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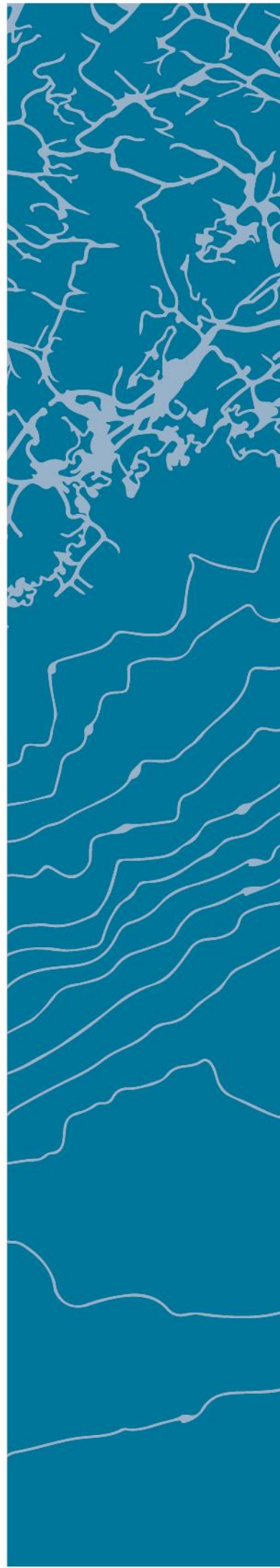
Innovative starts-ups and the change of music streaming

A thesis exploring the way music is handled in the modern streaming industry.

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1 INTRODUCTION

The music industries stumbled into the era of digitalization. As a result, the recorded music industry suffered, much because of a refusal to adapt and change in time. But even though the industries took a beating, something akin to “stability” has begun to emerge. Streaming, even with all of its (as this thesis will highlight) flaws, has given the industry time to come to senses with a digital world.

Now, several years later, new businesses have established themselves, not in the ashes of the industries, but rather together with it. These new businesses utilize and understand the new digital world and they all have one thing in common: *Music streaming*.

But what is *music streaming*? It could simply refer to music streaming “services”, but for the purposes of this thesis, refers to *music streaming business*.

In addition, the thesis will explore historical issues related to digitalization. This includes promises such as artists “finally” being independent and free, and that the major labels would lose their tight grip on the industry.

However, this did not come to pass, the power structures in the recorded music industries have not crumbled, rather they have changed. As it turned out, the labels do still have a vital function in the industry, and it would be wrong to dismiss them as “the big bad guys”. But this does not mean that relations between artist and label have always been good. These topics (amongst others) will be explored in the thesis, as it is a thesis about streaming as a whole.

Without a doubt, there will be a couple topics that have not been covered or introduced. Streaming is by no means a small topic but a continuously evolving field. It may be an exercise in futility to cover such a broad topic with a master thesis. But streaming is a very intriguing topic, and this thesis will hopefully give valuable input for future research.

1.1 Methodology, quantitative and qualitative research

The two main approaches to research are quantitative and qualitative research. They are commonly defined as [1]:

“Quantitative research is “explaining phenomena by collecting numerical data that are analysed using mathematically based methods (in particular statistics).” [1]

“Qualitative research seeks to answer questions about why and how people behave in the way that they do. It provides in-depth information about human behaviour.” [1]

This thesis project will not undertake quantitative research on its own. Instead it relies heavily on recognized sources such as IFPI (The International Federation of the Phonographic Industry) whose yearly reports contain thoroughly assembled statistics about the state of the music industries [2-4].

Qualitative research can be undertaken in many ways, e.g., by direct interviews, or by citing articles. A main challenge is to maintain one’s own objectivity when reflecting upon statements made, e.g., by industry representants. Personal reflections on someone else’s ideas may be misrepresenting the original intentions.

The opinions may be distorted by the author of the article and by me using such references. An example of this can be: citations that are possibly taken out of context in an article, and by referring to that article, this thesis is actually taking them even further out of context.

I have not undertaken any interviews or focus groups to gain insights directly. Instead I undertook extensive literature studies and went to the source whenever possible. A typical example are web pages of new Internet services such as “Grammofy” [5] that describe their value propositions and sales arguments towards customers.

The timeliness and relevance of this thesis is affected by the topic. The music industries are changing rapidly, driven by digitalization, innovative technologies, new business models, and regulations. New Internet services that are successful today may be gone tomorrow.

I tried my best to find innovative services but I’m sure I may have overlooked some of them. While large players such as Spotify [6] are very visible and will exist for some

time, new innovative services appear continuously. Therefore, the completeness of a thesis such as this, is a goal. But on the other hand can be viewed as nearly impossible.

McGill's site [7] states:

“Because the goal is exploratory, the researcher often may only know roughly what they are looking for. Thus, the design of the project may evolve as the project is in progress in order to ensure the flexibility needed to provide a thorough understanding of the phenomenon in question” [7]

Originally planned as a project to investigate the difference between services that stream popular music and those who enter the market by streaming classical music, I became aware of the fact that this would only cover a small aspect of the changes driving the development of the music industries. In addition, as McGill [7], I wanted to gain a understanding of the “phenomenon” itself. I therefore decided to take a broader look at new business models and innovative services.

To put it bluntly: I have found that, even though I learnt a lot about the industry, there is still *a lot* I don't know.

At the end of my thesis and based on the analysis undertaken here I try to derive some future developments at the end, and also “invent” possible new ideas, that may not be implemented, but could be starting points for discussion around the idea, and the role of streaming services.

1.1.1 Citation and Reference Style: IEEE

The University of Agder provides “Endnote” by Clarivate Analytics [8] as a reference managing tool. “Endnote” makes sure that only references that are used in the thesis appear in the reference list.

“Endnote” offers different reference styles such as “APA 6th” [9] that links to references by shortened author name and year in brackets, e.g. (Rei 2019). The rules are described by Unni Knutsen in the “Norsk APA-manual” [10].

However, in this thesis “IEEE” [11] reference style with numbers is used as defined by the IEEE Editorial Style Manual [10]. Wikipedia.org is an examples of using reference numbers enclosed by brackets “[]” and offering number ordered reference lists. The main advantages are that paragraphs are easier to read, that multiple, subsequent references [9-11] are combined using very little space, and references are easy to locate

in the reference list. The style for this thesis is therefore a personal choice to increase readability and easier editing.

2 STATE OF THE ART

This quote from IFPI gives an insight into the growing role of streaming in the music industries:

“Total streaming revenues increased by 41.1% and, for the first time, became the single largest revenue source.” [2]

2.1 Streaming is now the single largest source of revenue

The 2018 “Global Music Report” [3] by IFPI states that recorded music revenues in 2017 grew by 8.1%, and that digital music contributed with 54%. Even more so, digital streaming grew by 41,1% and is now the single largest source of revenue (6.6 USD billions) [3].

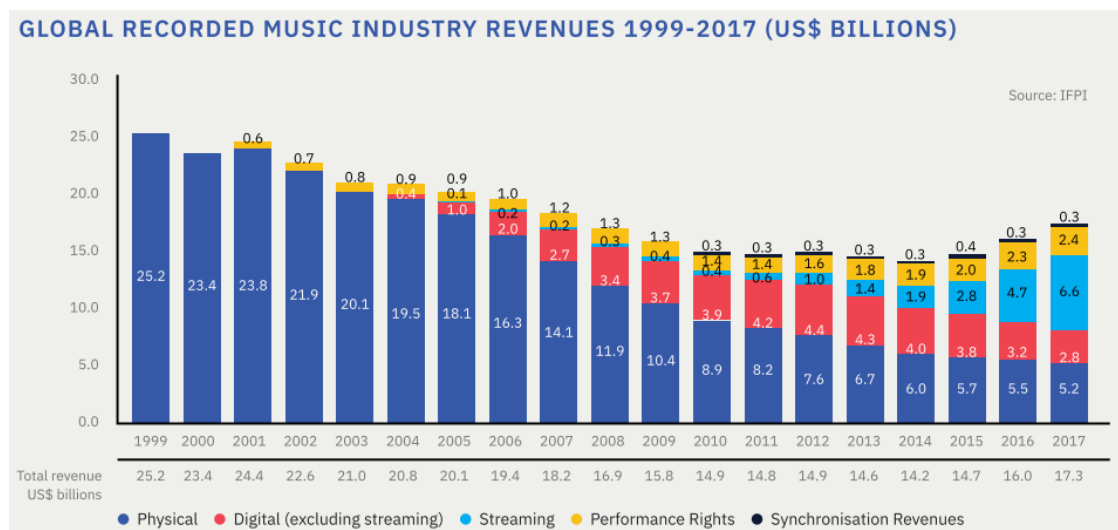


Figure 1: Growing importance of streaming business by IFPI 2018 [3]

For the past 15 years, the recorded music industry went through a beating. There was a steep economic decline following the emergence of digital technology (and websites such as Napster, more on that later).

In relation to streaming, IFPI states that streaming remains as the main driver for economic recovery in recent years, and writes that this is the third year of consecutive economic growth [3].

It is a positive fact that streaming has led to economic growth. But, as important as streaming is for the industry, it does not come without issues. Two issues that are of note is the huge catalogues of music, and the general transition to digitalization.

Moving to a digital platform is not a case of simply “copying and pasting”. In the report by IFPI [3], Dennis Kooker, President of Global Digital Business & US sales at Sony Music, talks about this issue:

“But you can’t take a one-size-fits all view to transitioning to streaming. There are still many different channels to manage, and consumer behaviour varies dramatically, which requires a market by market approach.” [3]

To be clear, this thesis is not only about the difficulties, but also about the possibilities. As the next chapters will show, not only has alternative streaming services sprung up, but also new business opportunities.

The next chapters will use classical streaming sites as a tool for highlighting differences and similarities between streaming services (i.e. comparing it to Spotify, for example).

2.2 Classical music and streaming

How does the classical music genre fit into the streaming landscape, and why have they decided to go their own way with their services?

This quote by Jonathan Gruber, former head of digital at the Universal Classics label [12], is from the time before classical music streaming services had begun to emerge, and indicates the recognition that classical music business need to evolve:

“For me the point is really about the inevitability of digital,” he says. “It’s not a question of having a choice, of either embracing this or letting it go past: if we don’t embrace it, it will develop in a way that we’re not happy with. And classical music will run the risk of becoming less relevant if it doesn’t engage with the way the rest of the world is moving.” [12]

It is interesting that even early in the streaming era, the fact that classical music may need to move in its own direction was acknowledged, the main question to be raised from this is: *What does a consumer of classical music want?*

But before moving into the consumer aspect, let’s see how the classical genre fits into the industry. To begin with, according to IFPI’s “Global Music Report” [2] from 2018, classical music is 7th in the world’s favorite genres [2]. It is fair to assume, that it is a

popular genre, or at the very least that there are plenty of consumers in the classical music genre.



Figure 2: IFPI: Classic music is listened to by 24% of users [2]

As the quote of Dennis Kooker [3] mentions, there is no “one-size-fits-all” transition towards streaming, and as the next chapters will show, this fact rings especially true for the classical genre.

I wish to point out the more interesting points in relation to this thesis: Classical streaming services have decided to make choices that fit the needs of the genre. They are deviating from the regular streaming service formula that is often used by mainstream platforms (such as Spotify or Apple Music). The question remains however, *what have they done differently?* The next chapters will be a focus on *why* these deviations are needed, all in order to answer the “what have they done differently?”-question. Each chapter will focus on different aspects of the streaming business, ranging between topics of consumer, curation and catalogue.

2.2.1 Classical music users are demanding

In order to pinpoint why classical users are different (and perhaps demanding), I will present what different functions classical streaming services provide, and explain why they do so.

First of all, *how have classical streaming services concluded what they need?* In 2018, Bachtrack.com conducted an interview with the CEO of Primephonic [13] (Primephonic, together with IDAGIO is one of two classical streaming services that will be focused on in this thesis), Thomas Steffens [14]. In the interview, Steffens recites market research Primephonic did before launching, with the goal of figuring out *why* classical music enthusiasts were not using streaming services. Their findings can be boiled down to four points:

1. I cannot find what I'm looking for
2. The audio quality is not good enough
3. The recommendations are not very interesting
4. The background information is missing [14]

Steffens points out that: classical consumers like streaming, they simply don't like it for classical music [14].

Beginning with the first point, Richard Trenholm in his article "Classical music streaming no longer plays second fiddle" writes that the issue is one of search function, and that if you search for Bach, or Tchaikovsky, or the Moonlight Sonata, You would get "a jumbled list of titles and artists" [15]

In the interview with Thomas Steffens [14], mentioned earlier, this issue is brought up, comparing the differences between search functions;

"Popular music needs just three items of metadata for each track: The Artist, the Album and the Song. That's a fraction of what classical music needs, where a track might be one of several movements of concerto, which has a composer and is performed by a conductor, an orchestra and one or more soloists (any of whom may be different from one recording to another)." [14]

In other words: classical music needs a whole array of different metadata. This emphasizes on creating tools capable of handling the amount of metadata, is used as a selling point for classical streaming services, the pictured example being from Primpehonics "information" site:

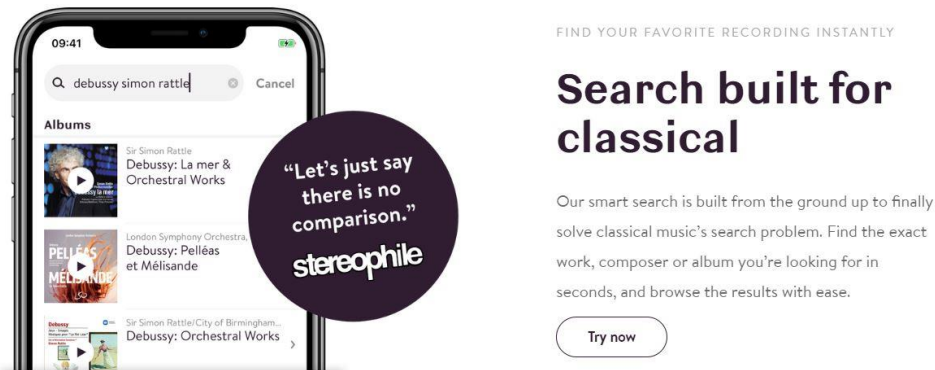


Figure 3: Primephonic [13] emphasizing advanced search functions

The second point, (audio quality not being good enough) can be seen being used in a similar manner as the search function, as seen of this picture from IDAGIO’s website (Figure 4 [5]). The two services begin to differ when it comes to subscription prices, IDAGIO customers pay a flat rate of \$9.99/month, whilst Primephonic customers can

opt to pay more, for highest quality at \$14.99.

Detailed search Lossless audio Expert curation

The best app for classical music

TRY NOW

Figure 4: Idagio's [5] customer benefits as advertised on their web site

Today the competitive advantage of classic music streaming services is not high quality anymore. Streaming services such as Tidal [16] and Qobuz [17] offer lossless streaming.

However, search functionality still lags far behind IDAGIO and Primephonic. Most popular streaming services have many different categories for popular music of the last 50 years, while they have only one category for classical music covering over 1000 years [18] from, e.g., ancient music, baroque, romantic, classical to contemporary [19, 20]. Clearly classical music enthusiasts expect better. Continuing on the question of “*What have they done differently?*”, the next chapter will revolve around the economics classical streaming.

2.3 Royalties and Classical streaming

The two economic models that are the focus for this chapter are: the pro-rata model and the user-centric model. Each model will be explained, together with what service uses which model, as well as light discussion around the topic.

Daniel Nordgård, in his text *“Lessons from the world’s most advanced market for music streaming”* [21] provides an overview of how the pro-rata model works.

“The pro-rata model is simply the distribution of revenues based on how many streams a rights-holder’s song constitutes from the total number of streams played via the platform.” [21]

The pro-rata model is currently used by larger streaming companies, such as Spotify or Apple Music. Nordgård writes that the pro-rata model is reasonable, if viewed from a normal market economics-perspective, but the issue rather lies in the consumer side. With the pro-rata model, the money a consumer puts in (the subscription fee) is spread out over the entire providers repertoire, the difficulty, and often criticized aspect of this model is explained by Nordgård:

“This means that if songs by an artist with mainstream appeal hypothetically constitute 10 percent of all streams during a single month, 10 percent of the revenues generated by the user who only listened to a single niche artist will end up in the pockets of the mainstream artist anyway.” [21]

The point is; the money a subscriber puts in to the service does not necessarily go to the bands they listen to.

2.3.1 Pro-rata issues

Consumer issue put aside, the challenge with this model, from an artists’ perspective can be presented with the case of the band “Vulfpeck”, Spotify stunt, which was called “Sleepify” [22]:

“Essentially, what Stratton was asking fans to do was to stream the silent album on repeat while sleeping – “make your sleep productive” – all in order to exponentially multiply royalties from Spotify. Since the latter are only disbursed once a song is registered as a play, which happens after 30 seconds, all songs on “Sleepify” – ingeniously given the titles “Z” to “Zzzzzzzzzzz” – were 31 or 32 seconds long.” [23]

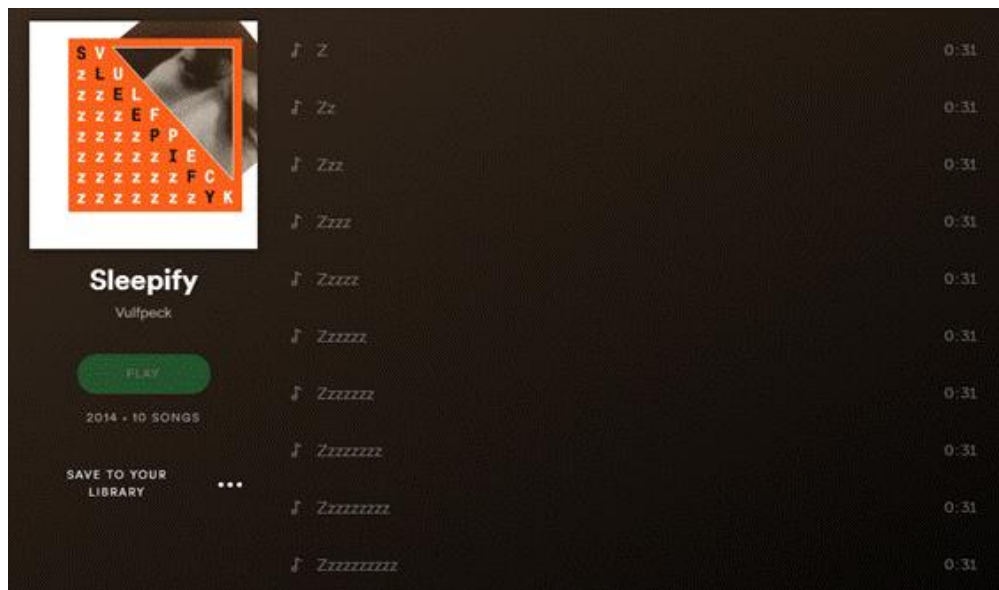


Figure 5: Vulfpeck’s 2014 Sleepify album challenging Spotify [24]

Although it can be argued that this stunt went to a good cause (Vulfpeck using the revenue from “Sleepify” to tour and set up concerts with no admission fees [23]), it highlights one of the issues of simply remunerating artists by play, rather than following listening length, the issue can also be explained as; the pro-rata model inherently favors shorter songs over longer songs.

In some ways, this may seem as a victory for Vulfpeck, Snickars writes that they were praised by many, whilst others argued that this was why Spotify should impose stricter regulations. [23] Even if the revenue went to a “good” cause, to put a focus on the issue, the next example is one that does not garner any other title than “scam”.

In 2017, there was a similar stunt as “Sleepify”, but with a more nefarious purpose. The incident and case in question was called “The Bulgarian Playlists”[25], which also took place on Spotify’s platform.

“Music Business Worldwide” [25] wrote a summary with facts regarding the incident in an article, writing that: the playlist in question, called “Soulful Music”, generated sufficient revenue in September 2017, that it landed at No.35 on Spotify’s global 100 chart. The playlist had less than 1,800 followers at the time it hit the charts. The playlist in question contained 467 tracks, each between 30-40 seconds long. [25] The writer of the article, Tim Ingham, calculated that the “Soulful Music” playlist *alone* generated around \$415,000 a month. [25]

There are two issues that I wish to point out with this scam: the first being that, through the pro-rata model, regular subscribers indirectly help with the paycheck for this scam.

The second being that this playlist managed to get to place No.35 on Spotify's global 100 chart.

What both cases ("Sleepify" and "The Bulgarian Playlists") have in common is that they managed to bypass regulations (or: security). This may not be an economic issue, but rather an issue concerning barriers of entry.

Patrik Wikstrøm notes on "barrier of entry", in his book, *"The Music Industry: Music in the cloud"* [26]:

"However, in the new music economy, these barriers are so low that every amateur musician and ordinary music fan is able to create, remix and publish music online." [26]

When Wikstrøm writes about the barrier to entry into the music industries being lowered, it is related to how digital technologies have lowered these substantially [26]. For amateur musicians, this is a good fact, but inadvertently, this "ease of entry" allows for creators of playlists (such as the "Soulful Music") to also get in. This topic, as well as several different theories presented by Wikstrøm will have a larger focus in later chapters.

As mentioned before, there are two main models that are used today, the first being the pro-rata model discussed above, the second being the user-centric model.

The word "User-centric" in itself explains what focus of the model is, which is "user centered" i.e.; with the user in the center. Nordgård explains it as such;

"A user-centric model, on the other hand, bases its revenue distribution on the subscribers' listening profile and distributes revenues based on the revenues from each subscriber." [27]

This business model would have prevented "The Bulgarian playlist" as the revenues generated by the playlist would have only been covered by the subscription fees generated by the scammers.

Classical streaming services have begun to use this model, the next chapter will explore their reasons for doing so, in addition to being a more detailed look to what the model entails.

2.3.2 User centricity, song length and even more fairness

Ylvis landed a major hit in 2013 with their song “The Fox (What Did the Fox Say) [28]”. A song that lasts in its original version for 3:33.

Mahler’s Symphony No. 3 [29] is 90 to 100 minutes long. Roughly 30 times longer than “The Fox”. Still in a pro-rata model they would still be paid the same for each play.

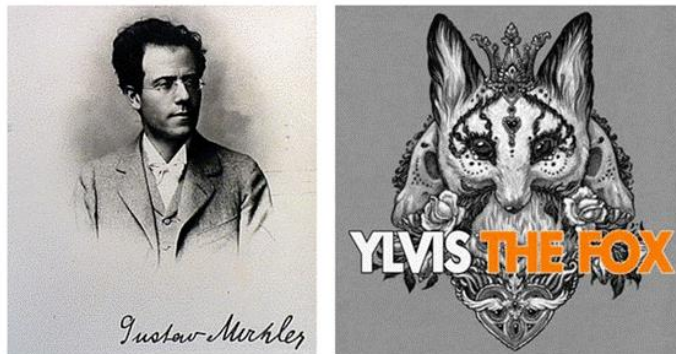


Figure 6: Mahler’s Symphony No.3 [29] and Ylvis “The Fox” [28] may generate same income – even in a user centric model

If Spotify’s model would have been utilized, classical pieces would have lost out on a lot of money, as they would have to compete with songs that are around 3-minutes long (which would mean more total plays for the shorter songs).

That is why classical music streaming services introduced a new dimension which can be applied to both models. But this issue does not only affect the classical genre. Deep Purple’s famous album “Made in Japan” from 1972 contains “Child in Time”, an extraordinary performance that is 12:19 minutes long. Still Ylvis’ “The Fox” with its 3:33 duration, can be played 3 times before “Child in Time” is done, therefore earning 3 times more.

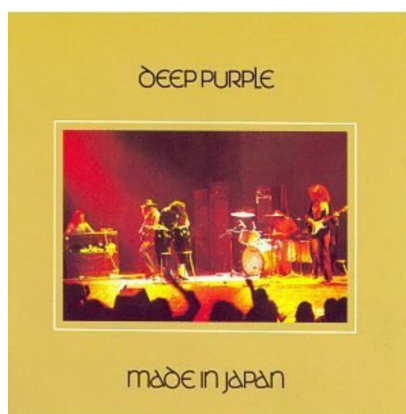


Figure 7: Deep Purple’s 1972 “Made in Japan” live album

Primephonic emphasizes this issue on their “Our Fair Payout Model [30]”-page:

“On existing streaming services there are works that are 3 minutes long and works that are 60 minutes long. Both get the same pay out... Another unfair consequence of current pay-out models is that, compared to popular music genres, classical music doesn't get its fair share of revenue because the average classical work is much longer than the average pop song.” [30]

Therefore, songs are paid by time played in seconds, and is therefore a user-centric model:

“To address both issues, Primephonic developed a pay-per-second model. The longer a work is streamed, the more money that work receives.” [30]

The fact of the matter is, the pro-rata model is not a good fit for classical music.

Vulfpeck’s “Sleepify” 2014 stunt illustrates that with the pro-rata model, short songs are more attractive to produce for an artist, as they get the same revenue as longer pieces (if money is the motivation).

2.4 Catalogue and Curation

Playlists, as a topic, is related to the theme of catalogue and curation. The next chapter will focus on this, with the goal to establish that playlists fulfil a need in the streaming industry, rather than simply being a feature on the side. Before going further into the topic, and for further clarity on the subject, the broad question of “*what is a playlist?*” will be the first focus.

In its purest form, curated content comes as playlists, created (and curated) by experts of the genre. Briefly explained, a playlist is a collection of songs, often revolving around a theme. Examples of playlist “genres” can be: *Playlists by mood*, *Top 10*, *Playlists by genre*, and “*abstract*” *playlists* (Examples of abstract playlists can be; *Dinner with friends*, *Focused running*)

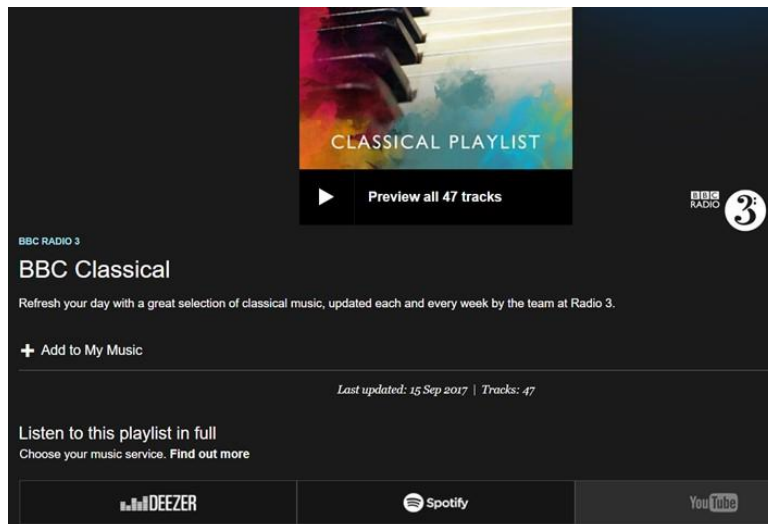


Figure 8: Weekly updated classical playlist curated by BBC Radio 3 [31]

Classical streaming services follow this trend. On IDAGIO’s app, and its website, there is a page called: “Discovering music with IDAGIO [23]”. This page offer users’ mood playlists, which include; Nervous, Gentle and Melancholic, all being playlists that are curated by experts of the genre.

The opposite of this, would be the “weekly mix”. IDAGIO explains, on their FAQ, how this sort of mix works;

“Your Weekly Mix is an automatic selection of pieces based on your personal taste. Your listens and favourites are paired with metadata from our catalogue in order to find music we think you’ll enjoy.” [23]

In other words, there exists humanly curated playlists, as well as AI-created playlists.

Other than simply curating songs for consumers, playlists serve another purpose as well. Pelle Snickars, writes in his text “More Music Is Better Music” [23] about the function of “Discover” and “Radio” (which is curated content for the user) for a streaming provider;

“Pertaining to the contemporary streaming moment, the buffet or “all-you-can-eat” version of musical access for a set price with package subscriptions to consumers is thus dependent on a never-ending tail of content.” [23]

Related to playlists, this quote could be perceived in the manner of; Streaming platforms market themselves with having over 40 million songs, the playlists are a way of “fulfilling” that promise [23]. Furthermore;

“Getting users hooked on a service and to continue listening to more music (than they need) is perceived as key to potential success – even if most streaming services (including Spotify) are still far from making a profit.”

[23]

Playlists come in a variety of forms, but in its essence, it is there to curate and help audiences navigate the vast libraries of streaming services. Although this subject has been lightly touched upon in this chapter, the next chapter aims to provide further insight.

2.4.1 Playlists as a need

Daniel Nordgård in his text *“Lessons from the world’s most advanced music streaming services”* [32], writes about the “Paradox of Choice”. A theory which was created by Barry Schwartz in his book *“The Paradox of Choice”* [33], briefly put: Schwartz argues that the bigger the choice-range, the bigger the effort needed to make a choice increases. The effect of this is that: if the effort becomes too big, the choice itself become a barrier that may prevent an item being chosen. [33]. Nordgård relates this to the music industries, writing:

“Schwartz’s work also demonstrates that platforms that contain millions of offers require a form of guidance or curation. It seem obvious that when music outlet shelf-space has expanded from thousands of titles to millions of titles, the need to narrow the range of options becomes substantial.” [32]

The choices have moved from physical to digital, from record store to streaming service. To put it into perspective – Spotify currently sits on over 40 million songs [34], a vastly larger amount of music, than could fit into a record store.

To be clear, “The Paradox of Choice” is not a theory made specifically for music business, but its principles and theory can be used when defining and explaining curated contents purpose. Nordgård further elaborates on the “paradox of choice” theory in his book *“The Music Business and Digital Impacts”* [27], when explaining the challenges with ever-growing, expansive catalogues, referring to it as the “Achilles heel of the industry” [27].

With this in mind, the argument that playlists are a necessity becomes focused towards audiences, and that it becomes a vital tool to easily find new music. In addition, looking at it from a business viewpoint, as Pelle Snickars does, playlists become an important

ingredient in holding the streaming “eco-system” in a thriving state. The last two perspectives have strictly been from a consumer and business standpoint, the next section will focus on the artist perspective, and what “benefits” they gain.

To strengthen playlists position in the streaming arena, it is worth to note that new businesses have emerged, with the task of curating playlists, as well as marketing artists. The example that I will use, is a site called: *PlaylistPush.com* [35] (Which will be referred to as “PP”).

On their frontpage, “PP” state;

“We help Independent artists get their music on playlists and give playlist curators a way to monetize their playlists while discovering new music.”

[35]

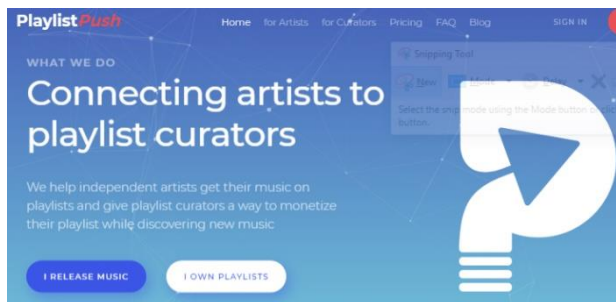


Figure 9: Playlist.com[35] linking artists and playlist curators

“PP” works as a middle-man, a bridge between artists and playlist curators. It is a new way for independent artists to market their music to a wider audience (some of these curators have followers in the millions), if they can afford it. The prices range from \$250 to \$1000+. The service “PP” is a development in the marketing section, which has come to existence because of playlists role in streaming.

2.4.2 Audience Reach

Currently in the chapter, there is a lot of defining what a playlists are, what they help with, and what opportunities they create. But there is one party that I wish to take further into the equation, which is the consumer.

Francois Moreau, in his article *“The disruptive nature of digitalization”* [36] writes about “online word of mouth”, which he translates to; recommendations. Moreau, even though his article is music business oriented, provides an example of Amazon sales statistics, writing:

“Fleder, Hosanagar and Buja (2010) quote statistics indicating that 35% of sales at Amazon originate from recommendations.” [36]

Moreau continues to write that the value that recommendations offers, is in personalization [36]. This is exactly what the “Weekly Mix” that IDAGIO offers wants to accomplish (IDAGIO is not the only service to offer such a service. Spotify, for example has a “Discovery Weekly”, that functions in the same way. [37])

Mirroring the Amazon statistic, Music Business Worldwide released an article regarding playlists, the author, David Turner [38], writes that:

“Daniel Ek nodded to it at Spotify’s investor day earlier this year, noting that over 30% of consumption on Spotify was now a direct result of recommendations made by the platform’s own algorithms and curation teams.” [38]

30% may not sound like a lot, but looking at Spotify’s subscription numbers, which in 31 March 2019, was 100 million, according to Spotify’s “Company Info”-page [39], puts the 30% at an amount of 30 million people consuming music through recommendations, almost six times the population of Norway. Clearly, recommendations (as well as playlists) have a role to play in music consumption today.

2.4.3 Playlists, catalogues, curation summary

In summary, playlists are a way of easing the issue presented in Schwartz’s “paradox of choice”-theory [33]. Simply because consumers need to make little conscious when deciding what music to listen to. Additionally, businesses have begun to emerge solely with playlist marketing in mind. The fact that this sort of business has emerged, further pushes the argument that playlists fulfill a need, rather than simply being a feature.

To be clear, the way playlists are presented, is not with the idea that it might replace the album or similar, but it is rather a focus on playlists’ integral role in streaming business. The article by David Turner, mentioned earlier, also wrote about how playlists are becoming ever more AI-curated, rather than humanly curated [34], whether this is negative or not, is tough to say. But I am fairly certain that human playlist creators (or simply: curators) might struggle to create personalized content for 100 million subscribers, and therefore, AI-systems can step in and perform that task.

Nevertheless, humanly curated or not, playlists still remain an important part of organizing vast libraries of music.

2.5 Chapter summary

This chapter indicated that:

1. Digital music streaming is now the single largest source of music revenue.
2. Spotify cannot cater to every genre that exists, as was the case with classical.
3. Issues with the pro-rata model affects more than just the classical genre.
4. The user-centric, “pay-per-second” model fits with the greater length of classical music pieces.
5. Playlists are a valuable tool for consumers looking for music.

The goal of the chapter was to present the state of the streaming industry. Although light discussion has been done around issues and topics of progress, I reserve the primary discussion for Chapter 4.

Moving forward, I realize that the subject of copyright has not been raised, but it will be a part of the next chapter.

We have barely scratched the surface of the streaming industry. The next part of the thesis will be a deeper dive into the dynamics and functions the different roles of the industry have, and what their purpose in the industry as a whole is.

3 DEEPER ANALYSES

In order to organize this analyses chapter, I have decided to use a theory first presented to me in Daniel Nordgård's PhD Dissertation, "*Determining Factors on Digital Change in the Music Industries*" [40]. The theory in question, is called "Strategic Action Fields" (which will be referred to as SAF), and was first created by Neil Fligstein and Doug McAdams [41]. The theory of SAF's was not created for the sole purpose of understanding the music industries, but rather as a theory that can be applied to other industries as well.

It goes without saying that, no matter what section of the music industries one chooses to analyse, there is a tendency for roles and dynamics to become quite complex and manifold. This fact also rings true for the streaming-section of the industry. It does not help that both new, evolving businesses and older, more established businesses are doing things differently as a result of digitalization.

In order to begin discussing further, an understanding of what roles the different parties have in the industry is useful for creating a solid foundation for meaningful discussion.

3.1 Strategic Action Fields (SAF)

First of all, SAF's can be found in any industry. Fligstein and McAdams [41] writes:

"All collective actors (for example, organizations, extended families, clans, supply chains, social movements, and governmental systems) are themselves made up of SAFs. When they interact in a larger political, social, or economic field, that field also becomes an SAF. In this way, SAFs look a lot like Russian dolls: open up an SAF and contains a number of other SAFs."
[41]

SAF's do not need to be restricted to an industry-wide perspective, but can be focused down to individual companies, or even branches of a company [41].

Relating this to the music industries, a SAF can either be an entire industry, for example the music industries, or it can be a single company, IDAGIO, for example. Moving on, in each SAF, there are "roles" that different businesses/players possess. These roles are

called: *incumbents*, *challengers* and *governance units*. Who falls under what role, is decided by their standing in the SAF, often by how much influence and power they possess [41].

3.1.1.1 Incumbents

Beginning with incumbents, Fligstein and McAdams define incumbents as:

“Incumbents are those actors who wield disproportionate influence within a field and whose interest and views tend to be heavily reflected in the dominant organization of the SAF.” [41]

Using the streaming industry as an example, Spotify is an example of an “incumbent”, seeing as it is one of the largest streaming providers in the world. Spotify is established, and its influence comes in the form of subscribers, audience reach and power over what artists are relevant in terms of popularity. In addition, Spotify has a quite *odd* (for lack of a better word) relationship with the major labels. These facts will be discussed later in the thesis.

Moving on, the next role is that of the “challenger”. Defined by their occupation of a less privileged niche within the field, they tend to wield little influence over the SAF’s overall operation. [41]

3.1.1.2 Challengers

Relating this to the streaming industry, emerging businesses of classical streaming can be defined as “challengers”. They operate within the niche of the classical genre and focus on that area of the industry. In addition, Fligstein and McAdams mention another important fact when it comes to challengers:

“While they recognize the nature of the field and the dominant logic of incumbent actors, they can usually articulate an alternative vision of the field and their position in it.” [41]

Before moving on to the next role, governance units, the question: *what is the nature of the streaming market?* Needs to be addressed. Related to this question is; how have classical streaming services adapted to this nature?

3.1.2 The Nature of Streaming Services

First of all, the “nature” is a quite abstract term. To be clear, the focus of this chapter is what streaming providers focus on, what is deemed as the most important factors for their services, and why it is so.

Pelle Snickars text, “*More music is better music*” was referred to earlier in the thesis, in relation to curated content and the role of playlists. Some of the principles presented in that chapter (2.4), will be related to this chapter as well. Snickars defines “success” in the streaming market today as:

“Getting users hooked on a service and to continue listening to more music (than they need) is perceived as key to (potential) success.” [23]

So how do streaming businesses go about to achieve this success? The answer to this question can begin to be found in their advertising.

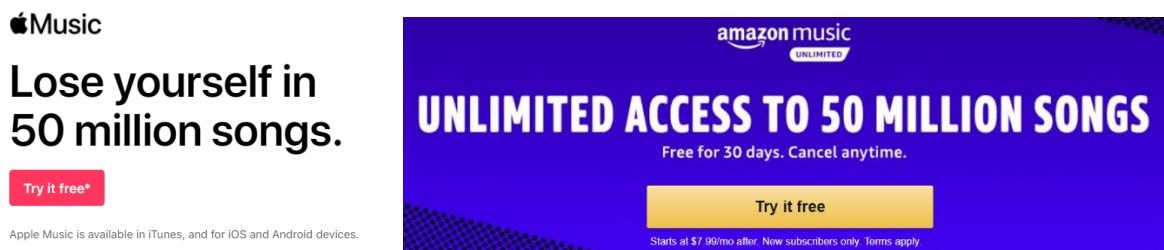


Figure 10: Apple music [16] and Amazon Music [42] alike promoting their strongest selling point

Using mainstream streaming services as an example. In the figure above, the message that Apple Music and Amazon Music convey is clear: *they have a large catalogue*. Variations of this message are found in other streaming services. For example: Spotify, in their “about” page, writes that their catalogue can fit any and every occasion, “be it working out, partying or relaxing”[43]. TIDAL, on the other hand, is focused on the “musical experience” of their app:

“With our library of over 60 million tracks and 240.000 videos, you’ll get the ultimate music experience. Create a playlist or try one of ours, hand curated by music editors and even artists themselves.” [44]

Even though their approaches differ, the core theme is centered toward the amount of music on offer, and its ready availability to the users, i.e. their curational services.

The curational aspect of streaming services are vital as well, Wikstrøm argues that consumers are not necessarily interested in “base-access” (access to only the music) but rather that it is the curational service that is of interest [26], in other words: streaming services emphasize how consumers can experience the music on their specific service (as mentioned with TIDAL and Spotify).

Relating this back to SAF, and the “challenger” aspect. How have classical streaming services acknowledged this nature?

As mentioned earlier, classical streaming services have developed more sophisticated search functions, tailored to fit the genres needs. From the perspective of a classical music consumer, this was the main failing point of mainstream services (such as Spotify) when it came to finding classical music on their services.

This fact becomes glaringly clear in the interview with CEO of Primephonic Thomas Steffens [14]. Which is related to the 4 points that were the main failings of larger streaming companies, the points in question being: *I cannot find what I am looking for.* And: *The recommendations aren't interesting.* [14]

In summary: classical music was previously not organized, nor curated on mainstream streaming services (services like Spotify or TIDAL), making the genre difficult to access.

Providers such as IDAGIO and Primephonic realized this fact and created an alternative version more fit for their needs, in the field they operate (music streaming). The goal being to allow users to access classical music in an easier, as well as providing properly curated content. The nature of streaming services, which can be related to the “all-you-can-eat” style of digesting music, mentioned by Snickars[23], becomes intertwined with the improvements IDAGIO and Primephonic have made to their niche of the industry, and inevitably IDAGIO and Primephonic to fall in line with the “nature” of streaming.

Furthermore, the characteristics related to the “challenger” aspect, can be summarized in these points:

1. Operating inside a niche
2. Not having huge influence over the rest of the SAF
3. Articulating their own version of vision of the SAF

Since IDAGIO and Primephonic fit these three facts, they can be defined as challengers [41].

Continuing on the theory of SAF, the next chapter concerns that of “Governance units” and their role and function within the SAF.

3.2 SAF – Governance units

Also known as “the state”. Fligstein and McAdams use the internal affairs divisions in police departments as an example of a governance unit. [41] Basically, the role of a governance unit is to ensure that the “rules” of the SAF are upheld, and that “the system” (as Fligstein and McAdams call it) runs smoothly:

“Ordinarily, then, governance units can be expected to serve as defenders of the status quo and are a generally conservative force during periods of conflicts within the SAF.” [41]

There are a couple of terms I wish to focus on to relate this aspect to the Music Industries. These are: *the system, periods of conflict, defenders of the status quo*. The terms all represent points of which can be used to define what a governance unit is, and to understand what role it plays in the SAF.

To begin with, what “system” are governance units main concern, in music industries? The short answer is *copyright* [45, 46]. The next chapter will elaborate on this answer, beginning with a focus on what copyright is.

3.2.1 Copyright or; “the system”

The Oxford Dictionary defines “copyright” as:

“The exclusive and assignable legal right, given to the originator for a fixed number of years, to print, publish, perform, film, or record literary, artistic, or musical material.” [46]

Simon Frith and Lee Marshall, in their book “Music and Copyright” [47] take “copyright” further as the foundation of music business, writing:

“Copyright provides the framework for every business decision in the industry.” [47]

Frith and Marshall define copyright as “the currency in which all sectors of the industry trade” [47]. The key-word for leading the chapter forward being: *currency*.

It is by no mistake that Frith and Marshall use the term “currency”, as one of the main purposes of copyright is to create and give value [47] to something that is non-physical.

The terminology for this sort of product is: “intellectual property”, which will be referred to as IP.

WIPO, on their website define IP as:

“Intellectual property (IP) refers to creations of the mind, such as inventions; literary and artistic works; designs; and symbols, names and images used in commerce.” [48]

Frith and Marshalls [47] use the example of a CD to explain what copyright is.

When a customer buys a physical CD, that CD is theirs to use as they see fit. It can be bought, listened to, given away or destroyed.

What copyright protects, is “the work” (which is; the music or the artistic creation. “the work” is the term used when mentioning IP in relation to copyright) on the CD. The work is still not owned by the buyer of the album, it remains in the ownership of the band/artist that created it. A clear example of this is that the copying of works is against the law, and must be authorised by the owner of the IP before doing so. But, sharing the physical CD does not breach copyright law. [47]

Furthermore, even though copyright refers to a single thing, it is in fact a combination of several different rights that the original rights holder gains access to. Tunecore.com [49] provides a rundown of the different rights:

1. Reproduce the work, (i.e., mechanical reproduction of the music for CDs, downloads, and vinyl).
2. Distribute the work (i.e., stream or otherwise make the music publicly available).
3. Prepare derivative works
4. Publicly perform the work (i.e., in a concert or on the radio).
5. Publicly display the work [49]

It is these rights the creator of a work acquires and can use as bargaining chips when negotiating a deal with publishers/record labels or similar. This means that the rights originally given to the creator, can be transferred to others if chosen.

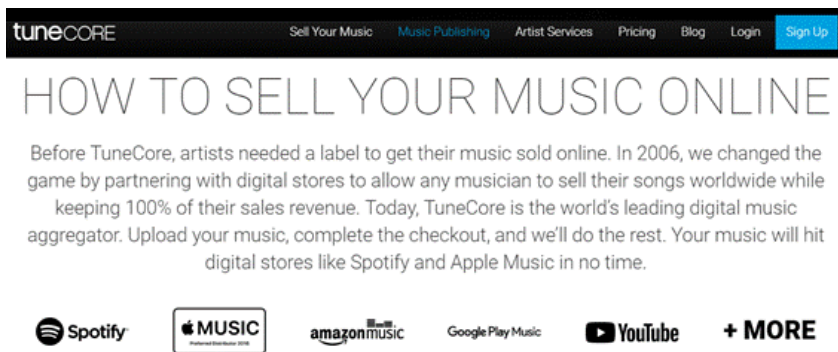


Figure 11: Tunecore advertising their publishing services to artists

In the days of physical sales i.e. CD's, these rights were easier to uphold. The reason for this will be explained through a theory Patrik Wikstrøm [26] writes about.

Wikstrøm theory is two-fold and explains dynamics of the industry in the days of the CD, as well as the days of digitalization. Wikstrøm coins the CD-era as one of “low connectivity and high control” [26]. Connectivity being defined as:

“Connectivity is a measure of how well the members of a network are connected.” [26]

The members being consumers of music, or the fans. The controlling party being music firms and similar [26].

To emphasize what this era meant, Wikstrøm writes that:

“Basically, there were strong connections running between the music firms and the audience, but only weak connections between individual members of the audience.” [26]

This was an era before the internet, and P2P (peer to peer) networks. P2P is defined on techterms.com [50] as:

“In a P2P network, the “peers” are computer systems which are connected to each other via the internet.” [50]

This means that: through the internet, consumers can share music between each other without having to buy the CD at a record store or similar. It is in the beginning of this era that reinforcing copyright became a massive challenge. Going back to Wikstrøm, this era is referred (the era that we are currently in) as one with “high connectivity and little control” [26].

An example of why copyright was “compromised” can be found in the case of a file-sharing service called “Napster”. Napster was one of the first websites that came to

existence as a consequence of digitalization, and allowed fans to download music for free. Marshall writes that, at its peak, Napster had 1.5 million people using the service simultaneously, each sharing 220 files on average, which is 330 million files in total. The “files” in this case, was mostly music [47].

This meant that rightsholders (labels, artists amongst others) did not get reimbursed for the usage of their work, i.e. they worked for free.

Naturally, this was an issue for the industry, as they suffered economically. Eventually, the owner, Shawn Fanning, was issued a cease and desist order and Napster was taken down [26]. Furthermoe, Wikstrøm writes this about the consequences following Napster:

“Fanning eventually followed that order, but once the P2P concept was known among the general public, other more sophisticated technologies soon followed.” [26]

I will not spend too much time on the history of digitalization of file-sharing services or the consequences following it. But, it is important to note the beginning of digitalization, as well as its history, to provide insight as to where modern music streaming services originates from, as the two subjects share closer relations that one would expect. Lee Marshall, in his article *“Let’s keep music special. F- Spotify”* [51] that this relation is no coincidence. Marshall writes that Spotify’s owner, Daniel Ek, was formerly CEO of the torrent site “uTorrent” [51].

It is worth noting that this is not a critique against Daniel Ek or Spotify. As mentioned, the main purpose is to provide perspective on where streaming originated from.

To summarize the chapter: copyright may very well be the source of many issues that have plagued the recorded music industry, as it had a rough transition to digital technology.

But it is also important to note that, it is the bedrock of the industry, a tool on which businesses can be built upon, and to put it bluntly, give monetary value to a thing that inherently has none. In the end, it is there to empower the artist, to reward them for their labor. In relation to SAF’s, it is the duty of governance units to uphold copyright in the recorded music industry, which will be the topic of the next chapter.

3.3 Defining Governance Units in the Music Industries

The examples used to describe define governance units will both be businesses that closely work with copyright. The two examples are called: “IFPI” and “CMO”’s.

Beginning with IFPI, short for “International Federation of the Phonographic Industry” [52], IFPI is a not-for-profit organisation, focused on the recorded side of the music industry (the word *Phonographic* in itself is a term related to the recording of/recorded music). Their mission as a company can be summed up to 3 points. These three are: *Promoting the value of recorded music, Campaigning for the rights of record producers, Expanding the commercial uses of recorded music.* [52]

It may be obvious, but IFPI is heavily against piracy. In fact, they have a section dedicated to “anti-piracy” in their “what we do”-page. [53] In addition, IFPI works with underdeveloped countries to establish and enforce copyright, as stated in the same page:

“The legal policy team campaigns to secure better rights in those markets worldwide which are not up to international practice.” [53]

The entirety of IFPI revolves around enforcing and establishing rights for recorded music around the world. However, it is one thing to establish infrastructure, but it is another thing to utilize established rights. This is where CMO’s, or – “collective management organizations” becomes relevant.

Daniel Gervais, in his book “*Collective management of copyright and related rights*” [54] writes about CMO’s. To begin with, A CMO is not a single organization, such as IFPI, but is rather a “type” of business. CMO’s, more often than not, work independently from country to country. The amount of CMO’s in a country can vary, but often only one operates within a country. CMO’s are often a member-owned organization and has a couple of objectives. Gervais defines these objectives as:

1. Obtaining the authority to license
2. Setting licensing terms and tariffs
3. Usage data collection and distribution [54]

In short, CMO’s are mainly known for acquiring royalties for its members, working together, through “reciprocal representation agreements” between countries in order to accomplish their objective [54].

Before wrapping up the CMO section, it is worth mentioning that a large part of CMO’s around the world is a member of a “umbrella” organization called: CISAC (short for:

The international Confederation of Societies of Authors and Composers). In their “What We Do”-page explain one of their main purposes as:

“We enable collective management organizations to seamlessly represent creators across the globe and ensure that royalties flow to authors for the use of their works anywhere in the world.” [34]

In summary: CMO’s purpose is to collect royalties (money) for the creator of IP works. They do so through communication and cooperation across the world [34].

However, CMO’s do more than collect royalties, and an example of this is the organization “NORCODE” [53]. Before moving on, and to give praise, this organization will briefly be put into focus.

NORCODE was established by Norway’s 5 collective management organizations (BONO, GRAMO, Kopinor, Norwaco and TONO). NORCODE states that their mission is:

“NORCODE’s main objective is to contribute in building the cultural infrastructure in developing countries and strengthen the situation of the rights holders” [53]

It could be argued that NORCODE is a direct consequence of digital evolution. The reason being that through technology, countries can help and provide each other with systems that can work as a foundation for cultural infrastructure in developing countries.

3.4 Summary of chapter

Not all parts of the SAF are relatable to this thesis. Because of this, I have kept the chapters relatively brief (most notably the CMO and IFPI chapters). Nevertheless, expanding the understanding of the industry as a whole, rather than only the streaming part, gives a certain perspective to the size of the music industries.

Moving on, the dynamics of the music industries are complicated, and perhaps this chapter only complicated it further. But, the terms found in the SAF-theory can be useful in order to pinpoint what role emerging businesses have, as well as introducing some of the dynamics between different players of the industry. In addition, the SAF theory proved useful in establishing key theories (such as copyright).

Although copyright is a subject that warrants a thesis by itself, I will not dwell too much on it as a subject. However, I do believe that when writing about music business, copyright is quite hard to bypass. My main goal for the copyright chapter was simply to establish some basics around the term itself, so it can be used in later chapters.

Nevertheless, the theme of this thesis is to look forward, towards what has changed and what *may* change. Following this theme of “change”, the focus of the next chapter, will contain the brunt part of discussion, as well as research, regarding topics both new and old.

4 DISCUSSING STREAMING BUSINESSES

Using well-known theories as basis, this chapters discusses topics related to streaming, from consumer behavior to business practices.

When writing about digitalization, a word that inevitably comes up is “disruptive”. The word itself may be thrown around a bit carelessly, but nevertheless, there are some interesting theories built around digital disruption, that will be a brought up throughout the chapter.

Some topics may flow into different areas, but hopefully streaming will be the “red-thread” that connects them all. Rather than “uncovering” some truth about streaming, this chapter simply aims build an understanding about the business of music streaming today.

First of all, let’s begin with establishing a key term; digitalization.

4.1 Digitalization

The subject of digitalization is a broad and enveloping topic. To avoid repetition, chapter 3.2.1. has a brief introduction of the historical issues that came to light as a result of digitalization, focused around the website Napster [52].

To begin this part of the thesis, let’s first clear something up, *what does digitalization mean?*

Jason Bloomberg, in his article about what the different “digital” terms means, writes that: **digitization** is the term used when referring to “taking analogue information and encoding it into zeroes and ones, so that computers can store, process and transmit such information” [55]. For example, it is the act of moving a music into the cloud.

However, digitalization is a more ambiguous term. It is more related to social, and industry aspects. Bloomberg writes:

“Digitalization is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities” [55]

This term relates more directly with services such as Spotify, TIDAL, YouTube or other streaming services, as they have all changed the previous business model of the industry, providing a new way to both consume and generate revenue from music, or other media. Moving on from this brief introduction, the next topic will be on mainstream services, most notably; Spotify.

4.2 Spotify

I have decided to focus on the largest streaming service, Spotify, for the next chapters, as it is a good example of what a streaming service really is. Before doing so, some raw facts will be presented in this section, to create a proper foundation for the coming chapters.

As of March 2019, the collective amount of monthly Spotify users is 217 million. 100 million being paying subscribers, this amount has continued to grow throughout the quarterly reports made by Spotify since 2018 Q1 [56].

Spotify’s music catalogue currently sits on over 50 million songs and stated in their financial performance report; Spotify has begun to push towards pod-casting, through giving pod-cast creators more tools through a feature called “Spotify for Podcasters”. The result of this is that the service has seen a nearly double increase of podcast creators on the service [56].

Finally, Spotify is available in 79 markets, and has recently launched in India. In other words; Spotify continues to expand their reach throughout the world, as well as different mediums of audio-entertainment. Their focus currently lies on facilitating an easy user-experience for creators, as well as continuing their work on curational services for consumers [56].

At a surface level, Spotify’s seems to continually work towards making the service available for both users and consumers. However, to put it bluntly: 50 million songs, is a lot of songs. The next chapters will focus on issues related to this massive amount.

4.2.1 A flood of music

In the earlier days of the recorded music industry, there were “regulators” set in place that were there to deliver music to the masses. In addition to being a valuable

component in delivering music, it was also a point of power for labels releasing music. Peter Tschmuck writes in his text, *“From record selling to cultural entrepreneurship”* [57] regarding this issue:

“The record used to be the centrepiece of value creation, and the labels were the gatekeepers in the value-added process. Digitalization destroyed the traditional relations, and the artist moved centre stage in the value-added network of the music industry.” [57]

The target of interest in this quote is the term “gatekeeper”, and how it relates to the function major labels had earlier. It can be compared to that of playlist curators, in the sense that the majors had the opportunity to choose what music reached the front shelves of record stores.

As Tschmuck mentions, digitalization changed this (although if traditional relations were “destroyed” will be discussed in later chapters), but it is not the first-time dominant firms have been challenged. For example, Moreau writes of the history of smaller, independent record companies, and when they were able to create their own studies and recordings (at an affordable rate). This, combined with the “advent of Rock’n’Roll and R&B”, challenged the dominant firms of that time [36].

As it is, technological innovations and possibilities repeats the cycle of challenging the industry status quo. The history of independent record labels can echo back to Patrik Wikstrøms “High Connectivity, Little control” [26], if the “high connectivity” aspect was related to “recording music”, rather than “consuming music”.

Following the “little control” aspect, earlier in the thesis the “Bulgarian playlists” gave an insight into something more than simply an economic issue, it also pointed towards how Spotifys’ catalogue may be bloated with audio-files that are empty. The consequence of this being: artists that put out content, drown in the huge catalogues of streaming services. The service “Forgotify” [58] is a website dedicated to combat this, they write on their website:

“We love music. That’s why we were so shocked to learn that millions of Spotify songs had been played only partially or never at all. A musical travesty, really. So we set out to give these neglected songs another way to reach earholes, and Forgotify was born.” [58]

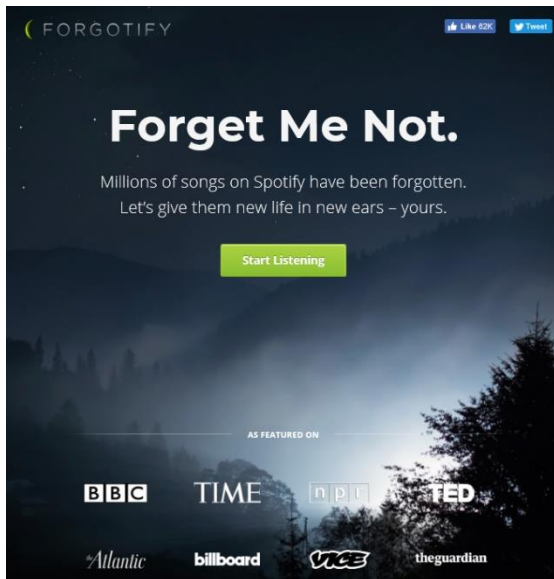


Figure 12: Forgetify.com for “forgotten” Spotify songs

BBC wrote an article in 2014 stating that the number of unheard songs was 4 million, without counting songs that have been listened to only once. [59]

Content flood effects both streaming services (Spotify, in this case) and artists. In chapter 3.1.2, the “nature” of streaming services today was addressed. The conclusion was that big catalogues were viewed as a benefit (or “selling-point”) for streaming companies, in addition that curated content was a prime factor. If the expectation and norm of streaming services is to have large catalogues, perhaps a solution to this issue must be found from the outside, through services similar to that of “Forgotify”?

4.2.2 Directing music

To sum up the issues presented in the previous chapter: the traditional gatekeeper roles have changed. Music does not reach the public through labels anymore, but rather flows onto streaming services without much control. Although large amounts of music are available, not all of it is easily accessible.

In order to discuss solutions, the role of the audience in the digitalized world should first be understood, for they may be part of the solution.

In Tschmuck’s text “*From record selling to cultural entrepreneurship*” [57], Tschmuck writes about audience participation in the modern industry. Tschmuck writes that: through the internet, audiences have been given the opportunity to spread remixes of songs they wish to consume [57]. In relation to this, Tschmuck writes:

“This increasing participation of music fans in music production and distribution indicates the change from push music culture, which was practiced by media houses for decades, to a pull music culture, in which consumers decide what they want.” [57]

In other words, Tschmuck theorizes that consumers are more inclined to choose for themselves in the current digital era. With this in mind, the next section will focus on the question of:

How can “ease of choice” be facilitated?

There exist companies that work with precisely this, to curate music to consumers. An example of such a company is: Grammfy.com [5]. Grammfy used to be a streaming service as IDAGIO and Primephonic, both in terms of cataloguing, royalty payments, and in being a separate streaming service for classical music. In their “About” page, it is stated that they were the first music streaming company that “accounted for the actual duration streamed rather than just number of tracks”, which is a user-centric model [5].

However, Grammfy reworked their business, and as established, now work with Spotify. Their goal, as read on their “about” page reads;

“Our goal is to help you discover, enjoy and share classical music. Designed to facilitate classical music exploration via our propriety search engine, we also select for you the best of classical music’s past and present.” [5]

The reason they decided to work together with Spotify, and ending their previous service was because they concluded that consumers simply could not afford to pay for several music streaming services, in addition to already paying for Spotify, Apple Music or similar [5]. Grammfy therefore opted to improve on the larger, existing streaming platforms.

Grammfy, rather than simply curating playlists for the masses (although they also do this), also seeks to educate consumers on the classical genre, and has a “pod-cast”-esque mode on playlists they curate, where they talk about the song and the composer before each piece.

But the interesting aspect with Grammfy is that it builds on the already established streaming services (in this case; Spotify) and that it has a thorough biography on each composer they present, emphasizing the informative aspect (as well as the fourth point

from the interview with Thomas Steffens, “*the background information is missing*” [14].

This stripped-down “add-on” model has allowed for a focus on solving the issues of: finding classical music, understanding the context of the music, as well as providing information around the artist.

However, since it builds upon already existing streaming platforms, they do not have the freedom that IDAGIO, for example, has in terms of payment models, categorizing the music directly in the main app (which Spotify still controls).

One of the reasons for bringing in Grammfy into the thesis, is to use Grammfy as a tool to begin introducing and discuss the first theoretical topic related to digitalization, which is the term: “disruptive innovation”

The next chapter will be about this subject, and how Grammfy may fit into this category.

4.2.3 Defining and relating disruptive innovations

Francois Moreau article, “*The Disruptive Nature of Digitization*” [36] has been referenced several times in earlier chapters. Although Moreau’s article provides a wealth of insight into the consequences of disruptive innovation, and the reaction of the recorded music industries towards it, Moreau also includes five points to categorize a disruptive innovation.

To build a foundation for further chapters, this chapter will focus on the five points Moreau presents in his article, and use an example alongside the points, in the form of the app Grammfy [5] and its role and potential effect in the classical streaming market.

On the first point, Moreau writes: the product resulting from the innovation, underperforms compared to existing product. Moreau continues to add that there is a distinction between *new market disruption* and *low-end disruption*. [36]

New market disruption revolves around innovations that introduce a new dimension of performance and so create a new market for new consumers.

Low-end disruption refers to innovations that allow firms to use a less expensive solution, this (often) comes at the cost of reduced performance. the target audience is consumers that are not looking for the “extra features/high performance” of the existing product [36].

Grammofy and the first point

Relating Grammofy to the first point: Grammofy is a part of Spotify, rather than being a separate streaming service (such as IDAGIO). Because of this they have no control over the catalogue, nor the way royalties are paid out to artists.

The issue with royalty payments, related to classical music, has been brought up earlier in the thesis, (beginning in chapter 2.3) concluding that the pro-rata model was not a good fit for classical music, as classical pieces tend to be quite long.

The two terms, “new market disruption” and “low-end disruption” both relate to Grammofy, depending on if seen from Spotify’s view or IDAGIO and Primephonics view.

For the classical streaming market, Grammofy can be seen as a low-end disruption, as it is a less expensive solution, in contrast to establishing a new streaming service.

For Spotify, Grammofy does introduce a new level of performance, partly filling the issues related to Spotify and classical music.

Grammofys’ performance can be condensed to that of an *economical*, *curational* and *barrier of entry* one. All of these three aspects have positives and negatives related to them and can be summarized as such:

1. No control over royalty payments. (economical)
2. Low barrier of entry for consumers. (barrier of entry)
3. Organizes classical music in Spotify. (curational)
4. Pushes more consumers towards Spotify. (economical, barrier of entry)

Discussing the benefits or negatives of these characteristics will be done in the next points.

Moreau’s second point can be summed up in this manner: Even though the innovation produces a product, that is easier to deal with from a productional standpoint, if it does not hit the minimum performance of products that have come before it (Moreau calls this the “historical attributes”), the mainstream audience won’t necessarily appreciate what it offers. [36].

Grammofy and the second point

Before determining whether Grammofy meets the minimum performance set by “historical attributes”, a clarification of the latter term “attributes” will be made as Moreau does not state what historical attributes can be counted as.

The Cambridge dictionary defines “attributes” as:

“A quality or characteristic that someone or something has.” [60]

In other words, historical attribute refers to characteristics (or qualities) that have been decided by industry practices. Another way to do define this could be: A quality set in place by earlier business standards. In this case, the definition is strictly pointed towards music business.

Based on similarities between IDAGIO and Primephonic, one can deduce that the historical attributes for classical streaming is:

1. A search engine capable of handling the required meta-data for classical music.
2. An economic model fit for classical music.
3. Playlists curated by experts of the genre.
4. Better audio-quality.

Grammofy hits 2 of the points, the first and the third. However, as mentioned earlier, Grammofy is forced to follow Spotify’s economic model. The same goes for audio-quality.

Whether this counts as minimum performance depends on if viewed from a consumer perspective or from an artist perspective. The pro-rata model is definitely a major issue when it comes to classical streaming, and as such it cannot be argued that Grammofy does not hit the minimum performance set by IDAGIO and Primephonic (which both follow a user-centric model).

A different perspective of the economical aspect can be this: Spotify, in 2011, stated that they monetize an audience that was illegally downloading before they came to the platform. [51] In addition, Spotify currently sits on 100 million subscribers [39], which makes this not only a question of economic value, but also one of consumer reach.

Basically: Grammofy has potential access to reach a larger audience than IDAGIO and Primephonic, and a larger audience means more revenue. In addition, touching on the “*barrier of entry*”-aspect, presented by Wikstrøm [26], Grammofy is an easier app to gain access to, seeing as no paid subscription (besides Spotify’s monthly fee) is needed. The strength of this low entry barrier can be highlighted in a report done by Ipsos connect, on behalf of IFPI in 2016.

The report was focused towards music consumption on a global scale, conducted on users from 13 of the world’s leading music markets, ranging from the age of 16-64. The

average number of users from each country was 900 [4]. From the report, it is concluded that the main reason that audio-streaming is valued is because:

“Audio streaming is valued for its ease of use and the vast range of content available.” [4]

Both the “ease of use” and the “vast range of content” available play into Spotify’s strength.

This may perhaps be one of the main weaknesses of IDAGIO and Primephonic, that their catalogue is entirely focused on the classical genre. However, it is worth noting that: even though this can be seen as a weakness, it is also one of their strengths, as they can structure their entire business around the needs of classical music.

For a consumer however, Grammfy gives an “easy in” into the classical genre, which has benefits of its own.

Moving on, **the third point of disruption** refers to where the product is released. Moreau writes that it is usually introduced into niche markets. The reason being that the innovation can have time to “mature and improve in a protected competitive environment.” [36]

In addition, Moreau writes that the “niche can be either an emerging market or a segment of a mainstream market”, with the reasoning being that there may be more consumers receptive to a lost-cost offer. [36]

Grammfy and the third point

Grammfy has been introduced into a niche market (or in this case: genre). In addition, the “over-served” aspect can be related to classical consumers engaging with Spotify’s massive catalogue and lack of proper curation for classical pieces (i.e. being “over-served” with unwanted music, which was a complaint mentioned in the interview with Thomas Steffens [14]), which Grammfy combats with its focus on classical curation.

The fourth point relates to incumbent firms, and if they see the disruptive innovation/technology economically rational to invest in [36].

Fifth point: Over time, the performance of the disruptive innovation improves upon attributes valued by the mainstream consumers, so much so, that they begin using the product. Moreau ends with:

“For Henderson (2006), it is not so much that the performance of the disruptive technology improves but that consumer preferences evolve. Many

disruptive innovations tend to redefine the pattern of preference in a market.” [36]

It is this final point that relates can be related heaviest to streaming services as a whole. They arose when there was a need, and out-performed CD's (since the music was free on Napster, which is hard to compete with). Nevertheless, as the story of Napster has shown, many customers deemed it not worth the risk, as industry players (most notably the RIAA) began suing individuals [61]. The point being: as the years passed, streaming has accommodated this need, providing a legal alternative and easy access to music.

Grammofy and the fourth and fifth point

It is yet to be seen if Grammofy will have any major impact on the classical streaming market. Grammofy is not a particularly central part of Spotify, nor are they advertised heavily.

4.2.4 Summary

Summary of Moreau's five points

It is these 5 points that characterize a disruptive innovation. Although they can be viewed as a “check-list”, where all of the points need to be present before calling it a disruptive innovation. I have chosen to not do so. Rather, the aim is to use the five points in a flexible manner, to promote discussion around new digital innovations.

Grammofy summary

It is worth noting that the consumer does not necessarily suffer from Grammofy's services (if the audio-quality is ignored). Rather, the musicians do, because of the pro-rata model utilized by Spotify. Nevertheless, if viewed from the perspective of a consumer, it can be argued that Grammofy hits the “minimum performance” needed to be considered useful by mainstream audiences, as it is recommendations and search function that were amongst the biggest hinderances, based on the interview with Thomas Steffens [14].

From Spotify's perspective, what Grammofy does fits perfectly with the issues raised by classical consumers regarding their streaming service. But, for companies such as IDAGIO and Primephonic, it simply does not work in their favour.

Referring back to SAF's, one of the objectives of a “challenger” is to articulate an alternative version of the SAF, often inside a niche. Grammofy, cannot be labelled as a “challenger”, seeing as it has placed itself within an incumbent (Spotify), and become

part of that incumbent, and in doing so, furthering Spotify's reach, "intruding" upon the territory of the challengers.

Grammofy probably did not aim to hurt the classical industry, to the contrary, Grammofy provides a valuable service for consumers, rather than letting classical music fend for itself on a platform such as Spotify, Grammofy aims to improve upon already existing technologies. However, it does not change the fact that what Grammofy inevitably does is: enable a streaming service not fit for the genre.

As it is with many things, there are positives and negatives, and there is a lot of grey area when discussing these topics.

In this chapter, disruptive innovations may have been put in a negative light. This does not mean that it always is so, as Moreau mentions, sometimes disruptive innovations change the market [36], and this does not necessarily mean for the worse.

Perhaps the most important aspect noted in this chapter is one of "audience reach". Other than simply bringing in more revenue, *what other values does consumers have in the streaming world today?*

Moving away from Grammofy, and specific streaming websites, the next chapters will focus on this, the "consumer role".

4.3 Consumers in streaming

Jeremy Wade Morris & Devon Powers [62] present an interesting perspective related to streaming data in their paper; "*Control, curation and musical experience in streaming music services*" [62]:

"Streaming, in other words, is not just a technical form of transmission, but a key metaphor for the flow of information in the digital age." [62]

This quote can be related to the first part of Wikstrøms staple of the music industry today: "High connectivity" [26]. It is related in the sense that: consumer are highly connected to the service they use. Whenever music is consumed on a streaming service, it sends information to the service provider. In other words; streaming is not a road that goes one way, but a two-way road. The consumer gains information (the music) and the service do so as well (consumer data).

The question to be raised, other than using the data to pay out royalties, *what do streaming services do with their consumer data?* In order to begin discussing this topic,

I would first like to establish a foundation of theory. This foundation comes in the form of Patrik Wikstrøms “*new music economy*” [26].

4.3.1 The new music economy

Wikstrøm states that the new music economy is defined through three characteristics. The first being: a “low barrier of entry” into the music industry [26]. Instead of having to release music through a record store, it can be done through uploading the work to the cloud, or as Wikstrøm notes:

“One of the most important characteristics of the new music economy is the ability for amateurs to express their creativity by making and publishing music in the cloud” [26]

Wikstrøm writes that a crucial part of this characteristic is “increased amateur creativity” (which is a direct result of the “low barrier of entry”). The other two being: “high connectivity and little control”, and “music provided as a service” [26].

What Wikstrøm means by the term “music provided as a service”, is not necessarily pointed towards music itself, but rather focuses on the organization aspect, of the massive amount of music available:

“In a world where information is abundant, people may not be willing to pay a premium for basic access to that information, but they are most likely willing to pay for services which help them navigate through the vast amounts of information.” [26]

Furthermore, Wade and Powers [62] explore this characteristic in their paper “*Control, Curation and musical experience in streaming services*” [62], and issue the question of:

“If the stream was as fluid as service providers imply, what possibilities would there be for differentiated levels of service and profit? [62]”

They argue that it is the “musical experience” that the service can offer that is of interest and value, this fact was mentioned earlier in chapter 3.1.2, (the nature of streaming services).

To be brief: A important aspect is *how* streaming services offered their music. For example: Spotify aims to provide music for every moment (be it relaxing, running, partying) [43], whilst Tidal focuses on a more artist-oriented selling point, advertising their playlists that are “hand curated by music editors and artists themselves” [44].

Wade and Powers call this trend amongst streaming services as a move towards a “branded musical experience”. Defining it as:

“Defined simply, “brand” refers to the name and identity that distinguishes one product or service from another in the marketplace.” [62]

It may only seem logical that streaming services must push to be original in one way or another, simply because: if everyone has a huge catalogue, what incentive is there to choose between services, other than what curational service they provide?

Although this may be an interesting question to explore, the aim of this chapter (and thesis) is not to understand consumer behavior, but rather focus on the effect streaming services have had on the industry.

In summary: these three characteristics are valuable assets for further discussion. Now that the “music provided as a service”-discussion has begun, with a focus on “branded musical experience”, the theme of the next chapter will aim to explore the term “brand”, related to artist-work.

4.4 Self-made artists

This chapter will explore the increasing workload for artists. In addition, the chapter will explore *why* this has happened, and what factors may be the cause for this development, beginning with the rise of the “DIY”-movement.

The term “DIY” stands for do-it-yourself and can be related to more than artists. As Wikstrøm has mentioned, in the new music economy fans are able to be more involved in music. With the possibility of remixing and recording videos of music they are fans of [26]. However, when relating this to the artist themselves, there are more factors to discuss than only the recording of music.

DIY-culture is a multi-sided issue. On one side, there is the topic of artists freedom, how it is now easier than ever to record music. But there is also a social aspect, where DIY-mentality is hailed throughout the internet (referred to as “digital utopianism” by David Hesmondhalgh [63]).

4.4.1 Digital Utopianism

One such example of digital utopianism can be found in an article written by Peter Tschmuck, named “*How creative are the creative industries?*” [64]. In the article, Tschmuck provides a good overview of the power structures that are present in the

recorded music industry, which is presented in the form of three pillars: *control over publishing rights, marketing power, and control of distribution networks* [64]. After presenting these pillars, Tschmuck argues that digitalization (or: the internet) will dissolve previous power structures, allowing both independent artists and major artists to benefit from the increased exposure and freedom. An example of one such claim can be found in this quote:

“First, most of the music providers on the Internet circumvent copyright regulations and offer more favourable royalty agreements to the artists.”

[64]

Tschmuck writes that artists can promote their music on personal homepages, rather than leaving it to major labels, which relates back to the “DIY”-mentality, as well as digital utopianism.

It is worth noting that Tschmuck presents several other facts that are very much relevant for further discussion and will be referenced later in the thesis. But the article in question leans heavily towards the “digital utopianism” aspect.

Hesmondhalgh writes that digital utopianism spans into other territories, including groups such as journalists and entrepreneurs. To not dwell too much on this topic, a quote of Hesmondhalgh, related to the development of digital technologies, can sum up the issue:

“While digitalisation and the internet represent remarkable human achievements and make certain processes easier and more convenient, we should read the development of digital technologies as unambivalent progress towards a more efficient communications world.” [63]

Hesmondhalgh continues with stating that behind every progress, enormous amounts of work is what made it possible [63].

With this in mind, the next chapter aims to look at how the work has changed, and how it may not all be in the benefit of the artist, despite the low barrier of entry into the industry.

4.4.2 Replacing, not removing

Anita Elberse [65] in her book “Blockbusters” writes about the “iron law of distribution”:

“The central idea is that it is possible to eliminate a channel partner only if someone else steps up and takes over the essential functions performed by this partner.” [65]

As the quote states, there cannot be a removal of a function, but it must always be a replaced. Elberse refers to this law in relation to “channel functions” [65], which is basically a chart of what functions a producers and/or retailers can perform. Fittingly enough, Elberse uses the example of record labels to demonstrate their functions.

The functions used as examples include: funding of recording sessions, providing career guidance, enlisting music-video directors, marketing the music and handling accounting issues. [65] These are all things that a label can do for an artist, which means that an artist must be signed to the label, in order to access these functions. If an artist is *not* signed with a label, these functions (amongst other functions) fall into the hands of the artist to deal with themselves, in addition to creating the music.

Another thing to note, as Hesmondhalgh does, is that these “functions” within a record label (in this case), is usually distributed amongst several different people, that each get paid [63]. It is only natural to assume that an artist (or band) that deals with these functions, do not get paid the same amount, as they rely on economic revenue independently.

To put it into perspective, Hesmondhalgh has written an article called “*Flexibility, post-Fordism and music industries*” [66]. In the article, a theory concerning how technology, markets and institutions “provoke firms to externalize or internalize parts of the production process. [66]” is noted. For the purposes of this chapter, the focus is mainly on the terms *externalize* and *internalize*.

Hesmondhalgh describes the terms as such:

“Externalizing means less control, but less risk. Conversely, internalizing production means more risk but also more control.” [66]

In the case of independent artist and record label; if the label is not related to the artist, there is no risk involved for the label. The record label begins taking a risk when signing an artist, because the label must use resources to promote and build their new talent (basically: internalizing the production). For the artist, the main issue is singing away his/her rights to the label, therefore giving away control (externalizing the production). Nevertheless, the artist must still produce music, which balances out the

scale in the relationship. Building a brand only around a person or name *can* be done, (simply look at reality shows), but this is not the goal of record labels. Labels need the music in order to begin building a foundation for future success. Even then, there is a certain amount of risk involved as it there is no guarantee.

This is not to say that the conflicts between artists and labels have not be strained and filled with conflict, take the artist “Prince” for example. “Prince” wrote “Slave” on his chin as a statement to the relationship between himself and the label he was signed with then, Warner Bros [26, 67]. However, the point of this chapter is *risk*, and when an artist signs a deal with a label, that risk is spread out, both to the artist and the label. Whilst if an artist goes independent, all the risk falls to his/her hands.

In summary, it is undeniable that the releasing of music has become an easier process. Nonetheless, the production of music remains a process that artists may prefer the help of record labels to deal with (which both Wikstrøm and Elberse argue [26, 65]).

Basically: simply because the technology is there, does not mean that the expertise and workload diminishes.

Similarly: even though digitalization has lowered the barrier of entry into the industry, it has not necessarily weakened the record labels position. Contrary to the DIY-mentality, and as Elberse concludes on the issue: artists will opt to sign with labels, if only for benefits of all the channel functions record labels can perform [65].

This chapter has focused on artist workload, and is perhaps only vaguely related to streaming (although streaming has played its part in lowering the barrier of entry [26]). The next chapter will put streaming in a more central role of the discussion, with the goal being to relate what has been discussed in this chapter.

With that in mind, the question that will kick off the next chapter is: *What role has streaming services played in establishing the new music economy?* I would like to relate two of the characteristics of Wikstrøms “new music economy”. Specifically, the characteristics of “high connectivity, little control” and “music provided as a service” [26].

4.5 Reeling in the consumer or; the fight for attention

Streaming service value themselves in “personalizing” the content available on their service. Doing this through curational playlists (such as discovery weekly) or

recommendations, for example. At first glance, this may seem as a good way of filtering out the massive amounts of music available at a service as Spotify, providing the consumer with music they are interested in, i.e. offering them a service to easier find music that fit their taste.

As established in earlier chapters, the way that streaming services provides its music to consumers, is a key part of streaming services nature. In addition, mentioned earlier in the thesis (chapter 2.4. “Catalogue and curation”), was Pelle Snickars theory of the way streaming services operate, mainly stating that the goal is to get users “hooked” by a never-ending stream of music, making them “consume more than they need”, so to speak [23]. As it turns out, some streaming services have fallen off the deep-end, utilizing “methods” that are not ethically correct.

Make no mistake, it is not wrong for a business owner to try to sell its product. The issue is rather *how* it is done, and what consequence the method used has.

There are two topics that I wish to focus on in relation to this. The first being what is known as the “TIDAL case”. The second being the leaked NDA-documents that brought the deal between Spotify and Sony to the publics’ eye.

4.5.1 The TIDAL case

I would like to emphasize that this event is isolated to the “TIDAL” streaming service. Nevertheless, it proves to show that streaming services security can be vulnerable (examples can be; The Bulgarian Playlists), both with music that goes into it, but also from a consumer perspective. The TIDAL-case works as an introduction to the coming chapters, and a theme throughout these chapters can be “trust”.

In 2018 , “Dagens næringsliv” journalists Markus Tobiassen and Kjetil Sæter [68], acquired data on TIDAL’s streaming numbers. As they researched the data, Tobiassen and Sæter uncovered that streaming numbers were being manipulated, in relation to two albums released by major artists on the platform.

The albums in questions were: Beyoncé’s “Lemonade”, and Kanye Wests “The Life of Pablo”. In the first 10 days, “The Life of Pablo” was streamed 250 million times, whilst “Lemonade” had been streamed 306 million times in the first 15 days. TIDAL’s amount of subscribers at the time this was uncovered was at 1,2 million users [68].

It goes without saying that the number of streams these two albums generated is *huge*, compared to the number of subscribers present on the service. Furthermore, Tobiassen

and Sæter interviewed several TIDAL users, regarding this issue. As it turned out, TIDAL had been inflating numbers on an individual user level, making it seem like users were streaming the albums, when they were in fact not.

There are couple of issues with an incident such as this. First of all, streaming numbers equal revenue for artists, and it is no different in this case. Both Kanye West and Beyoncé received a fair amount of payment (According to Pitchfork.com [69] TIDAL paid out \$2.3 million in royalties to Universal, for “The life of Pable”, and \$2.5 million to Sony for “Lemonade” [69]), as TIDAL uses the pro-rata model, this effects other artists.

It is worth noting that TIDAL has vehemently denied the claims made by Tobiasen and Sæter, claiming the entire case to be a smear campaign against the streaming service [69].

What I would mainly like to focus on however, is the issue of breached trust between consumer and service. The next chapters will focus on Spotify, as they had a different incident. The incident in question is not as blatant as TIDAL’s, and is a bit more nuanced in its dilemmas.

4.6 A conflict of interest? Part 1

Let’s begin with establishing this: the major labels (most notably: Warner, Universal and Sony BMG) all have stakes in Spotify’s business, they own part of the streaming company, the contracts written between the majors and Spotify are unfortunately hidden behind NDA’s (Non-disclosure agreements). However, a couple of years ago (2015), Sony’s NDA with Spotify was leaked on the news site “The Verge” [70]. In the article, it is revealed that Spotify paid Sony “up to \$42.5 million in advances” [70]. What Sony (or the other labels) do with these advances is not something I have looked deeper into, as it is not the reason for introducing this topic (and is another issue in itself).

Moving on, the website “IMMF” (short for: international music managers forum) issued an open letter on the topic of “record label and music publisher deals in the music industry” [71], in which they raise a number of issues presented in the wake of the leaked document. In the letter, IMMF hammer in a couple of important points, and I wish to highlight two of these points: “remuneration transparency” and “advertising inventory” [71].

“Remuneration transparency” refers to transparency in data, and how royalties are paid out, or: who gets a total each streams share. On the remuneration topic, which is related to royalty pay-out, “The Verge” writes that:

“In each of those segments, Sony Music can pull in a revenue share fee that is equal to 60 percent of Spotify’s monthly gross revenue multiplied by Sony Music’s percentage of overall streams.” [70]

The segments that Sony could pull in revenue from are: the ad-supported tier, Spotify’s premium service and “online day passes” (online day passes no longer exists). This means that if Spotify earned \$100 million in gross revenue, the labels would get \$60 million, and if Sony made up 20 percent of the streams, it would take home \$12 million [70].

Part of the issue with this is the term “gross revenue”, which refers to the *total* revenue Spotify earned, i.e. the collected sum that Spotify has earned. Luckily (using the term “luckily” fairly loosely here), this would only affect Spotify’s revenue, and not artist pay-out. Unless the artist is signed to a major label, where it is unclear if the artists would see any of that specific revenue [70].

Although there is more to be said on this issue, and it will be returned to later in the chapter, I would like to stay on the economical topic for a bit. Mainly because there is definitely another topic regarding proper remuneration that is highly relevant here. Although the difference is that this issue was not hidden behind an NDA, but rather a well-known issue, with the streaming service YouTube in the center.

It is known as “the value-gap”, and before explaining what this means, I will introduce YouTube and what role this streaming service plays in the industry.

4.7 YouTube

Wikstrøm writes that YouTube is the leading website for all sorts of user-generated videos [26], this includes music videos and videos that are entirely unrelated to music. Even though this may be common knowledge, to point out the relevancy of YouTube within music streaming, this graphic included in their music consumer report from 2018 [2], sheds light on the their scale.

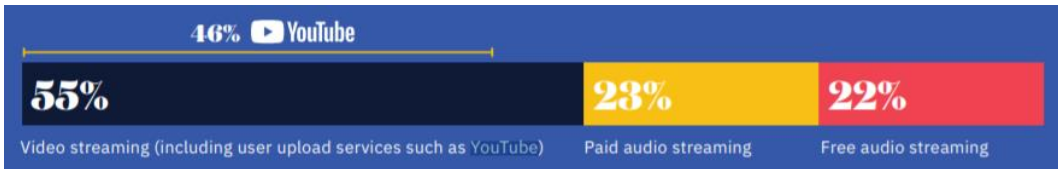


Figure 13: Youtube 46% share of audio streaming [2]

Based on this image, YouTube has more users than paid and free audio streaming does combined.

According to Businessinsider.com [72] YouTube has over 1.8 billion users (in 2018) every month in total. It is safe to say, that YouTube has a vast audience reach. It is worth noting that not all users use YouTube for music streaming. But, IFPI has estimated that 1.3 billion users of video streaming, uses video streaming in relation to music, this statistic does however, include other sites than YouTube (Vimeo and Vevo, for example), but as the figure above shows, a majority of users stem from YouTube [2].

Spotify argued that the viability of their economic model can be solved through “scale” (audience reach). It was argued that this was the solution to the critiques against its way of payment, and model. Rationalizing that: the more “free” users they could convert to paying subscribers, the more revenue artist would generate [51].

Moving on to the issue: the difference between Spotify and YouTube is highlighted through the fact that paying subscribers are the majority of Spotify’s subscribers (96 million of 100 million [39]), according to Fortune.com [72], whilst YouTube’s majority audience are free-users. Despite this, the money YouTube brings in is skewed in comparison to its audience number. This issue is commonly known as the “value-gap”.

4.7.1 The value-gap

The value-gap is described as a mismatch of revenue brought in versus content used [2].

The figure below sheds light on the issue:

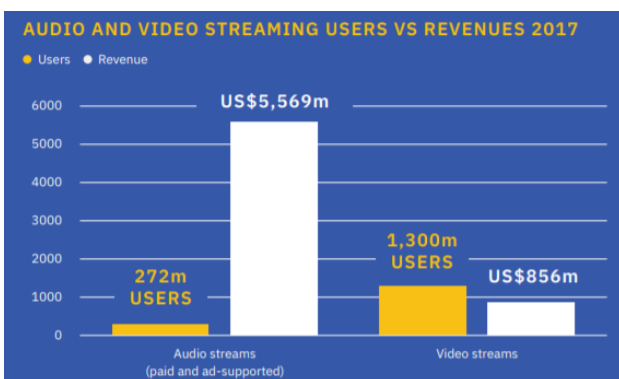


Figure 14: Audio/Video consumers vs. revenues 2017 [2]

The number of users is substantially higher in the video-stream sector, but the revenue is significantly less. Additionally, IFPI estimates that the revenue annually brought in per Spotify user is \$20, whilst a YouTube user generates around \$1 [2].

How has this issue come about? According to IFPI, online liability laws have allowed sites such as YouTube to use these laws as a shield, “claiming they are not legally responsible for the music they distribute on their site” [3]. In other words: site owners such as YouTube have no responsibility of what is uploaded to their service.

As the value-gap issue has reached the focus of the industry, discussions about establishing laws that can promote copyrights value, has been ongoing for many years. This year (2019), however, a directive under the name of “Copyright in the digital single market” has come to fruition, which is focused around combating this issue.

4.7.2 Points of interest in the law

The fact that it is the EU that has made a directive [73] related to intellectual property (and copyright) makes this an interesting case. Governmental forces have not been vastly present (the last time being 2001) in copyright issues relating to digital media. The directive changes this and may prove to be a significant game-changer.

In short, the main point of controversy and of relevance to the chapter, goes under the name of “article 13”. Frank Swain, in his article, summarizes:

“Put simply, it makes websites responsible for ensuring that content uploaded to their platforms doesn’t breach copyright.” [74]

In other words: “article 13” aims to place the responsibility of the content present on sites, such as YouTube, to the site owners, making them liable to any copyright breach that happens on their platform.

It is currently widely discussed whom this sort of law would affect in reality. It could potentially harm smaller sites, rather than bigger ones. In addition to making it harder to share small pieces of information amongst users.

However, the law can be seen as an attempt to follow a “licensing” solution, in that streaming sites must buy licenses from rightsholders, before the work can be used on the site. This may not be a bad thing, especially seeing as giants such as YouTube may be able to afford the bill (their yearly revenue in 2015 was estimated at \$9bn according

to Music Business Worldwide [75]). However, it can be more of an issue for smaller sites, that do not have an economic reserve.

The issue is a double-sided one, YouTube *does* pay out very little to rightsholders, compared to music streaming services such as Spotify. But with a law such as this, would they really be the ones that are affected? Are they not amongst those that would be able to “foot” the bill for such a law? This remains to be seen. For now, the focus will move back to the “A conflict of interest”-chapter, focusing on the second point, “advertising inventory”

4.8 A conflict of interest? Part 2

The second point, “advertising inventory”, which was first presented by “The Verge” [70] and later highlighted by “IMMF” [71], will be the focus of the coming chapter.

“Advertising inventory” means that Spotify is required to give Sony advertising space for free, or at a discounted rate. Meaning that Sony could sell the advertising space to interested parties, or use it for their own interests (promoting artists, for example) [70].

Before delving deeper into the issue, one of Peter Tschmucks “pillars of powers” can related to the “advertising inventory”-point. The pillar is called “Marketing Power” [64], which Tschmuck defines as such:

“The major companies try to reduce the market uncertainty by establishing an information monopoly” [64]

“Information” can refer to what reaches the public, and was one of Wikstrøms characteristics of the “old industry” (high control, low connectivity) [26]. Furthermore, Tschmuck writes that majors invested heavily in this aspect, in order to make an artist fit market requirements [64]. The key difference is that, in the old industry, this required heavy investment. Anita Elberse quotes Alan Horn [65], an entertainment industry executive, regarding the “heavy investment”, related to movies:

“You can spend so much that audiences will show up. It will be disappointing for you and for them, but you can get them in those seats” [65]

This quote speaks to the “power” of information monopoly, and that it can be quite expensive. It would seem that in the film industry, such investments can (sometimes) pay off. Nevertheless, through the deal with Spotify, the majors’ investment in ad-

inventory lowered significantly. The question however, is if ad-campaigns are as effective as in the old industry.

It would seem that Spotify had to make a significant amount of sacrifices in order to acquire the major's catalogues, whilst the majors went in with a slightly lower risk.

In relation to this, the question that can be stated is: *What are the consequences of these deals?*

4.8.1 The current relationship

Assuming that the relationship between the majors and Spotify is strained, would be correct. Music Business Worldwide [76] has posted several articles regarding this fact, one article of particular interest, related to this chapter is called "*Spotify is on a major collision course with the major record companies. Here's why.*", written by Tim Ingham [76].

Before heading into the article, and discussing its contents, one of Tschmucks pillars of power is relatable here, mainly the "*Control of distribution channels*" one [64].

Tschmuck writes that:

"All the majors own a global distribution network that reaches everyone from sales representatives and retail chains to record clubs." [64]

In relation to the article, Ingham quotes a representative from one of the majors, and interesting part of the quote is this:

"what if we separated [Spotify's] Top 100 artists from other artists during the negotiations?" [76]

The quote above can be related to Tschmucks pillar. I think it is important to note that Tschmuck related these pillars to the "older" industry [64], which in return means that the old industry mentality may not be entirely gone.

In the same article, other representatives from the majors noted that discussions around removing charts from the freemium version of Spotify [76], which can be understood as putting them behind "pay" walls or simply incentivising freemium users to go premium. However, from a music business perspective, it can be seen as wanting to increase the "control" and "exclusivity" of the product, which Simon Frith & Lee Marshall [47] argue is basically what copyright is all about.

It is a tough debate for sure. However, what the majors are doing, is using their repertoire as ammunition, i.e. removing them from the service, with the argument that Spotify is losing a lot of revenue through promotional offers (such as Spotify Family, which allows 6 people to use the service for \$15 per month [76]), and in general taking other economic issues into account (which will be presented shortly).

In addition, there is another aspect that needs to be taken into consideration in this topic. The offers that Spotify are promoting, is argued by many artists and scholars alike as devaluing music. Lee Marshall mainly relates the “devaluing of music” to the “micro-payments generated by each stream” [51]. It goes without saying that, allowing 6 people to use Spotify for \$15 a month, rather than a combined total of \$60, decreases revenue.

Furthermore, there is economic inflation to factor in as well. Music Business Worldwide has estimated that economic inflation has caused subscribers to pay \$30 dollars less, annually over the years [76].

The debate is still on-going, as Spotify still offers Family packs (at least as of 28. April 2019), and both parties do have reasonable points. Spotify still remains that “scale” [51] will solve the economic issues, whilst the majors are keen to see a more stable economic model, one that values music more fairly.

For now, I wish to move on to another development related to Spotify, which is a topic related directly to independent artists.

4.9 Spotify reaching further

In 2018, Spotify began offering direct licensing deals with artists. An article by the “New York Times” [77] notes on two of the biggest advantages with such a deal: the artist gets a bigger financial cut, as he/she does not have to split the revenue with a label, and secondly, the deal is non-exclusive, which means that the artist can license their songs to other streaming sites [77].

It seems like a very favourable deal for the artist. But what I would like to emphasize with this development is that now Spotify may seem to be reaching further in the recorded music industries “value-chain”.

4.9.1 Value-chains and Spotify’s *perceived* effect

The definition of “value-chain”, can be quite similar to Anita Elberse’s “channel functions”-term [65]. However, value-chains have a different purpose in mind. Rather

than establishing functions, it aims to define what value is added to a product, and of whom.

Nordgård quotes Hadida and Paris's article "*Managerial cognition and the value chain in the digital music industry*" [78] when explaining the value-chain. He writes:

"Hadida and Paris (2014) define the value-chain as an interdependent set of actors that add value to a product or a service, from supplier to customer."

[27]

Furthermore, Hadida and Paris [78] write that a value-chain is a "neat, linear and transitive sequence of important, inter-connected and value-enhancing activities" [78].

Ricardo Alvaréz [56] relates this to the music industry:

"the product must first be created, produced, manufactured, reproduced, and distributed in order to reach a customer." [56]

Each of these independent actors, give value to the product, not only economic value, but the service provided as well.

The question related to Spotify directly licensing artists can then be posed as such; *Is Spotify disrupting the "traditional" value-chain of the industry?*

I would argue that the answer to this question is both a yes and a no. Spotify's intention was not to compete with labels, which is stated in "The New York Times" article [77], but they inevitably do, by providing a direct route for artists to release their music, and getting a bigger share of the revenue in doing so. This development further strengthens Patrik Wikstrøms characterising of "the new music economy", more specifically, the "low barrier of entry" [26], which also refers to an increase in amateur activity [26].

In addition, Spotify lightly touches on Moreau's "*new market disruption*" present in the first point of disruptive innovations [36] ("*new market disruption*" refers to a "new dimension" of performance for new consumers [36], the consumers in this case being artists).

But for an artist to have a chance at succeeding, more is needed than simply by-passing part of the value-chain and signing directly with Spotify. Record labels offer other services, (previously discussed in chapter 4.4.2., with respect to Anita Elberse's "channel functions" [65] and David Hesmondhalghs "Externalizing and internalizing production" [66]) other than simply releasing music.

Before summing up the chapter, I wish to provide a more theory-based approach to the dynamics of releasing music in a streaming oriented era.

4.10 Theoretical approach to releasing music

Patrik Wikstrøm has an interesting model for this topic, called the “audience-media engine” [26], pictured below.

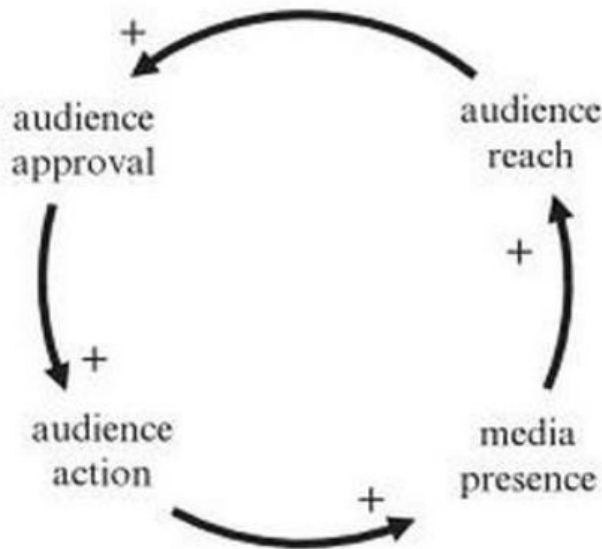


Figure 15: The “audience-media engine” [26]

Very much as the “circle of life” the “audience-media engine” shows that a continuous loop where these 4 components feed off each other, where one component leads to another.

4.10.1.1 Media Presence

First of all, what is the media? Wikstrøm defines “media” as; television shows, radio, websites, video games, amongst other things.

More importantly, Wikstrøm defines “media presence” as:

“Media presence represents the number of media outlets where the artist appears during a specific period of time.” [26]

Furthermore: how does this exposure in the media work? It turns out that it is more than simply appearing in commercials. An example Anita Elberse [65] uses, is the role of the critic, writing that:

“Potential customers typically value the opinion of others who have already read, listened to, watched or otherwise interacted with the product” [65]

This fact about critics relates to a larger scale as well, Elberse argues that most of the time, “people like what other people like” [65], which argues to the strength of well-known artists, and the effect they have on the general audience.

To sum up this aspect: The goal of media presence is to *reach* more consumers, to further propel the popularity of the sold product. However, media-presence is only one of the factors that make up the “audience-media engine”.

4.10.1.2 Audience reach, approval and action

These terms may be self-explanatory but can be summed up as such: a product *reaches* the consumers, the consumers *approves* (finds the product enjoyable) of the product, and finally takes *action* and buys the product.

Wikstrøm defines the different terms more in-depth, with a definition that *action* can mean that a consumer posts a tribute to the song on YouTube or similar (Wikstrøm uses a “Anime Music Video” as an example of audience action) [26]. In addition, audience approval is defined as “the fraction of the entire audience members who respond positively when they encounter the works of musical artist” [26].

Wikstrøm notes that there are several other variables at play with the “audience approval” term, but that the focus is on the reaction to the “media presence” aspect [26].

But how does this relate to streaming, and the “new music economy”? Wade and Powers, in their article “*Control, curation and musical experience in streaming services*” [62], writes:

“The importance of acquiring, analysing and selling musical data lays the groundwork for what Wikstrøm (2009) and others have called “the new music economy”, where services push features like social connections and contributions (between fans and artists, fan-generated reviews and playlists, etc.)” [62]

In other words; a substance that is of major value in the new music economy, is user-data. As Elberse notes, it is not an uncommon strategy for major artists to push for bigger releases, the reason being:

“The hunger for popular culture items can fade quickly – most are essentially “fads” or “fashions.” [65]

Having data on what may be popular, or the current “fad” is of quite significant value and can lower the risk when introducing new acts.

Nevertheless, one can push certain products as hard as possible, it does not change the unpredictable nature of creative industries. Bigger artist can fall short, but also streaming services. Wade and Powers relates the “unstable industry” issue back to streaming services as well:

“First, that beats went from a spectacular launch to a node in Apple’s ecosystem in less than 18 months indicates just how unstable the streaming marketplace is.” [62]

Unstable market or not, the industry lives on, and is actually in a better state now than it was only a decade ago. Moving onwards, the next chapter will summarize some of the more important points of this part of the thesis.

4.11 Getting to the issues: streaming and the new music economy

This chapter serves a semi-summary, with the full summary taking place in chapter 6.

Patrik Wikstrøm defines «the new music economy» with these characteristics: “Low barrier of entry”, “high connectivity, little control” and “music provided as a service”.

The question is, how does this relate to streaming? In chapter 4, I have discussed the various aspect related to these characteristics.

The low barrier of entry, although it can be seen as a strength by some (mainly digital utopians), it can also propel a false notion of “DIY”-mentality, more based in fantasy than in reality. In actuality, artists want to focus on making music, and the structure and support a record label can provide, makes it no coincidence that digitalization – streaming even –leans towards a traditional power structure, rather than “eradicating” it.

Moving on, Spotify continues to increase their audience reach, and in 2019 reached 100 million subscribers. An unprecedented amount. This, however, means that curational efforts need to be increased, as each listener wants something different, leading services such as Grammfy to fill that hole. But in the case of classical music, Spotify’s economic system is not fit for the genre, and this makes Grammfy a force that may be more damaging than helpful.

Spotify's reach continues in more directions than one. The service has begun to directly sign artists, allowing artists to gain a bigger cut of the revenues.

In regard to the relationship between industry players and streaming services, perhaps it should be rethought? If anything, the leaked NDA's, and the on-going discussions between Spotify's and the majors make it seem like quite a dysfunctional relationship.

The final chapter of this thesis will be focused towards even newer technologies, as well as discussing their potential uses and functions in the industry. It can be seen as a more "speculative" chapter, with an emphasize on solutions.

5 LOOKING FORWARD. SOLUTIONS AND SUGGESTIONS

Rather than throwing out suggestions left and right, I wish to provide a solid foundation for the solutions that will be presented and discussed. The next chapter will therefore contain an introduction to technologies, thereafter the solution related to the technology will be presented.

As my search for new technologies moved forward, I ended up with *two* main suggestions. In short, the first solution can be explained as one focused on increased transparency, whilst the second solution is focused towards utilizing digital technology to connect fans and deepening artist reach.

5.1 New streaming models?

In recent years, there has been a surge of streaming services which I will refer to as “decentralized streaming services”. These are streaming services that deal with cryptocurrency through blockchain technology. There are a couple of terms related to this solution that need clarification. The terms are: *cryptocurrency*, *blockchain* and *decentralized*.

Decentralized: The opposite of centralized. Decentralized means that there is no “governing” unit – or a place where all information is stored. Instead information is spread out over several devices in a Peer-to-Peer (P2P) network [79].

Blockchain: Blockchain is the technology that utilizes the decentralized network. The reason that it is called “Blockchain” is a reference to how data is stored, which is visualized by the community as “blocks”. In other words: “blockchain” is blocks of data chained together [80].

The argued strength in blockchain technology is that once a “block” is filled with information, that information cannot be tampered with, and is distributed over several

networks (which refers to decentralization), rather than being saved to one database, which prevents it from being “lost” or similar.

In addition, it is timestamped when the “block” gets the information, and anyone can view the data/information [80].

Cryptocurrency: The main difference between regular currency and cryptocurrency, is that when using regular currency, the transaction needs to be approved by a bank or similar. With Cryptocurrency, this “middleman” is non-existent, and the transaction only needs to be approved by a P2P network [81]. It builds heavily on Blockchain technology and has the same “decentralized” nature.

As there exist a fair amount of decentralized streaming services, I have chosen to focus on two services. The services are called: “Voise” [82] and “Opus” [83, 84].

Both services focus on the fact that they are decentralized, i.e. there is no main server. The songs, in this case would be saved over systems throughout the world. In addition, both “Opus” and “Voise” use a tool called “smart-contracts” which aims to automate the royalty distribution system, as well as increase transparency through blockchain technology [82-84]. These systems can be described as fully embracing Wikstrøms “little control” aspect [26], as there would (in theory) be no possibilities to forcibly remove songs, as well as tamper with the system itself.

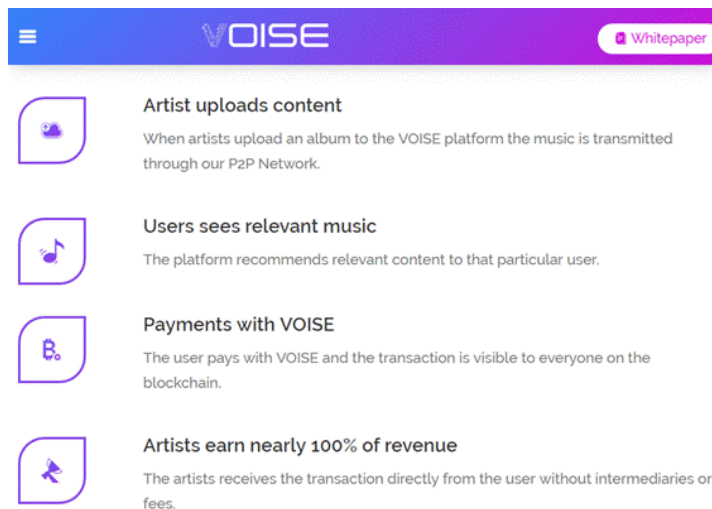


Figure 16: “Voise.com” value proposition [82]

Furthermore, both streaming services have an emphasizes on “removing” the middleman in the industry (which is the record labels, in their opinion).

One of the main issues with these two services, is that there seems to be a fundamental flaw in the way copyright is understood. Most notably, Opus uses an incident regarding the artist “Frank Ocean” [85] that highlights this issue.

In short, Opus writes that “Frank Ocean” was forced to take down his album “Blonde” from Apple iTunes (as it was released as an exclusive), because Lucian Grainge, CEO of Universal Music Group, “ordered the company’s labels to stop the practice of making “exclusive” distribution deals with streaming services”. Even though this may be a simplified version of the events, the point OPUS makes is this:

“This means Frank’s album would not have been able to be taken down by UMG, freeing Frank from his legal hassles and ensuring that he will always receive nearly 100% of the revenue his album generates” [85]

The impression to get from this text is that, “Frank Ocean” could remove responsibility of where his music is distributed, as it would be “out of his hands” so to speak.

“Frank Ocean” may have lost his control over the music, if released on such a service, but this would not have stopped lawsuits from coming. Either towards Frank Ocean himself, or against the service.

There are several other statements made by Opus that can seem a bit short-sighted (to be blunt). For example:

“Using Opus, however, Jupiter can enjoy music at 640Kpbs as long as artists are willing to upload HD audio (and artists will, because they can generate more revenue this way)” [85]

If the artist generates more revenue from the service, i.e. the service increases his pay-out because of the higher quality, or because the better audio-quality pulls more audiences is not stated.

The point I am trying to make is this: the technology behind these services seems solid, but the understanding of the recorded music industry itself seems flawed. Moving on, I will focus on the strengths that can be found in this technology.

5.1.1 Mixing and moulding, rather than removing

The decentralized streaming services aim to make the “machine” that works *inside* streaming services to function automatically.

One of the major strengths in Blockchain can be argued to be the transparency and the fact that information is “locked”. In theory it could make data incorruptible and prevent incidents similar to the TIDAL case.

However, online streaming services need to keep control over the quality of music delivery. Decentralized solutions are not well suited to real-time delivery of music where, e.g., users switch rapidly between songs. A decentralized solution would first have to locate the parts of a file, adapt to the communication capacity of the networks involved, and finally reassemble the file. All requiring extensive network and end-user resources. Considering that millions of users are involved, a decentralized solution is likely not feasible.

Moving onto the solution. It would be based around this idea: rather than creating an entirely new streaming platform, which would have to compete with Spotify or Apple Music, could these technologies not be adapted by major streaming services?

The first suggestion would be to adapt the “decentralized”-system in other words, rather than having a “server” where music was stored, it would be saved over several systems/computers. This could seem as an economical way to save operational costs, for a service such as Spotify (which operational costs was reported to be around €305 million, in 2019, as stated by Spotify on their “Press Release Details”-page [86]).

Another approach could involve CMOs as central players. It is important to note that CMO’s may vary in nature from country to country, whereas one country may only have one CMO, others have several. Furthermore, because of “CMO” referring to many businesses, I will base the rest of the chapter on the Norwegian CMO “TONO” [87].

The two key characteristics that I would like to emphasize, in relation to TONO are:

1. Member-owned
2. Not for profit organisation

Basically what this means, is that TONO is not owned by any outside organization beside its members. In addition, the second points states that; besides running costs, TONO does not go for a profit, which is related to “gross-revenue” [87].

Furthermore, members of TONO (artists and similar), are able to leave the organization without any repercussion. I realize that similarities can be drawn to Spotify licensing artists directly. The goal of the model would be to create a sustainable solution, rather

than one that is business oriented, in other words: purely focused towards artists and their profit.

Moving on, from the outside, the service would function similarly as a regular streaming service, subscription fees and all, keeping an important factor, mentioned earlier in the thesis: “streaming is valued for its ease of access” [4].

5.2 Fan Involvement

Patrik Wikstørn [26] writes that a core part of the new music economy, is the increase in amateur activity [26]. This means that fans are more likely to: remix, post tribute videos, and basically do *whatever* they want, if so inclined. In addition, this is a core-part of the “high connectivity and little control” [26] aspect, as well.

There is a tendency for music to be taken down that breaches copyright. The solution in this section is focused towards embracing the “fan-activity” aspect.

Before moving on, there are a couple of examples related to this, that are worth noting.

In his introduction, Patrik Wikstrøm uses Trent Reznor [26] as an example of new possibilities in the digital era. Following the departure from his then label, Interscope Records, Reznor released his album “*Ghost I-IV*” on his website as an independent artist [26].

What is interesting is that Reznor released this album under a license that allowed fans to remix and redistribute the work in whatever way they saw fit. Reznor, however, did not stop there. He established a “Film Festival” where fans were encouraged to create videos based on their interpretation of songs from the album. The “experiment” was a massive success, and thousands of fans moved to contribute and participate [26].

Basically; Reznor utilized the connected digital world in a most effective way. Yes, he was required to “give up” his work, allowing others to tinker with as they pleased. But there can be no question that the experiment was a massive success.

It is said that “music is a universal language”, and Reznors’ experiment hinted that: with digital technologies, individuals from all around the world are able to share and use this language.

It can be argued that in Reznor’s case, this reached success because of he had previously accumulated a massive following. The same has been argued with a release Radiohead’s

album “In Rainbows”, where they released the album with the option to *pay whatever fans wanted*, which too, gained massive success [26].

Nevertheless, there seems to be a potential in allowing fans to participate in various parts of an artist’s music. The question is rather: *how can this process be facilitated?* And, how can this be translated to lesser-known bands?

There exists a couple of services that facilitate this experience. The service that will be of focus in this chapter is called “HITRECORD” [88].

“HITRECORD” is purely dedicated towards community creativity. The site functions through members posting projects, be it either a collaborative effort or simply “adding” something to a pre-existing product (i.e. an album cover or similar). As submissions begin to trickle in, the “creative director” (the person that started the project) can choose what they want to use further. To emphasize the community aspect, “HITRECORD” also allows the community to vote on contributions [88].

“HITRECORD” is not music specific, it spans further, to the creation of novellas, videos. Anything, really.

What “HITRECORD” [88] does is utilize digital technology, much like Trent Reznor [26] did, to provide a platform where individuals from around the world can work together to create. Unlike Reznors’ case “HITRECORD” is a consistent platform, which allows for growth, rather than being a “fad”, which Elberse noted; quickly comes and goes [65].

A point of “critique” would be that “HITRECORD” may not be specific enough, and though that is not their primary objective, which rather is to be a “collaborative creative experience”, I would still like to use elements of “HITRECORD” as part of the solution.

Briefly put: A service, which could be an add-on like “Grammofy” [5], that would function as a “marketplace”, with the goal being a collaboration between fans and artists, be it either through a music video or an album cover.

Naturally this would need a certain amount of “goodwill” from the artists (or band) in allowing others to use their work for the purposes of the service. But in the end, the contributing fan would also put in a fair amount of risk, in the form of time and effort. The question then becomes: *How can the scales for a contributing fan be balanced out?*

The solution could be a simple one, artists can either advertise a “one-off” payment for the video that is chosen or give a percentage of the revenue generated from the video or

album. Either way, the point is to *give back* to the fan that contributed, and in essence making them an integral part of that song.

It could be discussed how “fair” such a competition-based system is towards the fans that contribute. It could quickly fall into an “X-factor” style of mentality. Furthermore, a couple of restrictions should be put on artists that are willing to participate, in the form of that they *must* choose one of the works submitted, otherwise it would be all for nothing.

I do not think this would be a major pull for bigger artists, as they have other means to create music videos with a high budget. But it could be of interest to smaller artists, both having the chance to gain a music video or similar, in addition to connecting further with fans (and maybe even gaining some in the process).

And as Wade and Powell [62] has noted, one of the focuses streaming services have, is to find ways to connect fan and artist, increasing the “social” aspect of digital media.

6 FINAL THOUGHTS

User experience was and always will be the key to success. Consumers want to easily access, discover and *listen* to the music they love.

Apple Music, Spotify, Primephonic, IDAGIO, all these services have a couple of characteristics in common. They focus on curating and making music available to the masses. But each separate player can be viewed as symbolizing something different.

IDAGIO and Primephonic are clear indicator that: if the status quo (Spotify, in this case) does not meet the needs of a genre, others will step in and take that place.

But still there exists services that are aimed to curating various genres, such as Grammfy, which uses experts with knowledge, to curate and create new ways into classical music on Spotify. Grammfy uses their own meta-data to enhance the Spotify experience. However, how Grammfy will survive in the long is unclear.

Artists want to be paid fairly. Classical music streaming services have improved upon fairer revenue models by not only paying those artists that users listened to, but by actually paying by the amount of time users have listened to a piece. Therefore a Spotify scam like “The Bulgarian Playlists” would not have worked.

New ways of “filtering” music have begun to become the norm. Besides services such as Grammfy, playlists are now a part of the everyday usage of streaming. Playlist curators can be viewed as “pocket-DJ’s” available at a moment’s notice. However, not all playlists are curated by humans. Personalized playlists, curated by AI to fit individual users taste, are perhaps even more important in streaming services. But more importantly for the artist, businesses such as “Playlistpush” provide a new way for artists to promote their product. This development has given artists tools to continue on an independent path, if they are so inclined.

This does not mean that major labels have not reacted to the challenges of digitalization. Initially pirate services such as Napster and Piratebay have confronted them with a serious challenge to retain control of their rights and the revenues depending on it. Now they own shares in the largest online streaming services, cementing their influence. A

negative consequence is their industrial reach may influence popular playlists and advertisements of their artists.

Nevertheless, the music industries are ecosystems that have been built over several decades, where a lot of the involved players have their function, for better or worse.

But what of the other functions that streaming platforms *can* potentially provide? Peer-to-peer services (P2P) have evolved that promise artists to cut out the middle-man and connect them more directly to their fans. HITRECORD offers collaborative music and video productions between artists and fans, as well as voting. However, pure P2P solutions, e.g., based on blockchain technology, need clearer revenue models and face challenges due to the limitations of decentralized storage and delivery of files.

But, adopting functions that are close to that of HITRECORDS, can allow for a new “layer” of usage on streaming services. A layer that can connect artists with their fans, if they are so inclined.

In addition, looking at characteristics of CMOs like TONO, may offer new starting points for future businesses, as they represent the artists’ interests and are membership owned.

What is universally true, however, is that the availability of music has reached a scale that was incomprehensible only a couple of decades ago.

With this in mind, I would like to end this thesis with a note on access, which can be taken both negatively or positively, quoted from the song “Stairway to heaven”:

*“When she gets there she knows,
If the stores are all closed,
With a word she can get what she came for”*

(Stairway to heaven, Led Zeppelin)

7 REFERENCES

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