



ARTIST REVENUE STREAMS: A MULTI-METHOD RESEARCH PROJECT EXAMINING CHANGES IN MUSICIANS' SOURCES OF INCOME

Kristin Thomson and Jean Cook

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Jean Cook is a musician, producer and Director of Programs for Future of Music Coalition. She is a founder of Anti-Social Music, a New York-based new music collective. She currently records and tours with Ida/Elizabeth Mitchell, Jon Langford, and Beauty Pill. Jean's administrative background includes working as a publicist and curator for Washington Performing Arts Society, producing and hosting radio programs for 89.9 WKCR-FM, New York, and producing dozens of new music performance projects. For FMC, she currently project directs initiatives to fix jazz and classical music metadata and understand how copyright impacts indigenous artists. She also co-directs FMC's Artist Revenue Streams research project, a comprehensive analysis of how musicians are being compensated in the digital age.

The nonprofit group Future of Music Coalition has launched Artist Revenue Streams, a multi-method research initiative to assess if and how musicians' revenue streams are changing in this new music landscape. The project is collecting information from a diverse set of US-based musicians about the ways that they are currently generating income from their recordings, compositions or performances, and whether this has changed over the past ten years. The project employs three methodologies: in-depth interviews with more than 25 different types of musicians — from jazz performers, to classical players, TV and film composers, Nashville songwriters, rockers and hip hop artists; financial snapshots that will show individual artists' revenue pies in any given year; and a wide ranging online survey in which we hope thousands of musicians will participate in fall 2011. This article outlines the project's goals, hypotheses, methodologies, and anticipated outcomes.

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- performance royalties
- advances
- live shows
- licensing
- retail sales
- merchandise
- commissions
- fan support
- synch licensing
- grants

Artist Revenue Streams

a multi-method research project examining changes in musicians' sources of income

The Value of Measuring Musicians' Sources of Revenue

Meteoric transformations in the creation and distribution of music over the past ten years have drastically changed the landscape for musicians. New technologies such as digital recording studios, digital aggregators, online music stores, on-demand streaming services, webcasting stations and satellite radio have greatly reduced the cost barriers to the creation, production, distribution and sale of music, and a vast array of new platforms and technologies – from MySpace to blogs to Twitter feeds – now help musicians connect with fans.

Many observers are quick to categorize these structural changes as positive improvements for musicians, especially when compared with the music industry of the past. It's true that musicians' *access* to the marketplace has greatly improved, but how have these changes impacted musicians' ability to generate revenue based on their creative work? Almost all analyses of the effects of these changes rest purely on *assumptions* that they have improved musicians' bottom lines.

Since our inception in 2000, Future of Music Coalition has strived to provide artists from all backgrounds and genres with valuable information about the issues that affect their ability to earn a living. Consequently, these questions about musicians' ability to make a living from their music in the 21st century are critical. FMC has launched **Artist Revenue Streams** – a multi-stage research project to assess whether and how musicians' revenue streams are changing in this new music landscape. This paper explains the research project, and describes some emerging themes based on the first eight months of work.

Research Questions

This multi-method research project is collecting information from a diverse set of US-based musicians¹ about the ways that they are currently generating income from their music or performances, and whether this has changed over the past ten years.

We seek to find out: what percentage of musicians' income comes from each possible revenue source? What is the ratio among different sources, whether it be royalties, money from gigs, t-shirt sales, or any of the 29 other meaningful revenue streams² that FMC has identified? Has the ratio changed over time and, if so, what are the factors that have conditioned these changes? Finally, are the revenue stream ratios different for artists working in different genres and at different stages of their careers?

Hypotheses

Given FMC's work at the intersection of music, law, technology and policy – and our position as creators, musicians and independent label owners – we have some first-hand knowledge of the changes that today's musicians are experiencing. Thus, we propose the following hypotheses:

- 1. Musicians are relying on revenue from a variety of streams.** Until recently, the vast majority of musicians' revenue could be placed on one of four buckets: live performances, record sales, royalties from public performances and/or licensing, and merchandise. In some cases there were even fewer. For example, a non-performing songwriter typically relied only on the income associated with publishing, with mechanical royalties from record sales and public performance royalties being the most common sources of income, followed by licensing and sync licensing. While those revenue categories are still relevant, FMC suspects that today's musicians are participating in more streams, both because there are more streams available – some of which didn't exist until ten years ago³ – and because the traditional streams like retail record sales have been in serious decline. The biggest questions are: just how many revenue streams are today's artists relying on? Has this number of revenue streams changed over the past ten years? And, do artists in different genres or at different stages of their careers participate in the same number of streams?
- 2. The overall revenue pie is smaller for each artist, but more artists have access to revenue.** Until about ten years ago, there was generally a more distinct split in the music industry: there were artists signed to major label deals that had access to recording advances, tour support and big budget promotion, and there were independent and unsigned artists who were largely shut out of commercial radio/broadcast media (and the subsequent performance royalties generated by airplay), and had meager resources to promote record sales. But because of the internet, many promotion and distribution avenues are much more accessible to all artists. Today's independent artists can now sell their music on the same digital platforms as any major label

¹ In this paper, we use “musician” as an umbrella term that includes performers, recording artists, songwriters and composers.

² 29 Streams blog post <http://futureofmusic.org/blog/2009/10/14/29-streams>

³ Public performance royalties were only paid to songwriters/publishers until 2001 when SoundExchange started the first distributions for recording artists and labels based on the digital performance royalty for sound recordings.

artist, 24/7, for a marginal cost. And, there has been an explosion of multimedia outlets and social networking services with negligible barriers to entry for the artists: satellite radio, specialized webcast stations, music discovery sites like Pandora and last.fm, and streaming services like Rhapsody and Napster. While it seems that technology has democratized the process and facilitated the creation of a “musicians’ middle class”, has the high tide lifted all boats equally? Are there a greater number of musicians making money today than ten years ago? FMC seeks to find out if there are, indeed, more full-time working musicians, and whether the changes in distribution of revenue have been modest or marked.

3. **For performers, money from touring or playing live shows is the biggest portion of their revenue pie.** Even with the high costs of gas, and percentages paid to booking agents and managers, existing data and musician self-reporting indicates that live shows are where artists are able to net the most money. However, is this true for all genres, or just for rock, pop and country artists where touring is expected? And is it as true for emerging artists as with established artists?
4. **Songwriters and composers are seeing diminished revenue from their compositions from record sales.** Music industry statistics point to a continued and sustained reduction in retail sales. In addition, music is more frequently purchased as individual songs instead of bundled into an album, which means “album cuts” are less likely to earn mechanicals. For songwriters and composers, these conditions correspond to a reduction in mechanical royalties. But is this true for all genres? Are jazz and classical artists – who are somewhat insulated from the commercial retail environment – experiencing something different? Plus, the current music landscape presents many new possibilities for composition driven income, including ringtones, increased synch license opportunities, digital sheet music and publishing royalties from digital sales. Are these new revenue streams based on licensing compositions making up for the significant reduction in traditional mechanical royalties?
5. **Location doesn’t mean as much as it used to.** There are traditional “music towns” in the United States: Los Angeles, New York, Nashville, Austin, Chicago, where musicians and the music industry have congregated. But now that the internet has largely removed regional barriers, especially for the promotion and distribution of music, what effect does an artist’s location have on their ability to make a living? We suspect that we’ll find that a number of artists are making a living outside of the traditional regional music industry structures, relying more on internet connections and virtual networks to sustain their careers. But has location been completely removed from the factors influencing an artists’ career? Does genre or type of craft influence location? Do classical musicians need a city of a certain size to capitalize on orchestral work? Do professional songwriters do better in Nashville or Los Angeles?

Research Components

FMC is employing a three-step research process; in-person interviews with a small but diverse number of musicians in 2010-12; a review of financial records of some musicians; followed by a widely distributed online survey in fall 2011. We feel that this multi-method approach will help us to get the best snapshot of different musicians’ income streams and create a more robust and meaningful report.

Artist interviews: In step 1, FMC is interviewing a small but diverse set of musicians, (or, in some cases, their managers or accountants) to seek their direct input about their revenue streams, and how these have changed over the past ten years. FMC has identified about 25 musician types that we expect to have different musical revenue pies, and for which we seek interview candidates. For example, we know that the revenue streams available to a songwriter who doesn't perform are different than those available to a touring rock band member, a pit orchestra musician, a film and TV composer, a jazz performer who plays standards, a classical ensemble and a high profile hip hop artist. FMC is using networks and referrals to identify individuals that fit these musician types, then using a snowball sample⁴ to find peers that also match these characteristics.

Financial data: FMC is also reviewing individual financial data from some of the musicians that we interview, with an understanding that any financial information is anonymous and not identifiable with any particular artist, band or label. Actual financial data can help us to quantify the amount of revenue generated in different categories, and changes from year to year. These are being presented as case studies with an individualized narrative/assessment that focuses on the reasons for fluctuations or changes in their revenue from year to year. The artists' income data will be displayed in various pie charts that will be compared against data collected during the survey, and from other sources. FMC also plans on making interactive/dynamic charts and graphs for review on our website.

Online survey: For step 3, FMC is creating an online survey that will present relevant questions about artists' revenue streams for US-based musicians. The survey will use skip logic to create a survey experience that matches the subject's role (songwriter, composer, performer) and recognizes the differences in how various communities operate and how creators are compensated. FMC will put the survey in the field in fall 2011 to capture information about musicians' revenue streams for 2010 and prior. We will then analyze the results not only on the macro level, but also by genre, by time spent/income generated, and other cross-tab measures.

Objectives and Outcomes

Though we can't predict the actual results of the work, FMC sees at least five uses of the research data:

First, the results could provide musicians, the media and the music community at large with a comprehensive analysis of how musicians from many different genres are being compensated in the digital age. This data could serve as a vital benchmark for understanding the shifting revenue streams for musicians.⁵

Second, the data could help service organizations and advocacy groups understand how they can best serve their constituencies. Giving unions and service organizations data that captures the experiences of other musicians could help them identify trends, map policy objectives, and recruit more members.

⁴ Snowball sampling is a technique where existing study subjects recruit future subjects from among their acquaintances. The project's methodology is more fully described in a protocol document, available from the research team.

⁵ It's unfortunate that we have no comparative data about musicians' revenue streams prior to the fundamental changes that began in the late 1990s. However, we hope this work can serve as a benchmark that could be replicated on a time series basis going forward.

Third, it could also help musicians and advocates (and the media) make a more informed case to the general public about the complex realities of being a musician in the current landscape. For instance, many music fans assume that “all artists make money from touring” or “all artists are wealthy” so they don’t feel guilty when downloading songs for free. Perhaps if the public better understood the complex nature of musicians’ revenue (and the relatively small numbers we’re talking about), we can enrich the public dialogue.

Fourth, this research could serve as an external assessment of the value of new technologies and services available to musicians and fans, for musicians. Many new business models have launched in the past ten years that use music to attract users. While many of these include a revenue component for rightsholders, there has not been any systematic effort put into examining if, or how, musicians as a whole have benefited from participating in these new models.

Fifth, the results of this research could have policy implications. Our research may highlight how policy decisions affect artists’ revenue, and serve as a way to leverage change. We may also realize that, despite the technological progress that these new business models represent, the vast majority of musicians live from gig-to-gig and struggle with middle-class issues like mortgages, gas prices and finding affordable health insurance. No matter what the outcome, FMC recognizes the immense value in undertaking this work as a fundamental part of understanding musicians’ earning capacity, now and in the future.

Population of Study

One of the challenges in doing this work is estimating our population size. There is no definition for “musician”, nor certifications or qualifying tests. In addition, there is no one organization that represents the majority of musicians.

FMC has established some parameters to define our population of study. First and foremost, this study is constrained to US-based musicians. This is a reflection of our capacity, and a recognition that many revenue streams are highly dependent on national copyright law. An international or country-to-country comparison would be incredibly valuable, but it is outside the scope of this project.

To ensure that we’re focusing on musicians that have some credentials in the music community, all research participants must meet the following criteria:

1. US citizen or permanent resident
2. 18 +
3. Creative or technical credit on at least 6 commercially released tracks – physical or digital.
Qualifying tracks can be on one album or on a combination of albums.

“Credit on 6 commercially released tracks” is the standard that the Recording Academy uses for membership. Practically, this means the musician has released something commercially, but the bar isn’t set so high that only career musicians will qualify for research participation.

In addition, we will ask participants:

4. Whether they are member of one or more of the following organizations: ASCAP, BMI, SESAC, SoundExchange, AFM, AFTRA, AGMA, SAG, Recording Academy, Songwriters Guild, Nashville

Songwriters Association International, American Composers Forum, American Music Center, Meet the Composer, Chamber Music America, Americana Music Association, Folk Alliance, Just Plain Folks, Gospel Music Association, Blues Music Association, Country Music Association, International Bluegrass Music Association, or Fractured Atlas

5. How much of their time they spend being a musician
6. How much of their annual personal income is derived from being a musician.

While specific answers to questions 4, 5 or 6 would not *eliminate* any particular participant, we would isolate any responses for individuals who are:

- not a member of *any* professional organizations; or
- spend less than 10% of their time *and* make less than 10% of their money being a musician.

These definitions not only help us to determine the types of musicians taking part in our research, but they also help us to put some parameters around our population of study.⁶

Partnerships and Support

The ultimate value of this work depends greatly on the level of participation we can achieve among musicians, but we also know that musicians are a difficult population to count and measure. There's no clear definition of what a "musician" is, and there is no one association or organization that represents their collective interests. Because of the dispersion, reaching these various groups will take outreach to dozens of different liaisons: music managers, booking agents, record labels, performance rights organizations, unions, technology companies, social networking sites, service organizations and music schools – connections that FMC has been steadily developing for the past ten years through our event programming, collaboration on policy campaigns, educational efforts, and other shared values. FMC will seek the collaborative support from dozens of member associations and service organizations, which will in turn urge their members to participate in the project. For more information about how your organization or institution can establish a relationship with this research, please contact our Partnership Development Consultant, John Simson at jsmusic@verizon.net

FMC is also seeking institutional, organizational, funder-based and private donations to support this critical work. Through the support of the Doris Duke Charitable Foundation and YouTube, FMC has secured about 50 percent of the funds for this project as of December 2010, and will proceed as planned.

Emerging Themes

Since July 2010, FMC has interviewed 21 artists, managers, attorneys, and others who work with artists, to gauge their feelings about how their revenue streams have changed over the last ten years. This initial group included those working in classical music, jazz, indie rock, and urban music. We also interviewed a film composer. All of those

⁶ Details about population of study, and related risks and limitations, are detailed in the research protocol available from the research team

interviewed spend 90-100% of their time on and receive 90-100% of their income from music. All have been active over the last ten years or more, and all but the film composer release records and tour regularly.

The interviewees' responses are informed by their specific experiences, which were each unique. We could not identify general up and down trends among such a small and diverse population of interviewees. Global experiences such as the economic downturn and the disruptive force of technology on the marketplace are extremely difficult to tease out within the context of individual career arcs – especially from the perspective of the interviewee, who has to be focused on more immediate concerns in his or her day-to-day work. In general, our conversations were most informative when focused on mapping out the various income streams rather than looking at income going up or down over time. When discussing the impact of larger trends such as the economy or technology, the responses tended to be less about whether income streams were positively or negatively impacted, but how opportunities for artists seemed to be shifting.

That being said, we were able to identify a few broad themes:

1. **Technology poses a double-edged sword.** Developments in websites, tools, online services, broadband deployment, wifi and portable technologies have certainly had an impact on musicians' ability to reach an audience and run their businesses, but technology can also increase competition, and the "noise" in the marketplace.
2. **Flexibility is key.** A number of musicians found themselves on different career arcs than they had been trained for, or had expected. Meanwhile, other groups have benefited from thinking beyond the assumed boundaries of their genre, experimenting with novel collaborations, distribution methods, or funding sources.

While upcoming reports and presentations will articulate these themes in much greater detail, here are some select quotes from interviewees regarding their ability to make a living:

As some artists progress in their careers, they make more active choices about what they want to do. Sometimes that means they take fewer and more lucrative gigs.

*I'm the type that I can get by on \$30,000 a year so as long as I can get that much it's like, 'Great, I'm making enough now that I can take less of those kind of gigs,' or 'I'm making enough now that I can take less day job work.' So **I think that the percentage that purely music-engaged projects are has been increasing, but my overall revenue has stayed about the same.** – jazz composer-bandleader 1*

Sometimes that means they pursue less lucrative, but more artistically satisfying gigs.

*When I was less involved with the nitty-gritty and with the creative process of the music I was making, when I was merely a cog, I was making much more money and working more—when I say working more I don't mean working harder I mean working more hours as a performer. I'm in this position now, which is partially from circumstances but also it's from my own desire, where I'm making a transition to a place where more I'm more creatively involved with what's happening in the music that I'm involved with. **At this point in the turn of my career, I'm working very, very hard but the income is much less. I don't see that as sustainable, of course, but I feel that it's a very important transition that I'm making and one that's very exciting.***
– classical freelance musician

On the other hand, some artists continue to do more of the less lucrative work to stay ahead financially.

What's frustrating this year is that I make more money doing video production, but I make more profit when I compose. The least profitable thing that I do is recording studio. If I charge \$40 an hour [in the studio] it is an actual hour that I'm actually working on it and I'm not making the \$60 or \$80 an hour I would make if I'm teaching and I'm not making the \$75 an hour that I'd make if I'm video editing, and I'm not making—the range is sometimes as much as \$125 or \$200 an hour if I'm composing. But it's the job that's in front of me right now, and sometimes that's the studio. The most profitable thing is composing, and the majority of my income comes from a combination [of these things]. – film composer

Depending on the genre, artists have different strengths and assets available to them in making a living. Sometimes that means artists will take on work for hire or teach to supplement their income.

It's pretty important that ensembles also have teaching residencies because the money they make from performing, even at the top level, rarely equals a good living. So all of our ensembles have teaching or residencies or some kind of other work to expand on what they do—to make money. – classical manager 1

Or, in more popular genres, they will leverage their brand.

People in rap music have tremendous commercial appeal that translates into multiple streams of income very naturally and very easily. I have not seen that same level of success, based on my experience, with other genres of music. For example, if you see Dr. Dre with an HP commercial, if you see Dr. Dre with the new earphones, it's very natural. I think what's happening is, I think corporate America understands the influence of rap music and is using it to help promote their products. So obviously they get the win of extending their brand and these personalities or personas are actually making money because of their celebrity. They're not writing songs for the commercial, they are in fact appearing in the commercial, they're promoting the product. – urban music attorney 1

A few of my clients have ventured into the apparel industry and have deals and have branding opportunities and branding deals so they've earned decent income in those areas. It's spread out a little bit more now than it used to be and they're certainly looking for more opportunities outside of just music to earn their income. – urban music attorney 2

Niche genres are aware that their use of some of the available tools – such as Twitter and Facebook – are not likely to lead to the same results as when used by mainstream acts:

One thing is we're very aware that we exist in a niche. And I believe rather than presuming that we could have as many Twitter followers as Lady Gaga or as much revenue, we need to be realistic about the niche that we are in and the reasons we are making music, and the fact that the entire world is just not that into us. What we need to do is to bring people into the niche, deepen our relationship with them rather than flinging ourselves all over the place. – choral chamber group

Meanwhile, the convergence of technology, economy, mass media culture, and competition for mindshare has had an effect on the choices made by presenters and labels:

*Prior to 2000 I would say, more university series and performing arts series presented more classical music. A university series that I'm thinking of in Iowa used to have five classical concerts, and today I think they might have one classical concert and they also have theater and maybe an opera performance or dance or world music or something else. So I'm not saying that that series is less of a series, it's probably a great artist series and maybe they reach more people, but **as far as classical music is concerned I could count on their engaging one of our string quartets every year [before]; now I'm lucky if they do it every five years. At the same time there are many more touring string quartets than there were.** One of our artist management friends made a survey, I think he took a Musical America directory from 20 years ago and counted the string quartets and then he did it 10 years ago and then today. The list of string quartets that are touring is [increasing dramatically]. I think it's much harder for that young artist to break through when he's got so much competition. – classical manager 1*

There are also large disparities in income, and very different definitions of success.

Most classical records, 5,000 units is considered the record made money, it didn't make a lot of money but it made money, nobody lost. So when you're looking at those kinds of numbers, even with royalties being paid on the upside, you're still not talking about a lot of money, as opposed to a \$10,000 concert performance. – classical manager 2

If they're selling at least 700,000 records, then they still are making a decent amount of income from record sales, and many of them are. – urban music attorney 2

A reminder that these are select quotes from the first pool of interviewees, and we have many more interviews to complete. For the sake of brevity, we have included just one facet of their conversations. Future papers and presentations will examine interviewees' feelings on topics such as the effect of social media, the meaning of location, the value of radio airplay, label relationships, trends in record sales, and the necessary skills for adapting to this new landscape.

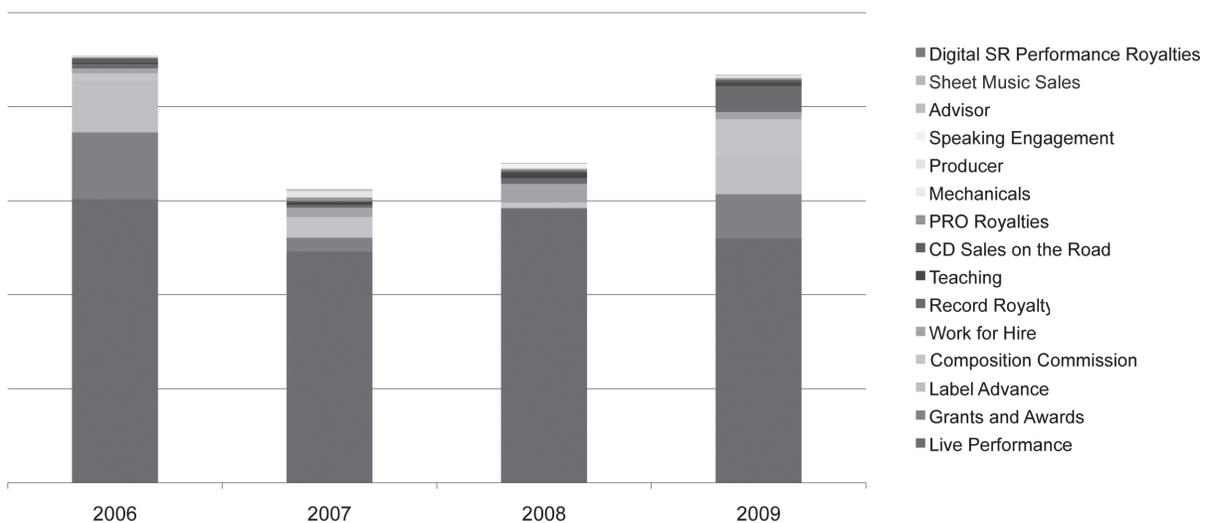
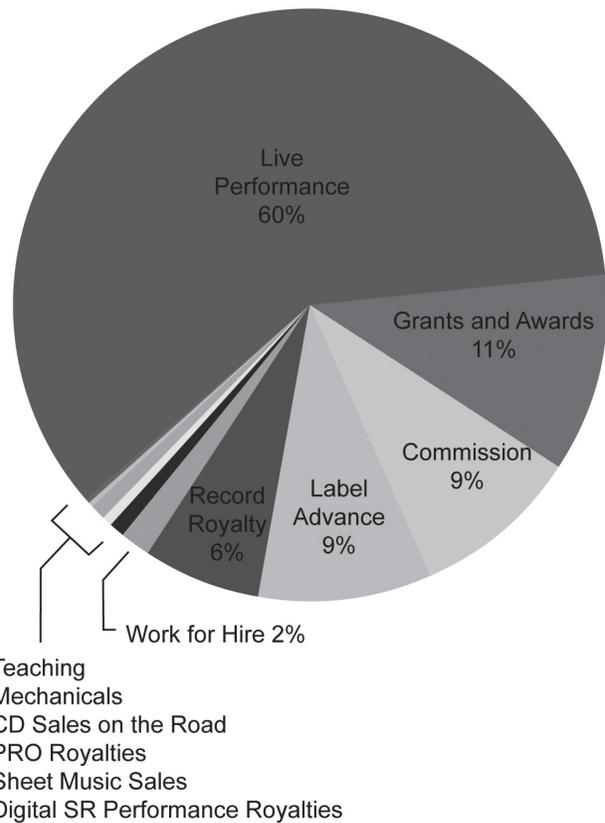
Financial Data Snapshots

Since July 2010, FMC has analyzed the musician-based financial data for three different musicians: a jazz composer-performer-bandleader; an indie rock performer-composer-sideman; and a chamber music ensemble. In each case, we asked them for as many years of financial data as they were willing to give us. For some artists we have more than five years. For others we have just two. In all cases, the financial data provide a real-world snapshot of musicians' ability to make a living.

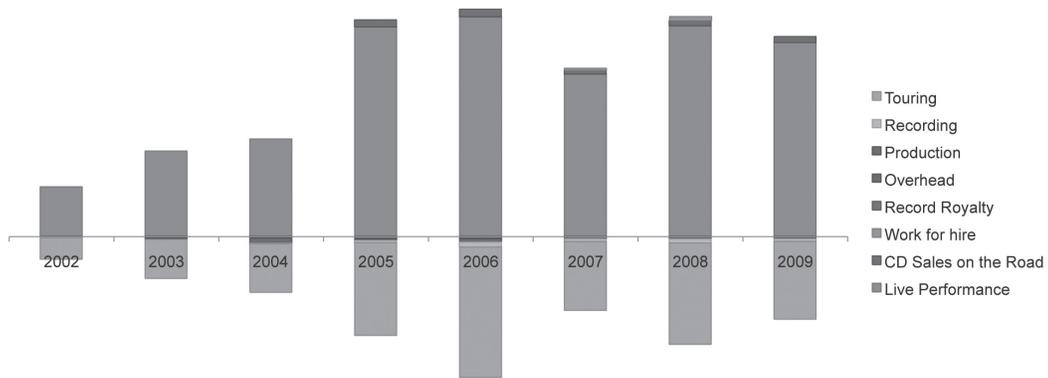
This data will be released as case studies in the coming months, but for the purposes of this paper, we have included a few examples of how the data is being presented.

Gross income by year: In all cases, we are presenting gross income by year. The income is segmented according to revenue stream. For most artists, we have pie charts for multiple years.

Gross income across time: We also illustrate the gross income in a time series chart, using stacked column graphs to show the different revenue streams. Note that there are no Y-axis values in order to protect the anonymity of the artists giving us data.

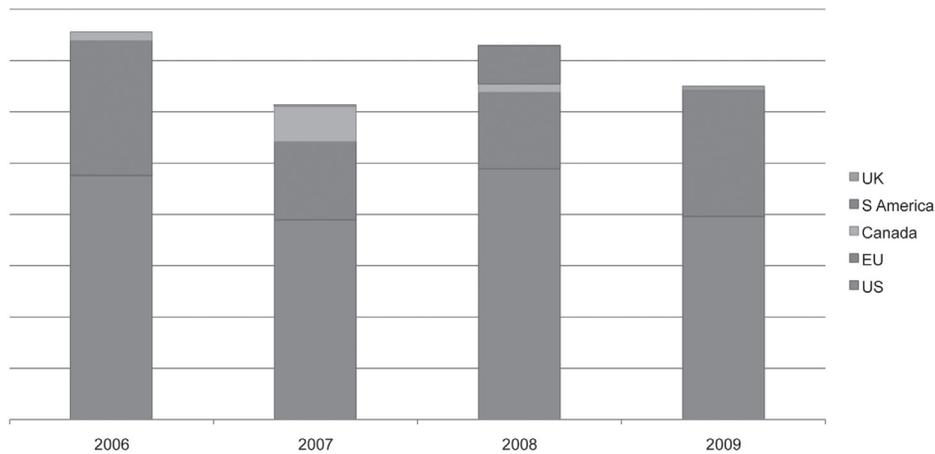


Income v Expenses: In some cases, we also have access to expenses. This is helpful in understanding the profitability of a particular artist or ensemble.



Breakouts by region, details about specific streams: For some artists, the details about their revenue according to a sub-set of criteria enriches the picture.

C: Income from Performances, US and non-US, 2006-2009



Throughout 2011-12, FMC will continue to gather and analyze financial information from a small but diverse set of artists. Already the financial data has informed our interview process, as well as our survey question development. We will release the case studies, along with an interactive version online, in the coming months.

Musicians as First Movers

Today’s musicians are experiencing changes as profound as any since the invention of recorded sound in 1880. We are living in an era of unparalleled opportunity enabled by technology, where an individual musician can easily record a song, upload it to a server, distribute it across many platforms, and collect the revenue. It’s also a time of heady excitement among technologists, who have used music as the “flame” to attract millions of users to emerging services like YouTube and MySpace, to the hardware developed by companies like Apple, and to promote the adoption of broadband services for faster speed of content delivery. Yet these very conditions breed a sense of foreboding and concern among many stakeholders in the music industry who have witnessed a dramatic drop in physical music sales.

Technology has greatly improved musicians’ *access* to the marketplace but, to this point, measurements about the effect of these seismic changes on musicians’ ability to make a living have either been anecdotal or speculative. Even the most esteemed books about copyright in the digital age are largely based on theory, and lack qualitative data. FMC believes that this multi-method, cross-genre, musician-focused research is essential to understanding how changes in technology and the music landscape have actually affected US musicians. We hope it will not only educate the public about musicians as creators, but also inform the development of successful models of marketplace creativity in the future.

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