

Spotify's Negative Impact on the Redeveloping Music Industry

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ABSTRACT

This essay explores the correlation between the rise of Spotify and trends in consumer and creative habits within the music industry, with the conclusion that the negative effects of Spotify on the industry outweigh the benefits that it offers. Supporting this conclusion is an analysis of how Spotify's impact on consumption habits has indirectly changed music production and design. This essay also investigates the oversaturated state of Spotify's library and the algorithm used to simplify user experience, which unfairly boosts some artists while simultaneously burying others. Spotify's low artist payout rate is also examined, as well as the effect of insufficient financial return, and its subsequent effects in the future of the industry. This issue's solution resides in increased external support from fans through concert attendance, merchandise sales, and crowdfunding.

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Just a little over 20 years ago, purchasing a song required fans to drive to their local record store and buy a physical single. For many this process created valued memories, as going out of the way to buy a physical single or album made for cherished experiences. Ever since Spotify launched in late 2008, it has been reshaping the industry from the ground up. Millions of consumers abandoned the practice of physical, or even digital, purchases in exchange for the convenience and efficiency of unlimited streaming for a monthly fee. Ten years later, the negative effects that Spotify has on the industry have become more apparent, outweighing the benefits that it offers.

The Good

Over the past few years, Spotify has been in the middle of a heated debate among industry professionals about whether it is helping or hurting the industry. The biggest advantages of Spotify lie in how easy it makes it for independent artists to release music. Since Spotify releases exclusively digital content, artists and labels are spared from the high cost of physical production and distribution in exchange for a fixed percentage of each release's income. This allows independent artists on an affordable way to release their music, using companies such as CDBaby and TuneCore. These services offer straightforward ways for independent artists and labels to release their music on streaming platforms without the infrastructure of their larger counterparts.

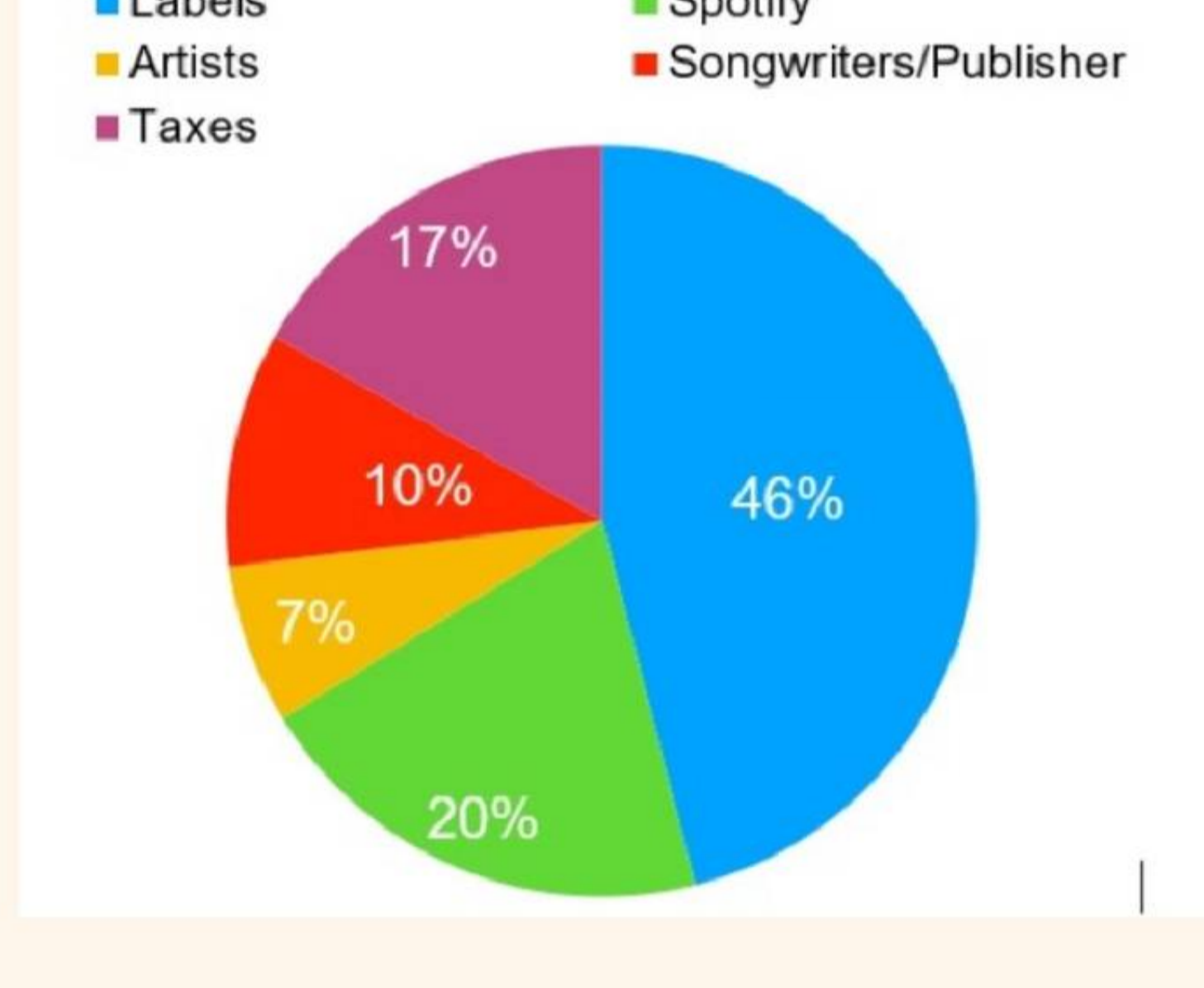
Another undeniable benefit of Spotify is its effect on Internet piracy. Nicknamed "The Lost Decade," by CNN (2010), music industry revenue fell from over \$14 billion in 1999, to just over \$6 billion in 2010 (figure 1, below). Even though the industry has jumped to a digital "pay-per-song" system (e.g. iTunes), Internet piracy is blamed as the true cause for the decline. In 2010, *BigChampagne Media Measurement*, a company regularly used for tracking revenue and other information, showed that Internet piracy accounted for up to 90% of all digital music downloads. Since then, according to the UK's *Telegraph* (2016), the low cost and ease of Spotify has increased the number of legal music listeners up to 80% in 2016.



The Bad

Even though Spotify has exerted undeniably positive effects on the industry, many industry professionals fear that the state of the industry's over-saturation will lead it down an unrecoverable path. CNN writes that "despite the great decline in sales, the Internet has exposed consumers to more music than ever before. But that accessibility has been difficult to monetize." This shows the fear shared by many industry professionals, labels, and artists who struggle to find listeners amid so much competition. John McDermott of *Mel Magazine* (2016) summarizes the issue by writing, "Where do you begin when the entirety of recorded music history is a few mere keystrokes away?" Coined the "Paradox of Choice" by Barry Schwartz (2004), many artists are now left unable to obtain a serious fan base, while many more are unable to achieve any substantial number of streams at all. Spotify's "fix" to this problem is the implementation of "Discover Weekly" playlists generated by the system on a weekly basis to align with the music taste of that particular user. However, while this is great for users, this also alienates artists who are not deemed "worthwhile" for the system to promote.

With so much music to consume, the average listener's attention span has reduced dramatically. As a result, this new development has altered the approach to music production as a whole. Modern songs are designed to catch the interest of listeners in the first five seconds. After this point, the average listener will move on to another song, only to repeat the process until a song has caught their interest during that brief window. Gone are long, melodic introductions of the past, for they have been replaced by meaningless earworms specifically curated for a generation with too many options. *Hubert Léveillé Gauvin*, a published Ph.D in music theory, found that the top 10 hits during the 1980s featured instrumental introductions averaging 20 seconds, while in modern times the average is just five seconds. The phrase "Don't Bore Us, Get to the Chorus," originally the name of an album from Roxette (1995), is used to describe this new way of producing music. According to the Statistic Brain Research Institute (2016), the average attention span in 2015 was 8.25 seconds, down from 12 seconds in 2000. This statistic is not exclusively due to Spotify, but other instant media/streaming services have impacted the industry dramatically.



The Ugly

The biggest issue with the digital streaming release model is the near complete lack of revenue making its way back to the artists. As a standard, Spotify takes around 20% (figure 2, above) of all revenue paid out to artists and labels. If the artist is signed to a label, the remaining percentage is divided between the label, the artist, songwriters, and taxes. The label usually takes the largest cut, and divides the rest among involved parties, with the artist's receiving around 6.8%. This arrangement may not seem too bad on its own, but when taking into account that each play receives roughly \$0.00397 per play (figure 3, below) this shows that that most artists receive a paycheck worth less than the paper it is written on. For example, the song IDGAF by Dua Lipa is the number-one pop song in the world at the time of this writing. With 287,302,102 streams, the payout for this song is around \$1,140,589. Divided between parties, this means that Spotify retains \$342,176, the label makes \$524,670, and \$270,743 (minus taxes) is divided among the remaining parties. This concludes that the artist behind the most popular pop song in the world makes only \$79,841. While this is not a small amount of money, this profit pales in comparison to what Spotify, or what the label makes. Some question the irony of chart-topping artists who receive more money for their hard work and years of obscurity than the average U.S. salary. Besides these unfair cuts, only a fraction of artists make a hit song; this means that less popular artists count themselves fortunate if they can break over production costs. Even though the label takes much of the artist's revenue, many artists without labels find themselves receiving a lower payout than their signed counterparts. They are less likely to receive as many plays compared to when they are within a label.

DSP / STORE	PER STREAM	Streams		Streams Per Song	Streams Per Album	Marketshare Streams	Marketshare Amount
		Quantity % of Total	Amount % of Total				
1 Spotify	\$0.00397	47.78%	51.53%	154	1,535	47.78%	\$2,519
2 Apple iTunes	\$0.00783	10.48%	22.29%	78	778	10.48%	22.29%
3 Pandora	\$0.00134	21.56%	7.86%	454	4,538	21.56%	7.86%
4 Google	\$0.00811	2.41%	4.00%	100	996	2.41%	4.00%
5 Amazon	\$0.00740	1.89%	3.80%	82	823	1.89%	3.80%
6 Deezer	\$0.00624	1.91%	3.24%	98	976	1.91%	3.24%
7 Tidal	\$0.02384	0.59%	1.76%	47	474	0.59%	1.76%
8 Rhapsody	\$0.01682	0.38%	1.75%	36	362	0.38%	1.75%
9 YouTube	\$0.00074	8.38%	1.70%	818	8,181	8.38%	1.70%
10 JaxxMusic	\$0.02790	0.09%	0.65%	22	223	0.09%	0.65%
11 Telecom Italia	\$0.01410	0.06%	0.24%	43	432	95.38%	98.57%
12 34-7 Entertainment	\$0.01461	0.05%	0.20%	42	417		
13 UMA	\$0.00022	2.73%	0.16%	2,831	28,311		
14 Yandev LLC	\$0.00039	1.38%	0.15%	1,555	15,551		
15 Qobuz	\$0.03816	0.01%	0.14%	16	160		
16 KKBOX	\$0.00969	0.12%	0.12%	165	1,652		
17 Peloton	\$0.04785	0.01%	0.08%	13	127		
18 iHeartRadio	\$0.01318	0.02%	0.06%	46	462		
19 Zed	\$0.04076	0.00%	0.06%	13	133		
20 Leven	\$0.00160	0.09%	0.04%	361	3,607		
21 NMusic	\$0.00873	0.02%	0.04%	70	697		
22 Slacker	\$0.00502	0.02%	0.03%	121	1,213		
23 Cricket	\$0.00837	0.01%	0.03%	66	657		
24 TouchTunes	\$0.01409	0.00%	0.02%	43	432		
25 Akazoo	\$0.53026	0.00%	0.01%	1	11		
26 Turnkey	\$0.00462	0.01%	0.01%	132	1,318		
27 Navos	\$0.05200	0.00%	0.01%	12	117		
28 PlayHearwork	\$0.00042	0.10%	0.01%	1,443	14,426		
29 iMusica	\$0.02314	0.00%	0.01%	26	263		
30 AWA	\$0.00894	0.00%	0.01%	68	681		
		100.00%	100.00%				

Implications

Over the past 100 years, hopeful people have flocked to Hollywood to pursue their dreams of becoming wealthy and famous, but what happens if wealth is removed from the equation? While Spotify is currently rich with content, industries with little to no return on investment cannot be expected to survive without changing their business model or habits of their consumers. Labels and distribution companies, like Spotify, undervalue the importance of artists and this is becoming increasingly apparent from outside the industry. Who would want to apply for a job knowing they will be underpaid, overworked, and under-appreciated?

How to Make a Difference

Historically, labels would pay artists large sums of money before signing a record deal that was used to pay for production costs, housing for the artist, music videos, and other expenses. However, more artists are choosing to remain independent than ever before. They are relying entirely on their fans to support them financially. Due to Spotify's low payout, simply streaming artists' music does not generate enough revenue to support them. On the other hand, purchasing merchandise from an artist or attending a concert is an alternative way to support them and ensure that fans' money reaches them, not Spotify. Another popular option for many artists is to use GoFundMe, a crowdfunding website where fans can help fund an artist's career. This allows them to continue creating and entertaining despite the little revenue returning to them.

Spotify is slowly killing the music industry by lowering the incentive to create and saturating the market with too much competition. While most of Spotify's impact cannot be directly altered by consumers, taking the time to support artists outside of Spotify, through physical purchases or concerts, allows consumers to make a difference and rebuild the incentive to create.

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