

After Monetization: The New Recording Landscape for Artists

TEACHER NOTES

Learning Objectives

- Summarize the transformation of the recording industry from physical formats to digital environments.
- Explain the advantages of streaming music services from the perspective of the listening audience and discuss the potentially harmful effects of these providers on recording artists.
- Articulate the role of the independent label for artists in the face of the streaming music industry's growth.
- Describe the benefits of crowdfunding for musicians.

Topics For Discussion

• Streaming Music Services

- ♦ This case does not trace a single organization or scenario, but above all presents observations of the recording landscape as it exists at the present time. The industry is rapidly changing, as sales of physical formats for recorded music and even of digital downloads are plummeting. These formats are yielding to consumer attraction to digital streaming services, which, in 2016, generated half of all recorded music revenues.
 - What are students' experiences with streaming media services? What are the immediate benefits they recognize as consumers of music through companies like Spotify, Apple Music, Pandora, YouTube, etc.? Are there disadvantages that students identify or perceive with these services? Which providers do they prefer and why? What value do students place on physical recordings or digital downloads in the current marketplace?
 - As the case explained, the "freemium" model followed by most streaming services presents two options for consumers. Listeners may choose to listen for free, an option that includes periodic advertisements and a lower quality audio experience. The premium tier typically eliminates the ads and enhances the sound quality. Consumers overwhelmingly favor the free model for listening, but paid subscribers contribute the most revenue to these companies. By offering free music, have streaming companies extended too far toward consumers?
 - Digital service providers monetize (or create revenue from) their digital product through micro-transactions that occur with every customer stream. About 70% of the revenues are redirected to rights holders of the music, which appears generous, but most musical artists can testify that the compensation is miniscule. While many recording artists are dissatisfied with streaming services like Spotify, the company believes it offers an outstanding proposition: a wide reach of the population for music obtained in a legal manner. Spotify also contends that it is particularly useful for niche categories of music because it opens up a gigantic catalog risk-free to new listeners. Services like this, one could argue, saved the industry from collapse due to piracy. How does

one respond to Spotify's position on the value it presents to artists?

- ♦ Have the streaming media services acted unethically by compensating most artists in this manner? Could a more equitable system be devised? What amount per-stream would be satisfactory for artists and right holders? What could service providers do to be "out in front" of the issue and perhaps show solidarity with artists?
- ♦ What strategies have artists used to draw attention to the issue and what other pressure can they put on the major streaming providers?
- ♦ If it can be argued that the value to artists extends beyond payments from streams, what features of the digital service providers offer added value and how can value be assigned for those services?
- What are the long- or medium-term implications of the streaming providers as they exist at this time?
 - ♦ Is the freemium model driving out makers of music? What kinds of musicians have an advantage with the streaming services?
 - ♦ What are the major sources of revenue and expenses in the freemium model? If the companies have profitability as a chief goal, how can that be achieved? In what direction do students predict the streaming industry will move to increase its goal of long-term profitability? Will companies develop incentives to increase paid subscribers? Will they raise rates on current subscribers? Will they pay rights holders less? Will they raise rates for advertisers? Are there ways to "diminish" the free listening experience or make it less desirable? What are the benefits and risks of these possible strategies for long-term profitability?

• Traditional Labels

- ♦ The case study outlines the place of the label in the transformed recording industry. Distributors continue to act as marketing firms, driven to create the widest and most meaningful exposure to their clients. It could be argued that standing out from the clutter of the marketplace for recordings is more important than ever.
 - What tactics do labels use to obtain exposure on traditional and digital media platforms? What possible tactics were not mentioned in the case? Poll the students to gather which methods seem most effective for generating exposure.
 - How can industry relationships established by a label work in an artist's favor?
 - Ask students if they know someone who has signed with a label. How was the agreement struck? Was a proposal involved? What role does the artist play in promoting the recording on the label? How are results measured by the label and by the artist?
- ♦ Most labels will continue to produce recordings in a physical format as part of a contract with an artist. What value do students think physical recordings have for the label and for the artist?

• Crowdfunding and the Recording Artist

- ♦ The case introduces the company ArtistShare, a crowdfunding platform that also functions as a record label. ArtistShare has put artists ahead of profits by ensuring that their projects are properly compensated before going forward. The company has ventured where labels will rarely go now by embracing the costs of studio time and production, in addition to typical costs of distribution and marketing. It also encourages artists to seek a small circle of supporters, rather than relying on a global network of micro-transactions for their recordings.

- The case explains that musicians accepted into ArtistShare have considerable marketing work to accomplish in the campaign phase. They help their own cause, however, by keeping their supporters—already sold on the project idea—apprised of the artist's work, with the hope of creating a relationship with the project's key funders. What can be said to recording artists that view the extra marketing work as subtracting from their own artistry?
- Communication and updates from the artist to supporters are a hallmark of ArtistShare crowdfunding campaigns. The frequent messages—whether stories, images, or short videos—are meant to be exclusive peeks at the creative process for the ones who have donated to the campaign. Many artists are already involved in social media marketing that provides similar updates to fans. Should—or how can—the artist's pieces of communication be tailored to these distinct audiences?
- Invite students to examine the ArtistShare website and discuss its strengths and weaknesses as presented to the general public.

• **Artist Scenario**

- ♦ The case concludes by presenting a scenario for consideration. It features classical guitarist Sofia Gupta, who has developed an idea for an album-length recording that spotlights various places around the world that she has visited. The wide-ranging topics she features in music are cast in the style of classical guitar. At first blush, does her music seem like it would be attractive to a label? Ask students to lightly research and discuss what kinds of labels might agree to distribute Gupta's work.
- ♦ What other options are available to Sofia if she does not pursue a label? How can she set expectations about the prospects for her recording? Discuss the merits of self-financing a recording or of having it crowdfunded. What are the benefits of an artist aggregator? What can Sofia do personally to market her work, once it is available on the major streaming services?