B, are still divided to music in those genres.

If one user listens 5 times to a jazz track in a month, and another user listens 50 times to a rap track, the heavy streamer has a 900% larger influence on how the pool of money is distributed than the moderate streamer have, also for the jazz track that the rap fan has not even listened to. The main part of the moderate streamer's money will go to the track that the heavy listener consumes.

Below is a simple example comparing the pro rata and the user-centric model, based on two users and a fictive royalty pool of €20.[54]

Figure 17

Pro Rata model	**Track A**	**Track B**
User 1	90	0
User 2	0	10
Pro Rata level per stream	*20/100 = €0.2*	*20/100 = €0.2*
Result	**€18**	**€2**

User-centric model	**Track A**	**Track B**
User 1	90	0
User 2	0	10
Value per stream	*10/90 ≈ €0.11*	*10/10 = €1*
Result	**€10**	**€10**

51 The pro rata model divides streaming revenues from a royalty pool based on the total consumption in a country per month, while the user-centric model divides streaming revenues based only on the consumption of each user. In other words, the pro rata model treats revenues as an agnostic pool of money, while the user-centric model connects each user's consumption only with the revenues from that user.
52 https://link.springer.com/article/10.1007/s11747-022-00875-6
53 https://www.statista.com/statistics/475667/streamed-music-consumption-genre-usa/
54 Inspired by the UCPS model used by Deezer at https://www.deezer.com/en/ucps.

When adding a third user, as well as an ad hoc but realistic number of streams for three different tracks, we continue to see how the heavy streamer influences the overall monetary distribution, the voting interest or "voting power" (Vpower). The Vpower for how the total pool of money will be distributed, which in this example is €30, is going to be much higher for the heavy user.

Figure 18

Pro Rata model	**Heavy user**	**Medium user**	**Low user**	**Total per track**	**Pro Rata result**
Track A	60	30	10	100	€13.05 (43.5%)
Track B	50	20	5	75	€9.81 (32.7%)
Track C	40	10	5	55	€7.14 (23.8%)
Total per user	**150**	**60**	**20**	**230**	
Vpower	***65%***	***26%***	***9%***		

The user-centric model would instead give an equal amount of payment to each track, based upon the direct connection between the consumption and payment from each specific user.

In the public discourse, the user-centric model has become somewhat synonymous with how the independent sector wants streaming revenues to be distributed, while the current pro rata model is believed to support a hit based economy with certain genres being the winners. So, what do the 200 artists included in the survey think?

Figure 19

How fair do you think that the current pro rata model is towards artists and musicians? (Revenues are distributed based on each track's share of the total consumption in a country, rather than the user-centric model where royalties are divided only to the artists a user actually listens to).	
Very unfair	106 (53%)
Somewhat unfair	45 (22.5%)
Neutral	37 (18.5%)
Somewhat fair	7 (3.5%)
Very fair	5 (2.5%)

Only 6% considers the current pro rata model to be fair, while 75.5% considers it to be unfair. When asking the artists on a more personal level, how they think a shift from the pro rata model to a user-centric model would influence their own revenues, we find something interesting:

Figure 20

How do you think a shift from the current pro rata model, to a user-centric model, would influence your own revenues from streaming platforms?	
Much lower	6 (3%)
Somewhat lower	9 (4.5%)
Neutral	71 (35.5%)
Somewhat higher	58 (29%)
Much higher	56 (28%)

We see that 57% of the 200 artists think that their own revenues would increase under a user-centric distribution scheme, while 7.5% believe it will decrease. When looking at the 15 artists believing that their revenues would decrease, all of them earned under €1.000 during the last 12 months.

This is an equation that clearly does not add up. The size of the total pool of money is of course the same, regardless if one is using the pro rata model or a user-centric model, meaning that for some artists to gain revenues, some artists need to lose money. Not everyone can gain revenues.

Or as Music Business Worldwide describes it, when discussing Warner Music Group becoming the first major label to move into the user-centric paradigm together with SoundCloud in 2022:

"Imagine you're in an office. Now imagine your entire team, inhabiting a whole floor of this hypothetical workspace, all rising to their feet. Picture 300 people, from cubicle-dwellers to support staff, from interns and contractors to the kings and queens of the corner offices. They all gather in front of you, this attentive throng, and you find yourself standing on a chair.

– The good news, you announce, is that just over half of you are getting a pay rise, right here, right now. There is a loud cheer. Some people burst into applause.

– The complicated news, you continue, is that to facilitate this pay rise, just under half of you will see your salary reduced. Question: Are your workforce happy in this scenario? Is it worth the stress? Do you even make it out of that office alive? This, in a nutshell, is the potentially insurmountable barrier facing the widespread music biz adoption of user-centric royalties."[55]

Just as an unwaivable equitable remuneration right can not solve all problems, a user-centric royalty scheme will not either. For someone to gain streaming revenues, someone else has to lose.

So, is there any data providing evidence regarding what music and which artists that would benefit versus lose? Are there any studies that show us what kind of problems that can be solved with a move to a user-centric streaming paradigm?

---

55 https://www.musicbusinessworldwide.com/on-soundclouds-new-deal-with-warner-music/

In fact, during the latest years a quite convincing body of knowledge has been created through the study of streaming data. Let us summarize the existing results emanating from research projects and industry initiatives regarding different models for the distribution of revenues from streaming platforms.

The first known study on the user-centric model for music was made by researcher Arnt Maasö in 2014, based on data from the then Norwegian streaming platform Wimp (that later became Tidal) from August 2013.[56] This study comes to the conclusion that a user-centric paradigm for Wimp would have had a small effect on labels and artists at that time. The largest difference could be seen for domestic artists, where Norwegian artists among the top 5,000 artists would benefit from a user-centric distribution with a rise from 22.5 percent of total revenues, to 25.4 percent.

In this study, the top 2.5% of artists accounted for 89.2% of all streams when using the pro rata model, but 89.7% when calculating based on the user-centric model. Contrary to what one might believe, the top tier of artists would actually receive slightly more than the long tail of artists under a user-centric model, in this particular case.

In 2014, a study was made in Denmark with data from the same streaming platform, Wimp, and basically the same methodology. Researcher Rasmus Rex Pedersen also finds that domestic artists, in this case Danish artists, would benefit from a shift to the user-centric model, from 30.8 percent of total revenues to 33.9 percent, but opposite to the Norwegian study, this investigation concludes that the 5,000 top artists would account for 91.2% of streams under pro rata, and 91.1% under user-centric, barely any change at all.[57]

The third, and perhaps so far most cited and discussed study, was made in Finland by Jari Muikku, based on Spotify data from March 2016[58]. The report was published in 2017 and concludes:

"The basic trend is that as the overall stream count decreases, the revenue difference between the user centric and the pro rata models increases. The pro rata favours artists and tracks, which get the biggest amount of played streams regardless if they are created by a large number of users with few plays or a smaller number of users who have played them repeatedly.

The user centric model favours artists with smaller number of streams, especially when the overall stream count is smaller. However, it should be emphasized that the positive financial effect is not automatic in all user centric cases but the result may as well be the opposite. The results depend on the cumulative effects of both individual and user groups' listening habits."

In the results from this study, the revenue share for the 0.4% most streamed artists was 9.9% under the pro rata model, but would decrease to 5.6% with a user-centric model, meaning that the long tail of smaller artists would benefit from a move to user-centric.

This study had a somewhat different methodology than the former two, with a random sample of 10,000 tracks to represent the whole catalogue. It has been argued by later studies that such a sample skewes the results, since a random sample does not truly reflect the importance of the largest artists and tracks (Page & Safir, 2018; Pedersen, 2020).

---

56 Maasø A. (2014) User-Centric Settlement for Music Streaming http://www.hf.uio.no/imv/forskning/prosjekter/skyogscene/publikasjoner/usercentric-cloudsandconcerts-report.pdf

57 Pedersen R. R. (2014): Music Streaming in Denmark https://rucforsk.ruc.dk/ws/portalfiles/portal/55002316/Analysis_Music_Streaming_In_Denmark_2014.pdf

58 https://www.fim-musicians.org/wp-content/uploads/prorata-vs-user-centric-models-study-2018.pdf

The next study was made by Deezer in France in 2018[59], and has been continued and expanded into what is now called the User-Centric Payment System (UCPS) that Deezer released in 2020.[60]

The first results presented from Deezer showed that the pro rata model seems to have an age bias, simply because users in younger ages are consuming more music than users in older ages. 18-25 year-olds represented 19% of the total number of users, but generated 24% of the royalty distribution through their more intense streaming behaviour.

The top 10 artists saw a drop in royalties by 10% when calculating royalties based on the user-centric model, while the rest of the top 100 artists saw an average dip of 3%. Just as the earlier studies, this study also confirms the effects on certain genres and local music. Classical music, jazz, and local genres would benefit from a user-centric model, while genres like hip-hop, EDM and R&B would lose on the shift.

Deezer have since then become one of the strongest advocates for user-centric models, presenting the following four reasons as to why a move to a new revenue distribution scheme is preferable:

#1 *Treat local creators, niche genres and artists fairly. Whether you're a fan of sertanejo, jazz, classical, disco or metal, the music you stream helps the artists you love.*

#2 *Promote a diverse and vibrant music landscape. Our mission is to help all artists, no matter how big they are, to be successful and reach more fans. We want every stream to make a difference.*

#3 *Fight fraud. With UCPS, fraudulent accounts will not add any weight when calculating royalties. This means that all the money goes to real artists.*

#4 *What we do next impacts the future of music streaming and how artists are paid. More pay transparency means more fairness for artists. As a fan, the power to pay who you play should be in your hands.*

Also in 2018, Joseph Dimont published an academic article in Hastings Law Journal, focusing on the legal and moral aspects related to pro rata vs user-centric.[61] After a discussion on how the judicial system works for public performance and streaming, Dimont describes what the current pro rata model leads to for artists:

"Ultimately, the focus for an artist is not to attract as many subscribers as possible to a service, but to generate as many streams as possible. Obviously, the more subscribers that listen to an artist is likely to generate more streams; however, one heavy user can generate the same revenue for an artist as two casual users. Such a reward structure begs the question as to whether copyright should be used in a way to protect creations that have high replay value over mass appeal."

Dimont also addresses the issue of fraud, and describes how the "subscriber-share model" (user-centric) decreases click-fraud and other scams involved in the generation of false streams, what Spotify calls "artificial streaming"[62]. If a scammer initiates artificial streams of a song by using a bot, the bot would simply be capped by the subscription fee, which would make the whole endeavor redundant.

---

59 https://musically.com/2019/09/11/deezer-steps-up-its-efforts-to-introduce-user-centric-payments
60 https://www.deezer.com/en/ucps
61 www.hastingslawjournal.org/wp-content/uploads/Dimont-69.2.pdf
62 https://artists.spotify.com/en/blog/what-is-artificial-streaming-the-latest-episode-of-the-game-plan-explains

As a response to mainly the Finnish study from 2017, Will Page, former Chief Economist at Spotify and PRS for Music, and David Safir, former Vice-President International at ASCAP and Head of International Relations at PRS for Music, wrote a discussion paper that was published at the 2018 Society for Economic Research on Copyright Issues (SERCI)'s annual conference.[63]

In this paper they argue that the administration cost for streaming platforms and collecting societies under a user-centric revenue distribution scheme would risk diminishing the potential benefits for all artists. Using a calculation example, they come to the conclusion that *"the tipping point occurs when the additional costs exceed 4.64% (100% - 95.36%) of the previously distributed amount (€70m). It will be for the streaming service to decide whether qualitative factors move the tipping point above or below this figure."*

In the end, they come to three areas that they believe are fundamental for the discussion on alternative revenue distribution models:

"First, the growth of streaming – which has diminished the key role of the blanket license that underpins traditional licensing and exploitation (for example in broadcasting), recognising nonetheless that CMOs have been dealing with "money in, money out" issues for over a century; second, the four inescapable trade-offs which require both CMOs and streaming services to pit equity against efficiency when contemplating alternative models of revenue distribution; and third, the cost-benefit framework that assesses the quantitative and qualitative consequences of implementing a new distribution model and identifies tipping points where the incremental costs would outweigh the benefits."

This paper was then "revisited" with a follow up by Page & Safir in 2019, where they developed a mathematical framework for comparing pro rata and user-centric models.[64]

"Our framework confirmed our intuition that under 'pro rata,' an artist is less concerned with diversity and will simply prefer the platform whose users stream their music most. Under 'user-centric,' artists prefer streaming platforms whose listeners exhibit less diversity."

This framework was then used to develop yet another variant of user-centric, that was not only dependent on the amount of streams a song generates, but also includes a temporal parameter, as well as subjective criterias from the audience on the "quality" of the music:

"It invites consideration of a "third way" – whereby distribution is 'qualified pro rata' (or 'qualified user-centric'). In this scenario, net revenue is allocated to a track by reference not only to the total but also to the relative number of times streamed as well as to qualitative criteria such as the duration of the performance streamed and subjective criteria such as work valuation. While Meatloaf's 10-minute anthem Bat out of Hell may well be the best value for a dime inserted in a jukebox, an individual subscriber to today's interactive music streaming services has infinitely more choice (and fewer constraints) when seeking the best value for $/€/£9.99 per month."

In 2020 Saeed Alaei et al[65] presented a model to analyze revenue-sharing strategies for a two-sided media platform, that is, a streaming platform that has both rights holders, such as artists and labels, and end consumers as customers. The authors, mainly active in the area of computer science and business management with connections to Google

63 http://serci.org/congress_documents/2018/money_in_money_out.pdf
64 http://www.serci.org/congress_documents/2019/user_centric_revisited.pdf
65 Saeed Alaei et al (2020) Revenue-Sharing Allocation Strategies for Two-Sided Media Platforms: Pro-Rata versus User-Centric https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3645521

Research and Microsoft, analyses how so-called positive externalities, often used in economic theory to explain added values outside of the money itself, has to be regarded also in music streaming. Based on their simulations they conclude:

"We find that the pro-rata allocation rule can be preferred to the user-centric rule, even though it does not allocate payments proportionally to the revenue generated by streaming of each artist. The reason for this is that pro-rata payments are better aligned with the added value that a platform featuring a large number of artists generates via positive externalities: by subscribing to a platform service, a user not only gets access to her favorite artist(s) but also to the content of all other artists on the platform."

This study views the problem of streaming revenue allocation from a larger perspective, looking at the economy, sustainability and profit maximisation for the platform itself in relation to the added value artists get from being on the platform, and even adds the variable of "social welfare" to the analysis. Nevertheless, this study also confirms that the pro rata model has cross-subsidization effects where heavy streamers have a much higher "voting power" than moderate or light streamers.

Rasmus Rex Pedersen returns in 2020, with a meta study of the earlier mentioned studies.[66] He adds to the discussion an elaboration regarding the potential next steps and who should, and can, make the decision to implement user-centric models. He summarises the practical implications in two conclusions:

"1) The model must be implemented at the level of the streaming service (DSP). It is fully possible for different streaming services to have different distribution models – and one streaming service can in principle have multiple models for different subscription tiers – but each streaming service tier can only have one distribution model.

2) Every licensor of a particular streaming service tier must use the same model. No single CMO, publisher, record company, or creator can implement user-centric distribution alone. It is therefore not possible to implement a change in distribution model without the support from all stakeholders."

In March 2021, SoundCloud became the first well known streaming platform to introduce a user-centric model in reality, with the so-called Fan-Powered Royalty scheme (FPR)[67]. The FPR model is active for artists that are distributing directly to SoundCloud, as well as receiving remuneration directly through the SoundCloud Premier, Repost by SoundCloud and Repost Select.

The results from the first period of FPR showed that some tracks had received a much higher payment compared to the pro rata model[68]. An ABBA cover recorded and uploaded by Portishead, received six times more royalties because of the user-centric system. Another example showed a situation where the whole subscription fee from a SoundCloud Go+ account for one user went to one specific track, since the user was only listening to that track in that specific month. According to SoundCloud, the administration resources necessary to handle the user-centric distribution scheme is less than for the pro rata model.[69]

66 https://www.koda.dk/media/224782/meta-study-of-user-centric-distribution-model-for-music-streaming.pdf
67 https://press.soundcloud.com/197001-soundcloud-introduces-fan-powered-royalties
68 https://completemusicupdate.com/article/soundcloud-says-user-centric-boosted-the-royalties-for-portisheads-sos-by-500/
69 Interview with the SoundCloud team in 2022.

When Warner Music Group became the first major label to adopt the user-centric paradigm together with SoundCloud in 2022, Oana Ruxandra, Chief Digital Officer & EVP at Warner, said: *"The evolution of the music industry brings new ways to create, consume and monetize. As the ecosystem expands, WMG is focused on advancing and experimenting with new economic models to ensure the opportunities for our artists and their communities are maximized. SoundCloud has been an amazing partner in connecting artists and fans, deepening our relationship will allow us both to proactively build for the future."*[70]

The WIPO report from 2021, mentioned earlier, also dealt with the user-centric model[71], but concluded that a pro rata model would probably still be needed:

"Beyond the reform of existing legal regulations, the most prominent alternatives to the "market centric" or "big pool" model are the "user-centric" and a new streaming remuneration royalty. A healthy and sustainable streaming market may require these alternatives and other intellectual property regulations to correct the streaming imbalance and other market failures. These alternatives and regulations further the legitimate policy goal of protecting the most vulnerable links in the value chain: songwriters and performers due to asymmetries in market power and information. Yet, it is unlikely that market centric will be entirely abandoned. This is why a streaming remuneration payment by the services to performers is such a compelling long-term solution."

The authors of the report touches upon a certain area in the streaming economy that is sometimes forgotten, the fact that quite many paying premium subscribers are not streaming any music at all. In the quarterly reports from Spotify, one can see that roughly 2.5% of all the 444 million users were not active users, which translates to 11 million paying premium subscribers during the second quarter of 2022.[72] Under a user-centric paradigm, there would be no information on where to distribute those revenues, since these users have not listened to any music. Hence, some kind of hybrid solution between the pro rata model and user-centric models would possibly always be needed.

In 2022, yet another user-centric study was published, focused on the German market.[73] The researchers investigated the allocation of revenues between genres on Spotify, and found significant differences between the pro rata model and user-centric:

"While a change of the remuneration system does not change the revenue of the streaming service, we find substantial financial consequences for rights holders resulting from supply and demand side effects that suggest a substantial reallocation of the revenue contributions from mainstream to niche genres. The financial impact on royalties accumulates to nearly 170 million euros p.a. from Spotify alone (reallocated from mainstream to niche genres)."

Combining data on genre interest, listening time per genre, subscription fees, the mean song length per genre, and extrapolating it to a global audience they found a positive allocation for genres such as rock (German and international €66 million p.a.), metal (€36 million p.a.), and classical (€30 million p.a.). At the same time there was a negative allocation for genres such as hip hop and rap (German and international -€109 million p.a.) and EDM (-€37 million p.a.).

70 https://press.soundcloud.com/216750-soundcloud-and-warner-music-group-announce-global-licensing-deal-bringing-fan-powered-royalties-to-major-label-artists
71 https://www.wipo.int/meetings/en/doc_details.jsp?doc_id=540735
72 https://s29.q4cdn.com/175625835/files/doc_presentation/Q2-2022-Shareholder-Deck-FINAL.pdf
73 https://link.springer.com/article/10.1007/s11747-022-00875-6

An upcoming article, based on a study done by the Inland Norway University, among others, presents results from investigating over 400 million streams over a six month period on one of the largest streaming platforms in Europe. They conclude that consumers' choices will be better aligned with the user-centric revenue sharing scheme, as well as would favour organic streams at the expense of curated streams, reduce the superstar phenomenon, and moderate the potential bias in curated streams. The report will be published in 2022/2023.

Although other studies are also contributing to the body of knowledge regarding the pro rata model vs the user-centric model, the above studies give clear enough evidence on the potential effects on the allocation of revenues. The general consensus among researchers and industry experts is now that user-centric models have the power to support smaller artists, genres, as well as smaller labels, to a larger extent than the current pro rata model.

In itself though, the user-centric model can not solve the earlier described problems with unfair deals and practices related to performers, but it might add another piece to the puzzle. So, in the end, how do we put all these pieces together to create a fair music economy for all?

7. A fair music economy for all

The music industry is an intricate system of many different types of organisations, companies, roles and functions. Almost all of them are connected to, and influenced by, how the streaming economy works. Music publishers, record labels, artists and musicians, songwriters, producers, managers, CMOs, PR and marketing firms, DSPs, social media platforms, even the live industry with festivals, venues, booking agencies and promoters, are dependent on a sustainable and healthy streaming economy.

Artists have of course a wish to be recognised for the music they are creating and performing. As described earlier, music production, distribution and marketing, has been democratized as a result of the shift to digital technologies, leading to an explosion of artists expressing themselves through music. In fact, in the streaming era it seems like many artists themselves are becoming clients, paying for their dreams of generating streams:

"First and foremost, the creator economy is a business model for the platforms and adjacent services, one that is built upon harnessing the hopes, dreams, and aspirations of large-scale creator audiences. While each of those creators individually craves success – however they might measure it – the platforms do not need the creators to find success for their respective business models to work. This is because they monetise creators by harnessing aspiration at scale."[74]

Hence, it is not strange that many artists in our survey are dissatisfied with the revenues from streaming platforms. The dreams of being a successful artist are so many, and so big, yet the number of streams are not living up to them.

But, as described earlier, the reasons for dissatisfaction can be many, we have identified a number of them, such as unfair contracts, "wrong" genres for the current monetary distribution model, fierce competition, old catalogue, not getting chosen by playlist editors and algorithms, and of course, that the music is simply not appealing enough to generate the needed tens of millions of spins among the streaming audience.

To some extent though, the streaming economy in general is much more fair than the former music economy. It is based on actual consumption, rather than the sales of units, meaning that if a song becomes popular, the listening itself generates revenues (apart from the <1% of streams that are artificial, manipulated, streams[75]). In the former paradigm, rights holders got paid the same amount regardless if the CD buyer listened to the CD 3 times or 50 times. In the streaming paradigm, the popularity and amount of consumption directly translates into remuneration.

In this initial survey among 200 artists, we wanted to understand the opinions and beliefs, specifically regarding what they consider to be fair remuneration. Many artists, mainly artists that have not created their career in the digital domain, are expressing frustration over the complex new music landscape. There is clearly a need for support functions that can increase competence, knowledge and the understanding of the digital context among performers.

74 https://www.hypebot.com/hypebot/2022/08/its-time-to-re-vamp-the-creator-economy-mark-mulligan.html
75 https://www.dn.se/kultur-noje/spotifys-norden-vd-ingen-i-branschen-vill-att-det-ska-se-ut-sa-har/

Or as described in the report Dissecting the Digital Dollar: *"One of the biggest challenges for everyone in the music community is simply adapting to a new way of doing business, where sustained listening rather than first week sales matter, and where successful tracks and albums will deliver revenues over a longer period of time, rather than via a short-term spike. Adapting to this new way of doing business is arguably just a fact of life, though some stakeholders may be shielded more than others from any short- term negative impact."*[76]

Besides this, there are other potentially unfair gatekeeping mechanisms, that is; all music and artists do not have the same "chance" of being added to the largest playlists, since some actors have the possibility to buy their way into them, a practice that has been highly criticized.[77] Since the current consumer behaviour is heavily built around non-organic listening through playlists, such a situation potentially leads to market distortions.

Another critique that is often put forward is that the system needs more transparency. Quite often though, the demand for more transparency is based on a lack of knowledge. It is often the case that data is openly available, but actors in the music industry have perhaps not spent the resources to find and digest the information.

That being said, there seem to be a true transparency need for some parts of the following issues: The underlying algorithmic and editorial selection mechanisms to the most important playlists on DSPs; how the economic relationship between large labels and DSPs are constructed, specifically the licensing deals being negotiated that often include up-front payments, minimum guarantees, favoured nation clauses etc, and on what exact premises and basis CMOs are dividing revenues collected without direct reporting, so called analogy distribution.

One of the things that is often being pushed forward in the debate on low streaming remuneration, is the difference in per stream rates between DSPs. Per stream rates are only of academic interest though, since there are no fixed rates. In the end it is the total amount of money being paid to rights holders that is the only valid measure. Furthermore, under a user-centric paradigm, per stream rates would have no practical meaning at all. As David Hesmondhalgh points out in his 2021 paper:

"The nature of the system also means that comparing per-stream rates between services is more or less irrelevant in terms of which service pays best. For example, if a recording achieves 30 times as many streams on Spotify than on TIDAL (which is not at all unlikely given how many more users Spotify has than TIDAL, and how many streams it attracts), then even if Spotify only pays one-third as much per stream as TIDAL (as Figure 2 suggests they do), then the owners of the rights to the recording will still, other things being equal, receive 10 times as much money from Spotify than from TIDAL. Anecdotally, musicians often report that they gain more total money from Spotify than from other services."[78]

What we instead have to focus on, and fix, are the *true* unfair practices in the music industry, imbalances in power that have led to a situation where artists and their music in fact are popular, streamed tens of millions of times, but artists still do not receive a correct remuneration. Unfair deals where artists are prisoners under old contracts, as well as new artists that are signing over exclusive rights under unfair terms. We also need to focus on the fact that the majority of artists in our survey want to have direct economic compensation from DPSs, as well as a shift from the current pro rata distribution model.

76 https://themmf.net/site/wp-content/uploads/2015/09/digitaldollar_fullreport.pdf
77 https://musically.com/2022/01/06/impala-wants-cma-to-investigate-spotifys-discovery-mode/
78 https://journals.sagepub.com/doi/full/10.1177/1461444820953541

The main suggestion in this report is therefore that we make use of *both* the Spain/Belgium ER model and the France voluntary agreement model, and that they both need to be balanced towards each other in a hybrid solution including all actors around the negotiation table. They are not in conflict with each other, they should complement each other.

Overall though, the current situation where some countries have implemented an ER right as a part of the DSM directive, while others have not, is not sustainable. There needs to be an international consensus regarding how a fair music economy should be constructed, since the whole streaming economy is global in its nature. In the end, a new EU directive is probably needed, that would solve these issues with a more regulated framework, instead of opening up for every country to do as they please. Such a solution would have to comply with the Berne three-step test as well as with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

So, to summarize the suggestions for creating a fair music economy for all, the following solutions are being put forward:

A hybrid model with both an unwaivable equitable remuneration right (the Spain/Belgium model) and agreements between label and artist communities (the French model) on fair contract practices.

User-centric models should be implemented by DSPs and the music industry in large, as well as equal playlisting mechanisms without "payola", a higher transparency of vital and significant industry data and support measures to increase competence and knowledge among performers.

In the end, our survey has shown that the majority of artists believe an ER right is important (70%), as well as considers the user-centric model to be more fair (75.5%). We have seen that the majority of artists are dissatisfied with the current situation. Only 21% of the participating artists that are signed to a label are satisfied with their deal. Only 4% of the participating artists are satisfied with their revenues from streaming platforms. Only 10% have earned any money from the much anticipated virtual live scene that boomed under the covid pandemic lockdown. And only 12.5% of the participating artists believe that their revenues from streaming will increase in the coming year.

There is clearly room for improvement.

References

AIE (2021) Impact of streaming on future of the music industry – observations on DCMS Committee inquiry

Alaei S. et al (2020) Revenue-Sharing Allocation Strategies for Two-Sided Media Platforms: Pro-Rata versus User-Centric

Castle C. L. & Feijóo C. (2021) WIPO Study on the Artists in the Digital Music Marketplace: economic and legal considerations

Cooke C. (2020) Dissecting The Digital Dollar - Third Edition: The streaming music business explained and discussed

Dimont J. (2018) Royalty Inequity: Why Music Streaming Services Should Switch to a Per-Subscriber Model

IFPI (2015) Digital Music Report – Charting the Path to Sustainable Growth

Impala (2021) It's Time to Challenge the Flow - How to make the most of the real opportunities of streaming

Hesmondhalgh, D. (2021) Is music streaming bad for musicians? Problems of evidence and argument

Maasø A. & Spilker H. S. (2022) The Streaming Paradox: Untangling the Hybrid Gatekeeping Mechanisms of Music Streaming; Popular Music And Society, Routledge

Muikku, J et al (2017) Pro Rata and User Centric Distribution Models: A Comparative Study

Page W. & Safir D. (2018): Money In, Money Out – Lessons from CMO's in allocating and distributing licensing revenue

Pedersen R. (2020) A Meta Study of User-Centric Distribution For Music Streaming