

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

+13%

Artists' share of sales revenue

-17%

Record company sales revenue