New IFPI data shows artists payments as share of revenues are up

Streaming services present a new payment model for artists based on consumption of music over a continuous period and invoicing accumulated multiple per-stream payments. Successful artists will be assured of a steady income over time, and as streaming services grow their consumer base, the overall revenues increase. Glen Barros, president and CEO of Concord Music in the US, says more clarity is needed in explaining the revenue benefits of streaming. “I believe that one of our problems is that we’re trying to evaluate a new business model through an old world mentality. Rather than worry about how many streams it takes to earn a dollar, we should be focused on converting music buyers into music subscribers. If we could get even half of the people that buy music every year to pay for a subscription, it’s simple math to see that it will be a healthy business.”

The rise of streaming services has also prompted wider discussion around the issue of artists’ royalty payments in the digital environment. In order to better inform this discussion, IFPI conducted research in 2014 to obtain an accurate picture of how royalty payments have changed as the market has shifted from physical sales to digital channels. Industry data compiled by IFPI from the three major companies, covering local sales for locally signed artists in 18 major markets outside Japan and the US in the five year period to 2014 shows that while sales revenue fell 17 per cent, total artist payments – in the form of royalties and unrecovered advances – declined much less in real terms (down 6 per cent) and increased significantly as a share of sales revenue, by 13 per cent. Over the five year period, the data shows that total payments by record companies to local artists totalled more than US$1.5 billion across the 18 markets.

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 per cent of revenues, artists have benefited from the growing sales and are receiving more money and a larger share of the revenues.

Overall the results of the IFPI data collection process suggests that, across a substantial sample of markets, remuneration to local artists as a share of sales revenues has seen a significantly more positive evolution than the trend in overall sales income. It also suggests that, in particular, paid streaming services have had a positive impact on overall payments to artists.

**ARTIST PAYMENTS 2009–2014**

| Artist Payment | 2009–2014
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<tr>
<td>Artists’ share of sales revenue</td>
<td>+13%</td>
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<td>Record company sales revenue</td>
<td>-17%</td>
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Streaming services compete on curation

In the early years of streaming services, unlimited repertoire was the universal selling point. Now the focus has shifted as these services compete to offer better curation and recommendations to consumers.

Curation has become more sophisticated and tailored to different consumer groups. Hans-Holger Albrecht, Deezer’s chief executive officer notes that surfacing songs and editor recommendations that are tailored to the listener’s taste is key to customer retention. He says: “When people move beyond search to experience the full benefit of tailored curation, they are hooked to the service.”

**INTELLIGENT RECOMMENDATION**

Other streaming services have invested in more intelligent music recommendation. In March 2014, Spotify founder and CEO Daniel Ek described his company’s acquisition of music data group The Echo Nest as a bid to build the “best music intelligence platform on the planet” mixing human skill with social curation and algorithms. Beats Music has attempted to differentiate itself from competitors by hiring music experts and offering the human touch in compiling and curating its playlists. Google’s purchase of Songza, which promises to deliver human curated playlists based on a mix of taste, mood and data. Apple also acquired Semetic at the start of this year. Founded in 2008, one of its best known brands is Musicmetric, providing record companies and other media companies with analysis and data on music downloads, streaming and social media.

Record companies have also heavily invested in this area with Sony Music purchasing Filtr, Universal Music launching Digster.fm and Warner Music buying Playlists.net which aggregates and recommends playlists created on Spotify. Beth Appleton, senior vice president, global marketing, at Warner Music International says: “At record companies, we are increasingly curators and editors, we don’t just simply manage the recording process. It is our job to make sure fans hear our artists’ amazing music and to help them know what they are listening to.”