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Is on-demand streaming the future of the music industry?

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Abstract

Ever since the rise of the digital age, the music industry has been compelled to change and adapt a number of its business model in order to allow for its technical advances. Digital downloads are the norm nowadays, with physical sales steadily declining, and new ways of consuming music rapidly emerging. One of these ways is on-demand streaming, which allows consumer to access a large catalogue of music online, at the price of a low subscription fee, or even entirely free of charge.

By analyzing the current state of the digital music market, introducing the idea of Anderson's Long Tail model, and linking both to the concept of on-demand streaming, a basis of understanding of the subject matter has been developed. A detailed case study of market leader Spotify then offered an in-depth understanding of the business-model of a streaming service and its development within a changing market. By examining points of criticisms the company faces, but also its beneficial sides to both artists and the music industry as a whole, a well-rounded picture of this business model has been developed.

A survey conducted amongst a cross-section of music consumers has been able to confirm the relevance of streaming services to its target group, and illuminate further what they value most about these services, or what might make them customers in the future.

The status of on-demand streaming as "the future" of the music industry can be validated at least insofar in that it is the way music is and will be consumed by a steadily rising number of consumers. However, the record labels and streaming services will need to find a way to make this new business model more profitable for all involved – including the artists.

Keywords/tags (subjectshttp://vesa.lib.helsinki.fi/)

Music, music industry, streaming, Spotify, on-demand, digital, internet

Miscellaneous

Content

1. Introduction

It is no secret, that the internet age has brought on an array of challenges and loss in revenue for the music industry. Especially the rise of music piracy forced record labels and artists to adapt their approach and focus on new business models. This obviously includes offering digital downloads instead of a physical product, but another one of these models are so-called on-demand streaming services. They allow the user to listen to music of their choice without actually purchasing it, and are available as a paid subscription. Some services additionally offer an ad-supported, free version.

This thesis will start with a short overview of the current state of the music industry and Chris Anderson's Long Tail Theory, as well as the digital music market and its recent development. On-demand streaming services will then be introduced and explored further, with the main focus lying on the one of the European market leaders, Spotify. A number of services will be presented and compared according to differences or similarities with each other. A case study of the on-demand streaming service Spotify will illustrate the business model of these services, as well as exemplarily illustrate their development within the music industry. This will include their progress into different markets, but also highlight controversies and criticism, which are mostly related to the relatively low income for artists, and the decline in revenues for the entire music industry. However, a last part will also explain the benefits both the music industry as a whole, but also individual artists can gain from such services.

A survey conducted amongst a cross-section of music listeners will then show how music is consumed nowadays, and how big a part streaming services play. It will also highlight some of the issues potential customers have with these services, and how they could be improved in general. The results, including possible limitations will be discussed. Furthermore, these findings will lead to suggestions for future improvements of on-demand streaming services, and a tentative prediction of the future of this sector will be attempted.

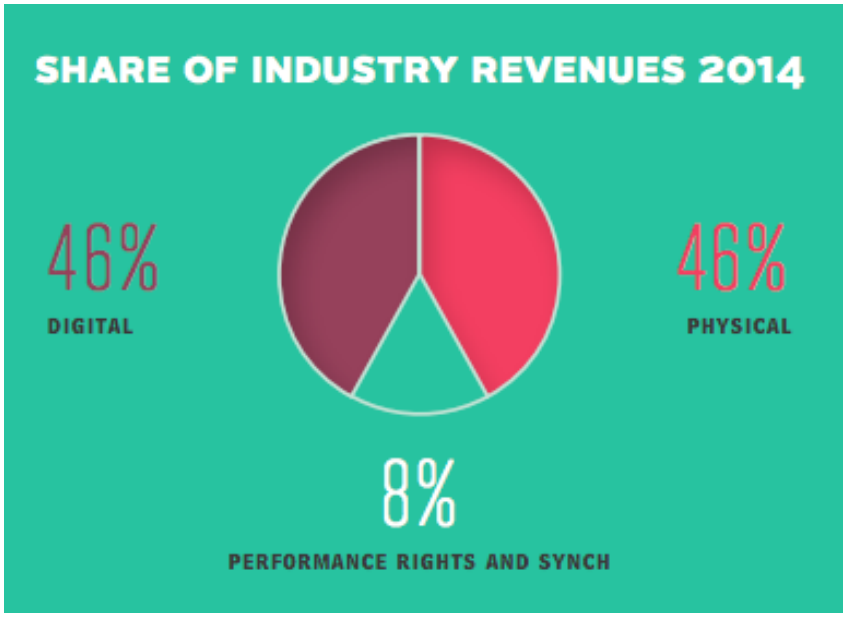
This text aims to investigate a relatively new approach of digital music consumption and provide an overview of key players, as well as challenges and opportunities for these platforms. It will further use the survey to determine the relevancy of on-demand streaming for the consumer, and offer recommendations and predictions for the future.

2. Literature Review

2.1 The Digital Music Market

The International Federation of the Phonographic Industry (IFPI) released its latest "Digital Music Report" in 2015, and the numbers are undeniable: in 2014, the digital revenues of the global music industry increased by 6,9%, making it the first year where revenues from digital channels make up the same share as those from physical sales - 46% each. IFPI notes that "the key drivers of change in 2014 were the rise of streaming and the decline of physical and download revenues." (IFPI Digital Music Report, 2015, p.7)

Figure 1: Share of Industry Revenue in 2014 (IFPI Digital Music Report, 2015, p. 6)

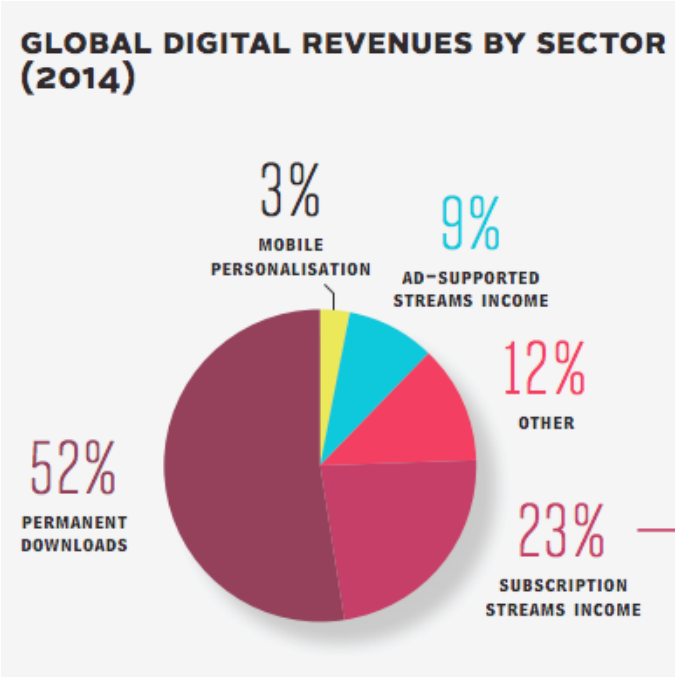


When combining the revenues from subscriptions and ad-supported tiers, streaming revenues are responsible for 32% of global digital revenues, a 7% increase compared to 2013. In seven markets, including South Korea and Sweden, revenues from streaming have even surpassed those from digital downloads. While globally, a majority of digital revenues (52%) is still attributed to digital downloads, it is noted that download sales decrease in "virtually all established markets". (IFPI Digital Music Report, 2015, p. 8)

The Merlin Network, the biggest global digital rights agency for independent music labels, confirms these findings, with even higher numbers: In a survey conducted amongst its members in 2015, it found them to cross a digital tipping point: 55% report that revenues from digital services accounts to more than half of their overall income. One in three respondents further account over 50% of their overall revenue from digital sources to come from music streaming and subscription services, as opposed to one in five in 2014. (http://www.merlinnetwork.org/news/post/merlin-membership-survey-2015-surge-in-music-streams-delivers-digital-growt [accessed 18.08.2015])

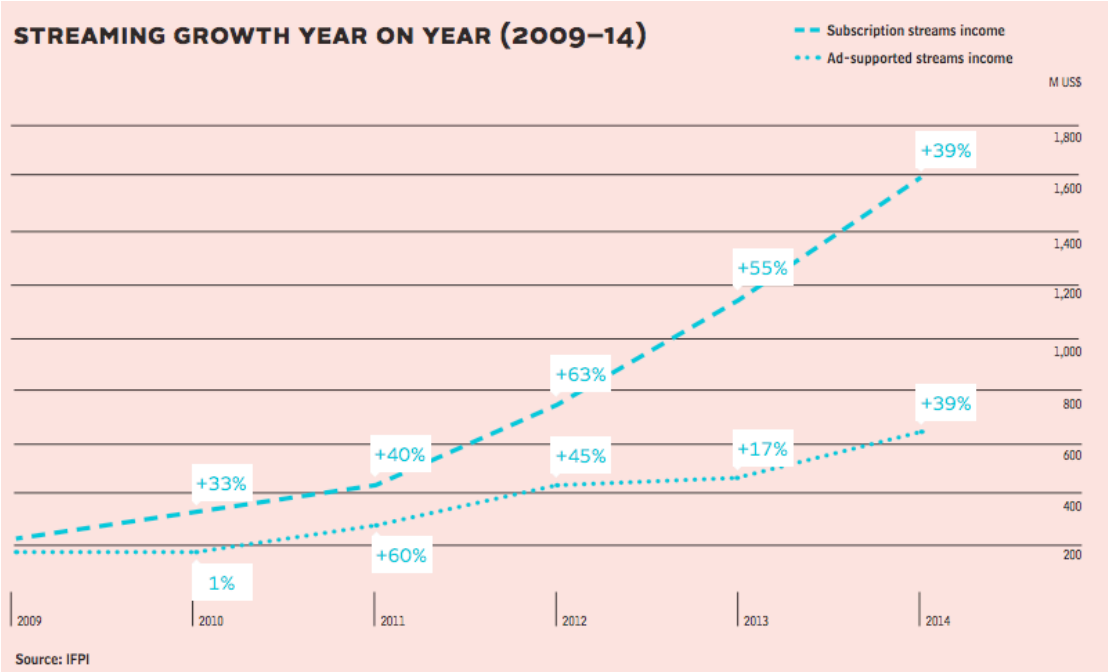
A complete breakdown, of overall global digital revenue by format in 2014 can be seen in the figure below:

Figure 2: Global Digital Revenues by Sector (2014) (IFPI Digital Music Report, 2015, p. 7)



The following graph illustrates the increase of revenue from subscription-based and free streaming services the last six years:

Figure 3: Streaming Growth Year on Year (2009-14) (IFPI Digital Music Report, 2015, p. 15)



Streaming platforms are likely to attract young consumers with little or no experience of music ownership models, and have helped migrate users from illegal piracy

platform by offering a “convenient alternative “. (IFPI Digital Music Report, 2015, p. 15)

However, piracy does continue to be a major issue for the music industry. According to IFPI estimates, over 4 billion music downloads have occurred via BitTorrent alone in 2014. A majority of these downloads can be assumed to infringe upon copyright laws, and this number does not take into account illegal downloads via other channels. (IFPI Digital Music Report, 2015, p. 39)

2.2 Andersons’s Long Tail Theory

In 2004, Chris Anderson, editor in-chief of “Wired” magazine, published an article called “The Long Tail”, in which he predicted the future of the entertainment industry to lay in market niches, rather than hits.

In short, the theory says that there are two main issues with living in the physical world.

The first one is, that any entertainment product needs an audience. An average cinema cannot afford to screen a film that will not be seen by at least 1.500 people within two weeks, just like it is not economical for a record store to carry a CD that will not sell at least two copies a year, just to name two examples. All of these providers and retailers are dependent on a certain radius of local population to fulfil whatever demand is needed. If the target audience is too far away, or too widespread, it is no use making the product available to them locally. Anderson says: “ In the tyranny of physical space, an audience too thinly spread is the same as no audience at all.” (http://www.wired.com/2004/10/tail/ [accessed 12.03.2015])

The second restraint is physics. There is a limited number of radio stations and TV channels that can be made available, and they can only be filled with 24 hours a day worth of content. Again, this results in the need to restrict available content in a way that will be most appealing to the biggest audience possible. And this is exactly how entertainment has worked in the past - only the best selling films are shown in cinemas, only the biggest hits are available in record stores and played on the radio, etc.

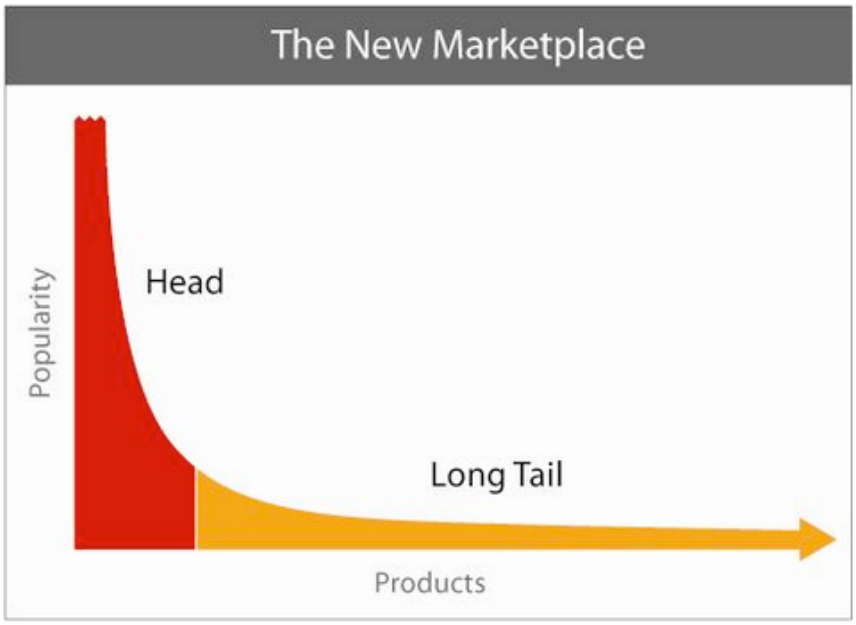
(http://www.wired.com/2004/10/tail/ [accessed 12.03.2015])

The digital age allows us to abandon this “world of scarcity” for a “world of abundance”. (http://www.wired.com/2004/10/tail/ [accessed 12.03.2015]) With shelf space and other physical restrains no longer, or barely, an issue, services like iTunes, Amazon or Netflix can afford to offer virtually any product. Anderson points out there this is literally no difference between the sale of a “hit” or a “miss” on iTunes - both tracks will create the same profit.

Another aspect is the question of how well the mass market actually caters to individual taste. While examining the subscription-based streaming service Rhapsody (then carrying over 735.000 songs) and its monthly streaming statistics, it was found that the initial demand curve is very similar to that of a physical record store. There is huge demand for the most popular tracks, with a steep drop off for the less popular ones. However, when looking past the first 40.000 songs, that would typically make up the fluid inventory of a shop, demand does not stop. According to Anderson, all of Rhapsody’s top 400.000 titles have been streamed at least once a month, while 360.000 of them would not be available at an average record store.

This is the theory of the Long Tail - a big (theoretically infinite) number of non-hits with a small audience that can eventually generate as much profit as a small number of hits with a huge audience.
(http://www.wired.com/2004/10/tail/ [accessed 12.03.2015])

Figure 4: The New Marketplace (http://www.thelongtail.com/about.html [accessed 12.03.2015])



Anderson describes three rules for this “New Marketplace” that is made up of a huge number of niches, rather than the former mass-market concept:

1. Make Everything Available

In a Long Tail economy, it is enough that there is an off chance of an audience for a product anywhere, in order to release it. This is especially true for purely digital services like Netflix, but Anderson argues that even for digital releases, such as classical movies on DVD, “it is more expensive to evaluate than to simply release”. (http://www.wired.com/2004/10/tail/ [accessed 12.03.2015])

2. Cut the Price in Half. Now Lower it.

Anderson’s argument is based on two facts. The first one is that the price of a download on iTunes (99 cents) is based on physical costs, some which do not apply for a digital product, such as packaging, manufacturing or shelf space overheads. The second one is based on a price-experiment of Rhapsody. The company offered songs for 99, 79, and 49 cents for a short period of time, and found that those titles for 49

cents, while only half as cheap as the 99 cents ones sold three times as much. Consumer will buy more content, if it is cheaper.

In this context Anderson also touches on music pirating. He states that while pirated music is technically free, it comes at the cost of inconvenience and varying quality of the content, not to mention possible legal consequences. The implication is that "By offering fair pricing, ease of use, and consistent quality, you can compete with free." (http://www.wired.com/2004/10/tail/ [accessed 12.03.2015])

It is worth noting that the author here also introduces the idea to "stop charging for individual tracks at all" and outlines the concept of music streaming services how we know them today.

3. Help Me Find It

Here Anderson points out that services that concentrate solely on the Long Tail can offer no familiar starting point for the audience and are therefore hard for users to navigate. Combing the niche products of the Long Tail with the big hits of the mass markets allow for "If you like Y, you'll also like X" type of recommendations, that allow users to explore less-mainstream material in a manners customised to their taste. (http://www.wired.com/2004/10/tail/ [accessed 12.03.2015])

It is obvious that all three of Anderson's rules for the new entertainment economy comply with the way music streaming services operate these days. They offer an increasingly vast variety of any music imaginable, at reasonable cost or even free, and they do combine mainstream content with the Long Tail via customised recommendation.

2.3 On-demand streaming platforms

One first thing to note is the difference between on-demand streaming services and internet radio. Internet radio, like the US-services Pandora and TuneInRadio, allow

the user to choose a personalised 'radio station' based on e.g. a certain artists or a music genre. These stations can be optimised by approving or rejecting songs that are suggested, however the user cannot select specific songs to listen to. On-demand streaming, on the other hand, does exactly that. Services like Spotify, Deezer or Rdio are fundamentally designed to replace the customers' CD or iTunes library. They enable the user to listen to individual songs and albums, and create personalised playlists. (http://qz.com/232834/streaming-music-has-become-a-pawn-in-a-high-stakes-chess-match-who-will-win-and-why/ [accessed 02.02.2015])

This thesis will concentrate on these on-demand platforms, and specifically Spotify.

As having said before, the services typically offer a free, ad-based subscription, as well as a paid one. In addition to audio and banner ads, free subscribers might also face restrictions e.g. regarding the availability of specific songs on mobile devices, or the possibility to download playlists for offline use. (http://www.bidnessetc.com/business/pandora-vs-spotify-freemium-music-streaming/ [accessed 02.02.2015])

Music streaming services are available on different platforms for cross-device access (web, desktop app and mobile app for various operating systems, partly smart TV), and can include 3rd party add-on apps (e.g. a Facebook app for Spotify). (http://www.cultofmac.com/265655/winner-best-music-demand-streaming-service/ [accessed 02.02.2015])

Differences between competing services include specifications on these aspects, as well as catalogue size, availability in varying countries and bitrate quality of music. They will be examined further in part 3.

3. Different on-demand streaming services

With the on-demand streaming market being relatively new, there is quite a number of different platforms available at the moment. However, US critic and record industry analyst Bob Lefsetz predicts in a recent blog post: "One thing is for sure, one service will dominate, it's where we'll all go, because we want to share, we don't want

to be left out."
(http://lefsetz.com/wordpress/index.php/archives/2014/07/03/spotify-rules/ [accessed 02.02.2015]) QZ.com author John McDuling agrees: "[...] internet industries tend to be winner-takes-all markets. Think Google in search, YouTube in online video, or Facebook in social media. But that kind of dominance takes time to emerge, and streaming music has yet to reach that point." (http://qz.com/232834/streaming-music-has-become-a-pawn-in-a-high-stakes-chess-match-who-will-win-and-why/ [accessed 02.02.2015])

This section will compare the following services that compete for customers right now: Spotify, Deezer, Google Play Music, Napster, Rdio, Xbox Music.

They all share the following basic prerequisites: They offer a minimum of 20 million tracks for streaming and are available for users in at least parts of Europe.

3.1 Differences for the users

The following table aims to provide an overview of what different on-demand streaming services offer the user. It is based on similar tables, e.g. from time.com (http://time.com/30081/13-streaming-music-services-compared-by-price-quality-catalog-size-and-more/ [accessed 02.02.2015]), but has been adapted and updated for the purposes of this report.

Table 1: Comparison of on-demand streaming services

	Deezer	**Google Play All Access**	**Napster / Rhapsody**	**Rdio**	**Simfy**	**Spotify**	**WiMP**	**Xbox Music**
Countries available	175	58	32	85	4	58	5	20

Catalogue	> 35m	> 30m	25m	> 32m	> 25m	> 30m	25m	30m
Free Subscription	ad-based, unlimited online, mobile restricted	30-day trial; purchase and store own music, but: no on-demand streaming	30-day trial; no on-demand streaming	30-day trial; free personalised radio stations available; no on-demand streaming	14-day trial; no free version	ad-based, unlimited online & desktop, mobile restricted	30-day trial; no free version	30-day trial; no free version
Premium Subscription **cost/month and benefits**	9,99€: unlimited online & mobile, offline support, import own mp3s, HQ	9,99€: unlimited online & mobile, offline support, purchase and store own music	9,95€: unlimited online & mobile, offline support 7,95€: unlimited online	9,99€: unlimited online & mobile, offline support	9,45€: unlimited online & mobile, offline support 4,49€: unlimited online	9,99€: unlimited online & mobile, offline support, HQ	4,99€: unlimited online 9,99€: unlimited online & mobile, offline support, song recognition	9,99€ unlimited online & mobile, offline support, music video streaming
Platforms	web, Windows, Mac, iOS, Android, Blackberry, speaker Windows Phone, systems, smart TV, car audio	web, iOS, Android, Windows Phone, speaker systems, smart TV	web, iOS, Android, Windows, Mac, speaker systems, smart TV, car audio	web, Mac, Windows, iOS, Android, Windows Phone	web, Windows, Mac, iOS, Android, Blackberry, speaker systems, car audio	web, Windows, Mac, iOS, Android, Windows Phone,	Windows, Mac, iOS, Android, speaker systems	web, Windows, iOS, Android, Windows Phone, Xbox 360, Xbox One

Additional Features	personalised recs, lyrics, live sessions	'radio stations' based on mood	interviews, playlists & recs, audio books	Shazam auto-playlist feature	N/A	'radio' stations, recs, social media features (Facebook, Twitter, etc.)	recs & music news by music editors	'radio stations' based on artists, auto synch between devices
Bitrate quality	N/A	max. 320kbps	max. 192kbps	max. 320kbps	max. 320kbps	max. 160kbps/ Premium-max. 320kbps	lossless audio streaming for 19,99€/ month	max. 192kbps

(http://www.deezer.com/offers/, http://www.deezer.com/devices/, http://developers.deezer.com/guidelines/countries, https://play.google.com/intl/ALL_de/about/music/allaccess/#/try-it-free, http://androidcommunity.com/google-play-music-opens-its-doors-to-more-european-countries-20141104/, http://www.pcadvisor.co.uk/reviews/audio/3528222/spotify-vs-google-music-review/, http://www.napster.de/music-flatrate/, http://news.rhapsody.com/2014/04/08/rhapsody-celebrates-continued-growth-in-first-quarter-of-2014/, http://www.whathifi.com/napster/review, http://www.rdio.com/about/, http://www.cnet.com/news/rdio-upgrades-entire-catalog-to-aac-and-320kbs-streaming/, https://hello.simfy.de/, https://sonos.custhelp.com/app/answers/detail/a_id/1671/~/simfy-and-sonos, http://www.simfy.de/faqs/5-in-welchen-laendern-kann-ich-simfy-nutzen, https://www.spotify.com/de/#features, http://www.spotifyartists.com/spotify-explained/, https://press.spotify.com/us/information/, https://support.spotify.com/de/learn-more/faq/#!/article/What-bitrate-does-Spotify-use-for-streaming, https://wimp.de/wweb/iwannarock/, http://about.wimpmusic.com/wweb/index/, http://www.xbox.com/de-

DE/music/music-pass, http://www.microsoftstore.com/store/msusa/en_US/pdp/12-Month-Xbox-Music-Pass/productID.258412400 [all accessed 02.02.2015])

The table illustrates that the basic principle of all streaming services is fairly similar, especially regarding pricing and features offered. A few differences can be found in available platforms/devices, extra features and the audio quality, however these are likely to only be a deciding factor for a small number of customers.

The main distinction is the fact, that only Deezer and Spotify provide an option for limitless on-demand streaming that is purely ad-based and free of cost for the user.

3.2 Global Ranking of Streaming Services

In September 2014, Billboard published a worldwide top eight list of music streaming services, “based on number of paid subscribers (if available), global footprint, strongest markets and relative popularity. Google Trends provided data into popularity and market penetration”. (http://www.billboard.com/biz/articles/news/digital-and-mobile/6259149/which-music-streaming-service-is-the-biggest-worldwide [accessed on 03.02.2015])

It is, somewhat unsurprisingly, lead by Spotify with 10m global subscribers. The company has since announced to have hit 15m paying subscribers worldwide and 60m active users overall (effective 12. January 2015). (https://news.spotify.com/us/2015/01/12/15-million-subscribers/ [accessed on 12.02.2015])

The follow-ups in the ranking are Deezer (5m), Rhapsody (2m), and Rdio (number of users not available).

Fifth place goes to Sony Music Unlimited, a service that will be discontinued as of March 29, 2015, and has therefore not been discussed here. It will be replaced by PlayStation Music, a cooperation with Spotify that is mainly directed at gamers and will initially be available on PS4 and PS3.

(http://blog.us.playstation.com/2015/01/28/playstation-meet-spotify/ [accessed on 03.02.2015])

The last three places go to Google Play All Access (n/a), WiMP (580k), and Simfy (n/a), respectively. (http://www.billboard.com/biz/articles/news/digital-and-mobile/6259149/which-music-streaming-service-is-the-biggest-worldwide [accessed on 03.02.2015])

3.3 YouTube and the Value Gap

A breakdown of music streaming services cannot be complete without mentioning YouTube. The video platform is not a music streaming service, or indeed a purely music service, per se, and has thus not been included in the comparison above.

However, as IFPI note in their 2014 "Digital Music Report", with 1 billion users worldwide, YouTube is "the biggest single access point to music for consumers internationally". The report further asses that YouTube is currently licensed and monetised in "virtually" every market. (IFPI Digital Music Report, 2014, p. 20)

According to the company itself, 6 billion hours of video are watched on YouTube each month, and VideoInk claim up to 38.4% (data by tubular) of those to be music videos. (http://www.thevideoink.com/features/special-issue/the-youtube-musiconomy-just-how-big-is-it-infographic/#.VNDkmmTF_EX [accessed 03.02.2015])

So far, YouTube has been an exclusively advertising-supported service, however the company launched YouTube Music Key in November 2014, a subscription-based music streaming service. The platform is integrated within the basic YouTube app and will increased YouTube's original catalogue of videos through the addition of video-free songs. It allows for ad-free and offline listening, as well as additional access to Google's existing service Google Play Music. A YouTube Music Key subscription costs the user $9,99/month and is currently available in the U.S., U.K., Ireland, Spain, Italy, Finland and Portugal.

(http://www.billboard.com/articles/business/6312376/youtubes-music-streaming-service-launches [accessed 03.02.2015])

In its 2015 report, IFPI does however introduce the idea of the so-called value gap, "a market distortion caused by the way in which [some] digital services circumvent the normal rules of music licensing". (IFPI Digital Music Report, 2015, p. 23) Content platforms such as Youtube or DailyMotion claim to be "neutral hosting services" as opposed to digital distribution services such as Spotify or Deezer. This means they can profit from copyright law exemptions, so-called "safe havens", which are meant to protect sincerely neutral hosting sites from liabilities. IFTIP does not recognise this to be the case for the aforementioned services, since they "play an active role in distributing, promoting and monetising content" (IFPI Digital Music Report, 2015, p. 23) and therefore sees it as an unfair advantage. Their huge user base notwithstanding, the global revenue paid to the music industry by free, ad-supported services (i.e. mainly video hosting platforms) in 2014, amounted to less than half of what subscription services like Spotify generated in the same year with only a fraction of the user number. IFPI calls for this value gap to be addressed by policymakers, in order to insure a fair licensing environment and a fair income to music right holders. (IFPI Digital Music Report, 2015, p. 23)

4. Case Study: Spotify

As has been determined in the previous part, Spotify can without doubt be called one of the big players of the music subscription services. It will serve as an example of those services as a whole and be further examined below. Firstly, its revenue and royalty model will be explained in detail. Later on, focus will lie on the company's progress in terms of markets as well as within the music industry. The next part will deal with the criticism and controversies the service has faced and is still facing, illustrated by the currently ongoing conflict with Taylor Swift. Finally, the benefits both music industry and artists themselves can gain from joining forces with companies like Spotify will be examined.

4.1 Spotify's Revenue Model and Royalty System

The basics of Spotify's revenue model have been explained in this paper already: Users either pay for a subscription to the company's premier trier, or get interrupted by advertising, amongst other restriction. Advertisers in turn pay to have their content displayed within the service. Spotify then uses their total revenue from both money received for advertisements and subscription payments to pay royalties to the right holders of the music it hosts.

These consists of both master recording right holders as well as publishing right holders (including both mechanical reproduction and performance rights). Spotify has licensing agreements with a large number of companies and networks, including Universal Music Group, Sony BMG, EMI Music (now part of UMG), Warner Music Group, Merlin (a global music rights agency that represent the rights of independent companies) and The Orchard (a global distribution company), but also independent artists themselves can receive royalty payments.

According to the Spotify Artists website, a page where Spotify explains and advertises its service to artists, 70% of the company's overall revenue goes to the rights holders. The label or distributor also receives all relevant information, so they can further divide the royalties between their artists in accordance with their individual deals. (https://news.spotify.com/de/2008/10/07/weve-only-just-begun/ [accessed 20.03.2015])

The website also provides to following formula in order to explain their royalty system further:

Figure 5: Spotify Royalty System Formula (http://www.spotifyartists.com/spotify-explained/#how-does-spotify-make-money [accessed 21.03.2015])

Each item mentioned in the formula will be detailed below:

1. Spotify monthly revenue

As mentioned above, the total revenue of Spotify consists of payments from subscribers and advertisers. This total revenue is different for every market, as it depends on the numbers of paying subscribers and advertisers Spotify has in every given country. It obviously also varies from month to month.

2. Artist's Spotify streams divided by total Spotify streams

By dividing a specific artist's number of streams by the total quantity of streams, an artist's "market share" is calculated. This allows Spotify to determine what percentage of the overall fee correlates with a specific artist's rights.

3. Royalties paid to master and publishing owners

This item refers to the aforementioned 70%. Depending on individual licensing agreements, Spotify pays approximately 70% of its gross revenue to the respective master recording and publishing rights holders.
The exact division between the various rights holders again depends on the distinct deals, as well as local laws. US law dictates for example that approximately 21% of the amount the master recording owners receive must go to the publishers.

4. Artist's royalty rate

Spotify pays each rights holder a total sum according to the collective number of streams of all their respective artists. The label or publisher then distributes the payments to the artists in accordance with their individual contracts. The royalty rates for each artist will also depend on other factors such as recoupments of advances the label or publisher had previously provided.

5. Artist payout

This is the sum the artist actually receives from having their music streamed on Spotify, after the share of their right holder(s) and other possible factors have been deducted.

Independent artists have the possibility to use one of Spotify's aggregator partners to have their music made available on the service. Depending on this partner and their fee, these artists may (in theory) receive up to 100% of their royalty payouts.

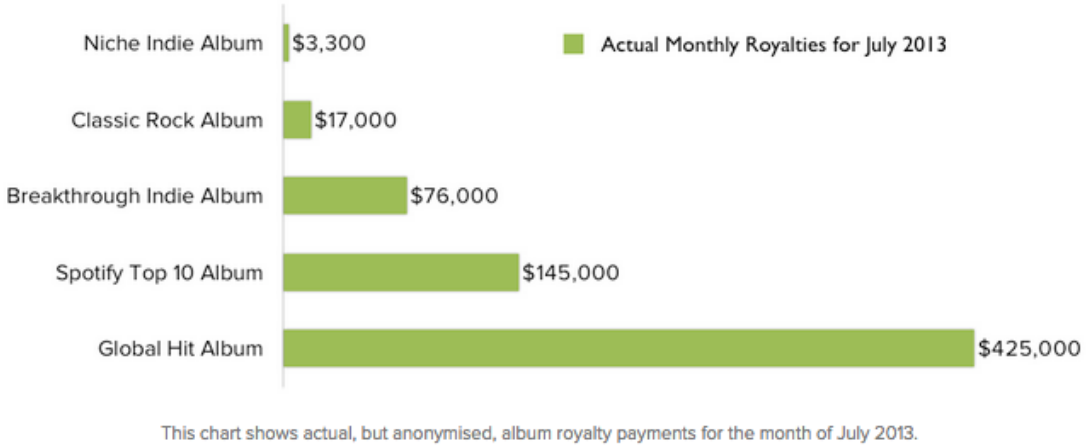
It is important to note that Spotify does not actually pay royalties per stream, i.e. there is no fixed sum a right holder or artist receives every time one of their songs is played on Spotify. All of the positions mentioned in the formula are variable items that depend on different factors and are different from country to country and even from artist to artist. It can however be calculated, that the average payout per stream would currently lie between $0.006 and $0.0084. This calculation has averaged out all of the above mentioned factors and includes both paying subscribers and free users.

The Spotify Artists website does however point out that they "personally view "per stream" metrics as a highly flawed indication of our value to artists for several reasons." (http://www.spotifyartists.com/spotify-explained/#how-does-spotify-make-money [accessed 21.03.2015]) One of these reasons is the fact that if users listened to more music than they did the previous month, the per-stream sum would decrease, even though the overall accumulated royalties would be higher than the month before. Another argument is the fact that Spotify has such a huge number of

users. In theory, another service could therefore reach a much higher per-stream amount, simply because their number of users, and therefore overall streams, is lower.

In terms of specific payment figures, Spotify Artist offers the following bar diagram. It shows actual royalty payments Spotify made to rights holders in the month of July 2013, only the respective artists' names have been anonymised.

Figure 6: Spotify Royalty Payments July 2013 (http://www.spotifyartists.com/spotify-explained/#how-does-spotify-make-money [accessed 21.03.2015])



Based on their current growth trajectory, Spotify estimates they will multiply those number by the time they reach 40m paid subscribers, with the monthly royalties they expect to be able to pay out for a global hit album reaching up to over 2m USD.

(http://www.spotifyartists.com/spotify-explained/#how-does-spotify-make-money [accessed 21.03.2015])

Especially for numbers like this, it is however very important to keep in mind that their source is the company website of Spotify itself, which obviously wishes to convince artists and other rights holders to join or stay with their service. This means the information can be presumed to be biased at least in the sense of wanting to present the company in the most flattering light possible.

It was decided to use the information despite this fact, since it serves well in illustrating Spotify's revenue and royalty model, and also how the company sees its own future. Controversies and criticism, also referring back to the information presented above will be discussed in part 4.3.

4.2 Spotify's Development

Spotify was founded in April 2006 by Swedish entrepreneurs Daniel Ek and Martin Lorentzon, who aimed to improve Napster's existing service and create a legal alternative to music piracy by offering an extensive, and legit, catalogue of music. (http://mashable.com/2013/10/06/spotify-music-economy/ [accessed 11.04.2015])

The platform was launched in October 2008, with the ad-based version being available to select beta test users and via an invitation queue, while the paid subscription tier was immediately open to the public in Scandinavian countries, the UK, France and Spain. (https://news.spotify.com/de/2008/10/07/weve-only-just-begun/ [accessed 11.04.2015]) The United Kingdom was the first country in which the free service became available publicly in February 2008 (https://news.spotify.com/de/2009/02/10/spotify-now-available-to-everyone-in-the-uk/ [accessed on 11.04.2015]), but this resulted in such a surge of registrations when the mobile app was launched in September of the same year, that the company had to return to the invitation-only policy for a while. Spotify Premium continued to be

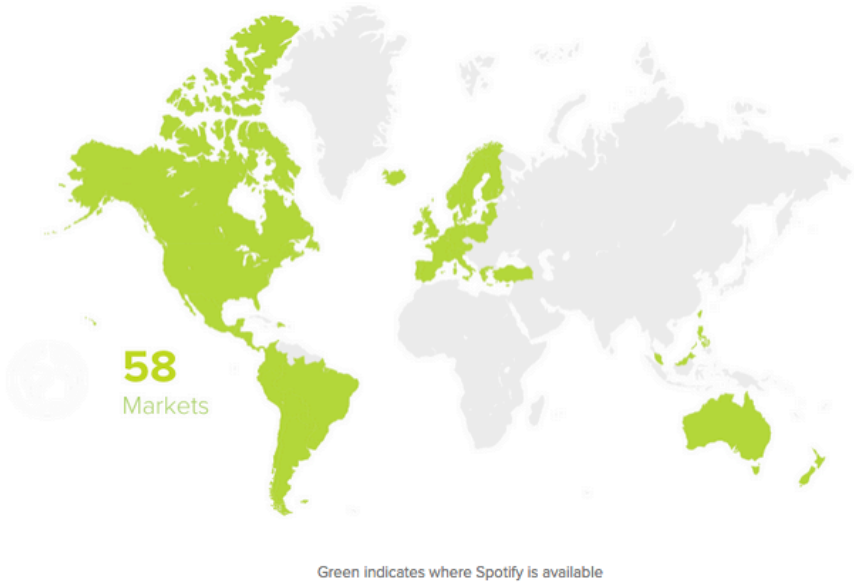
instantly available throughout. (https://news.spotify.com/de/2009/09/10/back-to-invites-for-a-while-in-the-uk/ [accessed on 11.04.2015])

Due to prolonged negotiations with right holders, Spotify did not become available in the US until July 2011, when the service faced the largest launch in its history. (http://edition.cnn.com/2011/TECH/web/07/13/spotify.us/ [accessed on 11.04.2015])

Throughout the years, Spotify continued to roll out its service in new territories, staying true to their basic strategy of offering the service for free in the hopes of enticing users to subscribe to the premier trier. This strategy has been supported by a few changes within the system, such as cutting free listening down to ten hours of music per month, or limiting the maximum plays for every song to five. Those have however all been abandoned eventually, leaving the service with the current freemium model that has been presented above.

Currently Spotify is live in 58 countries, which can be seen in the map below:

Figure 7: Spotify Availability Worldwide (http://www.spotifyartists.com/spotify-explained/#spotifys-progress-so-far [accessed 12.04.2015])



The company plans to continue to reach new territories in 2015, and states that “this will help us add millions more users quickly and in turn enable us to pay even more

out in royalties. This international growth will augment the already rapid growth in our existing markets." (http://www.spotifyartists.com/spotify-explained/#spotifys-progress-so-far [accessed 12.04.2015])

At the time of writing in summer 2015, this was still the latest information available.

4.3 Controversies and criticism

4.3.1 Taylor Swift

In 2014, global superstar Taylor Swift withdrew all of her music from Spotify. The artist and her team demanded certain restriction to be put in place concerning her at the time upcoming and highly anticipated album "1989". Specifically, they wanted users only to be able to listen to the album for free from outside of the U.S., American users had to be paying subscribers. After Spotify refused to meet these conditions, all of Swift's music was pulled from the platform. (http://www.forbes.com/sites/hughmcintyre/2015/08/08/taylor-swift-vs-spotify-should-artists-be-allowed-to-opt-out-of-free-streaming/ [accessed 24.08.2015])

Swift wrote a Wall Street Journal Op-Ed on the topic, declaring: "Music is art, and art is important and rare. Important, rare things are valuable. Valuable things should be paid for. It's my opinion that music should not be free [...] art" (http://www.billboard.com/articles/columns/pop-shop/6150350/taylor-swift-shares-optimistic-view-of-the-music-industry-in-wall-journal-op-ed [accessed 24.08.2015])

In an interview with Yahoo, she later confirmed this sentiment, adding: "[...] I'm not willing to contribute my life's work to an experiment that I don't feel fairly compensates the writers, producers, artists and creators of this music. And I just don't agree with perpetuating the perception that music has no value and should be free." (https://www.yahoo.com/music/bp/exclusive--taylor-swift-on-being-pop-s-instantly-platinum-wonder----and-why-she-s-paddling-against-the-streams-085041907.html [accessed 24.08.2015])

James Aldean was the only major artist to also remove his catalogue from Spotify in response to Swift's move, but a few well-established German artists continue to boycott streaming services for similar reasons. The iconic punk-rock band Die Ärzte, alongside singer Herbert Grönemeyer and rock band Element of Crime refuse to make their music available on such platforms. Farin Urlaub of Die Ärtze states that the business model of streaming conveys the utterly false impression that musicians or rather authors are somewhat fairly paid. He further said that if streaming was the future, he and his band were very happy to not be taking part in it, and called upon customers to at least be bold enough to illegally download the music, that seems to be worthless in the eyes of the industry anyway. (Bosse, 2015, p. 56)

Spotify CEO Daniel Ek responded with a blog post debunking some of the misconceptions about Spotify, and stating that "people's listening habits have changed – and they're not going to change back". (https://news.spotify.com/us/2014/11/11/2-billion-and-counting/ [accessed 17.06.2015]) He proves this by pointing out that even though Taylor Swift's music was no longer available on Spotify, it was still "all over" platforms like Youtube and Soundcloud - and, indeed, number one on the pirating page The Pirate Bay. (https://news.spotify.com/us/2014/11/11/2-billion-and-counting/ [accessed 17.06.2015])

Ek reiterated that point in a 2015 interview with Billboard, stating that as soon as Swift's music was not available on Spotify anymore, "[h]er YouTube streams went through the roof. What that tells me is the audience that was listening to Taylor Swift on Spotify went on YouTube to do it instead." (http://www.billboard.com/articles/business/6590101/daniel-ek-spotify-ceo-streaming-feature-tidal-apple-record-labels-taylor-swift [accessed on 24.08.2015])

Taylor Swift's actions caused quite a media stir, and re-opened both discussions about streaming services in general, and about how freely artists should be able to decide what happens to their music. However, while over 65% of respondents to the survey that is part of this paper heard about the incident, only 11% said that it influenced their opinion on music streaming services in any way. Only five persons indicated their view of streaming platforms to be more negative than before the news. A few respondents did point out how it is a known fact that artists do not make much

money from streaming, but also mentioned how this is not exactly a concern for Swift and that streaming is still a good alternative to illegal downloads.

A similar case occurred again in 2015, only the company in question chose to handle the situation very differently from Spotify's approach:

When Apple announced that the launch of their new streaming service Apple Music would come with a free three-month trial period for users, and simultaneously planned on no payments to the right holders within this period, Taylor Swift stood up to them as well. In an open letter to the company the star wrote that while she was fortunate enough, to be able to make her living, and support her entire team of band, crew, producers, managers etc., by playing live shows, not all artists have that opportunity. She recognised the company's continued success and innovation, and applauded their goal of working towards a paid streaming service, but did point out that "[t]hree months is a long time to go unpaid, and it is unfair to ask anyone to work for nothing". (http://taylorswift.tumblr.com/post/122071902085/to-apple-love-taylor [accessed 03.09.2015]) Apple responded to the singer's urging by changing their policy, and agreeing to pay artists during the free trial period, as senior vice president of internet services Eddy Cue announced in a tweet. In an interview with Billboard he elaborated, that it was Swift's letter that changed his mind, and that Apple would cover the costs of the 90-day trial period themselves. (http://www.billboard.com/articles/news/6605568/apple-changes-course-after-taylor-swift-open-letter-will-pay-labels-during [accessed 03.09.2015])

4. 3. 2 Points of Criticism

Returning to Spotify, Swift's main argument was the fact that music should not be free and artists need to be paid fairly. According to Thomas Hesse, who led negotiations with Sony Music at the time, the free tier was initially also the main obstacle in getting the major labels to agree to licensing deals with Spotify. However, while Swift was mainly concerned about perceived value of art, music companies had a hard time wrapping their head around the idea of suddenly giving content they used to sell (in physical formats or as a digital download) away for free. The compromise at

the time was to not make the free tier available on mobile devices. (http://www.newyorker.com/magazine/2014/11/24/revenue-streams [accessed 12.08.2015])

However, more and more executives of major labels seem to question Spotify's "freemium" model once again. In a speech in spring 2015, the chairman of Universal Music, Lucian Grainge, declared ad-based on demand streaming as "not something that is particularly sustainable in the long-term". (http://www.rollingstone.com/music/news/major-labels-question-free-model-20150320 [accessed 12.08.2015]) Steve Cooper, the chief executive of Warner Music has suggested that free and paid versions of streaming services must be "clearly differentiated". (http://www.rollingstone.com/music/news/major-labels-question-free-model-20150320 [accessed 12.08.2015]) Gary Stiffelman, a veteran music attorney, ads that freemium models could be gone by the end of 2015, calling the change "inevitable": "If you want Spotify to pay more per listen, they have to charge more." (http://www.rollingstone.com/music/news/major-labels-question-free-model-20150320 [accessed 12.08.2015])

Spotify's Daniel Ek agrees that there is a lot of debate surrounding especially the ad-based/free part of his service, but also insists on his vision of seeing Spotify as new kind of radio - a medium that is traditionally ad-supported and free to consumers. (http://www.theguardian.com/technology/2015/jun/07/daniel-ek-spotify-free-music-save-industry-not-kill-it [accesed 15.08.2015])

In his blog post following the Taylor Swift controversy, Ek also points out that making the music available for free does not actually mean that Spotify does not still pay right holders for each stream. He further states that 80% of paying subscribers started out as users of the free model, making it essential for generating new subscribers. (https://news.spotify.com/us/2014/11/11/2-billion-and-counting/ [accesed 17.06.2015])

Another main point of criticism is the fact of how little money artists seem to earn from having their music streamed on Spotify. Portishead's Geoff Barrow famously

tweeted about earning about 2.400€ (after tax) for 34 million streams of a Portishead song. (Bosse, 2015, p. 56)

Two of the many artists who are also affected by this are Marc Ribot (jazz guitarist), and Rosanne Cash (singer-songwriter). Both claim to have earned only a few hundred dollars from tens of thousands of streams: Ribot - 178$/68.000 streams; Cash: 104$/600.000 streams. Their overall point is simple: Assuming that Spotify does pay those 70% of their overall revenues to the right holders, 70% of 'too little' will still amount to too little. Ribot and Cash accuse the company of giving music that is expensive to make away for too low a price - resulting in artists who are not able to live on their art. (http://www.newyorker.com/magazine/2014/11/24/revenue-streams [accessed 12.08.2015])

However, the author for The New Yorker who met with them both, also notes something significant about their numbers: "The math doesn't fit Spotify's benchmarks, but that is how their labels and publishers did the accounting." (http://www.newyorker.com/magazine/2014/11/24/revenue-streams [accessed 12.08.2015])

This is obviously another crucial point in the discussion, that has been overlooked by many, but also mentioned by more than a few: labels are accused of passing unfair payments on to their artists and retaining an unreasonable cut for themselves. These accusations are obviously virtually impossible to prove or confute, but it must be said that this would not be the first time especially major labels were largely guilty of a similar thing.

Daniel Ek also addresses the former point in his blog post, and points out that one stream is literally one single person listening to a song one single time. 500.000 streams would therefore equate to the reach of a midsize American radio station playing a song one time to their average audience. From this the recording artists would typically earn nothing at all, whereas Spotify would pay out 3.000 - 4.000 USD. (https://news.spotify.com/us/2014/11/11/2-billion-and-counting/ [accessed on 17.06.2015])

Again, however, this does not take into account the fact that Spotify only pays to the respective rights holders, and has no control over, or knowledge of, how these then pay on to the musician(s) and songwriters.

4.4 Benefits for the Music Industry as well as the Artist

Some of the advantages of streaming services have already been highlighted in this paper. For their users, they offer an easy and cheap, or even free, way of accessing an enormous catalogue of music at the touch of a button.

However, there are benefits for the music industry in general, and artists in particular, as well. As Brett Gurewitz, head of the German punk label Epitaph points out, his company is currently already making 70% of their revenue from digital music (i.e. downloads and streaming). He further argues that while his label only earned a tenth of a dollar per stream in the beginning, that number is now already up to half a dollar. Gurewitz agrees that this per-stream rate is still too low, but also sees it growing noticeably. He therefore also agrees with Spotify's strategy of gaining subscribers through its free tier, saying it "seems to be working". Yet another important point that Gurewitz makes, can be referred back to Anderson's Long Tail: through services like Spotify, an independent label like Epitaph has literally the same chances on the market as any major. Both of their products are equally available, and equally easy to find for the customer. The traditional imbalance between indie and major label is therefore virtually abolished, and, says Gurewitz: at least in this aspect, the music industry is way more punk than it used to be. (Plauk, 2015, pp. 50)

Ben Berry, co-founder of the independent band Moke agrees. He says that for his band the service "hasn't been a negative, but an enormous positive". (http://www.wired.com/2014/11/one-band-who-loves-spotify/ [accessed 12.08.2015]) One of their songs has been streamed over 300.000 times when he published his article defending streaming services in November 2014. Without any kind of support from a label, the band's music was able to reach a respectable audience that would never have heard of them if it was not for Spotify. The musician who used to manage an independent label goes on to present some of his band's number:

When subtracting the 15% their distribution service charges for making the music available on Spotify, the band has earned approximately 0,52 cents per stream, or about 900 USD for over 200.000 streams. Berry again points out that it is impossible to know how labels choose to pass on streaming revenue to their artists and song-writers. He urges to not blame Spotify for labels and publishing companies taking their cut of the revenue, as has been agreed upon in their respective contracts with the artists: “Spotify simply adheres to the model that has been in place for years, and therefore pays roughly the same percentage of revenue to master owners/publishers as CDs or iTunes.” (http://www.wired.com/2014/11/one-band-who-loves-spotify/ [accessed 12.08.2015])

Another artist to come to Spotify’s defence was U2’s Bono. The singer admitted to be “the wrong spokesperson for this” at a 2014 conference in Dublin, but also pointed out that if he was a young musician just starting out, a service like Spotify would make him “very excited”. (http://www.rollingstone.com/music/news/bono-defends-spotify-lets-experiment-lets-see-what-works-20141107 [accessed 12.08.2015]) Again he stated that the problem was not the service’s pay-out, but rather untransparent industry practices, that make it impossible to know where the money actually goes. Bono agreed that "artists should be paid way more than they are. But the greatest way you serve your songs is to get them heard." (http://www.rollingstone.com/music/news/bono-defends-spotify-lets-experiment-lets-see-what-works-20141107 [accessed 12.08.2015])

Ed Sheeran, the musician who recently broke a Spotify record for over 500 million streams of his song “Thinking Out Loud”, (https://insights.spotify.com/us/2015/10/12/ed-sheeran-listening-map/ [accessed 02.11.2015]) put it even more bluntly: For him, having his music available on Spotify is just another tool to gain live audiences. “I’m in the music industry to play live. That’s why I make records, that’s why I do radio interviews, that’s why I do Amazon events, that’s why I put things on Spotify.” (http://www.theguardian.com/technology/2014/sep/30/ed-sheeran-spotify-streaming [accessed 12.08.2015]) The singer added that if even a small percentage of those listening to him on Spotify would then go on to buy a concert ticket, it will allow him to “tour very comfortably”.

(http://www.theguardian.com/technology/2014/sep/30/ed-sheeran-spotify-streaming [accessed 12.08.2015])

Interestingly, a recent European Commission study found that while Spotify does indeed reduce music piracy considerably, it causes an equally drastic decline in paid downloads. As a result, the authors assert that what the industry gains in respect of less illegal downloads, is approximately offset by what it loses by dropping download sales. “In other words, our analysis shows that interactive streaming appears to be revenue-neutral for the recorded music industry.” (Aguiar & Waldfogel, 2015, p. 1)

This finding does of course prove both sides both right and wrong - neither is Spotify ‘cannibalising’ the music industry, nor is it saving it from the dangers of piracy. It remains to be seen how the service will progress, and whether the same will still be true in a few years’ time.

5. Survey

5.1 Implementation

The following survey has been conducted in the spring of 2015, with the objective to determine the typical music listening habits of a cross-section of people, and how big a part streaming services play in their lives. Google forms was used to implement the survey, and the link was shared on personal social media pages by the author and a number of her friends and family. Between March and April 2015, a total of 95 persons from over six countries replied to the questionnaire.

In order to attract a maximum number of answers, the survey contained each question and selection of answers in both German and English. The author feels that this did succeed in a way, since almost half of the interviewees come from a country other than Germany (43%). It did, however, complicate the analysis of the answers, since e.g. some people would put “Germany” as their home country, while others wrote “Deutschland”. This was adjusted by changing the replies manually, in order to unify the format.

Open questions that required a free text answer were treated similarly, by paraphrasing and/or translating the answer into a number of English keywords, that capture the meaning of the answers and simultaneously make it possible to quantify results. A list of this, including full English translation of all answers can be found in the appendices.

5.2 Survey Questions and Results

The majority of respondents were young adults between 20 and 29 years old (69%) and 54% of them identified as female.

57% of them named Germany as their home country, with the rest divided relatively equally between the U.K (11%), Finland (9%), The United States (7%), Canada (5%) and 11% other.

When asked about their music listening habits, 64% stated “I actively listen to music (almost) every day” and 27% said they listen to music regularly. None of the respondents choose an option that would indicate that they are not interested in music at all.

Respondents were then able to choose up to three ways they most consume music. The top three answers are “I stream music from services like Spotify or Deezer” (55 votes), “I stream music from video sites like YouTube” (51 votes) and “I buy CDs or vinyls “ (43 votes).

The follow-up question of whether they had ever heard of streaming services like Spotify or Deezer then separated interviewees into three categories. For the five who said they never heard of such services, the survey ended there. Those who said they have heard of them but do not use them, were redirected to series of questions about why they are not currently using a streaming service. Meanwhile the remaining 57 stated that they use these kinds of services regularly, and were subsequently presented questions about their usage habits.

Those respondents who do not currently use a streaming service were asked to pick up to three main reasons why they are not interested. The three top answers were

“I'm not interested in changing my current way of consuming music” (16 votes), “I like to own the music I listen to” (14 votes), and “The music I want to hear is not available on these platforms” (9 votes).

One third of respondents could not think of anything that would make them consider using a streaming service in the future while four would consider a switch if a better internet connection and/or hardware was available to them.

Out of those 57 who use streaming services regularly, only two did not mention Spotify as one of their services of choice.

The respondents were almost equally divided between using a free version of their main service of choice (49%) and paying for a subscription (47%).

When asked to pick up to three main reasons to use these kinds of service, a big majority choose convenience (48 votes). Other main reasons included the option to discover new music through the service (28 votes), the fact that the service is free or cheap (26 votes), and the wish to support artists by not consuming music illegally (20 votes).

The most used features of the platforms are listening to specifics songs and albums (54 votes), creating and listing to own playlists (36 votes) and using it to discover new music (21 votes).

About 60% of those using streaming platforms at least sometimes listen to music to decide about buying it at a later stage.

Those who pay for a subscription were additionally asked why they chose the premium over the free version. 27 picked that they were annoyed with the restrictions of the free version, and 17 said they were annoyed with the ads and wanted to support musicians. (Again respondents were asked to choose up to three main reasons here.)

The last part of the survey asked about Taylor Swift removing her music from Spotify. One third of users did not hear about this at all, and only 11% said it changed their opinion of streaming platforms. Some quotes of interviewees on the matter have already been discussed above.

5.3 Limitations and Discussion

When discussing these results, it must be pointed out that the diversity of respondents is rather low, especially considering the age groups. This is mainly due to the way it was shared online. Some of the answers also seem to suggest that a portion of respondents are either musicians or otherwise active in the music industry in some way, which further distorts the results as opposed to those from a truly random target group. However, as the number of responses is reasonably high, and the age group so clearly defined, the results can be assumed to be fairly clear look into a target group that is just starting to have more income available to spend on entertainment.

The results mainly echo was has already been presented in terms of the IFPI Digital Music Report. At least amongst those somewhat interested in music and young enough to adapt rather swiftly to new technologies, streaming already is an essential way to consume music.

While a considerable amount of those not currently using these services care about "owning" music, this is likely to decrease when a new generation grows up without even knowing this ownership model. Other reasons named for not using a streaming service, like not wanting to download software, be dependent on the internet or not having the right hardware are likely to soon become obsolete all-together, as technology continues to evolves, and the internet becomes even more ever-present than it already is.

IFPI declares that "the recording industry has successfully transformed itself for the digital age", (IFPI Digital Music Report, 2015, p. 22) and a majority of respondents from this survey seem to both agree, and have followed right along.

6. Conclusion and Recommendations

All in all, it can certainly be said that on-demand streaming is a complex topic, only a number of aspects of which could be discussed within this thesis. Services like Spotify are still very much in the growing phase, and it will take more than a few more years

to determine their success or failure in 'saving' the music industry for certain. However, this paper has shown that consumers, musicians and the industry have all (more or less enthusiastically) embraced this new way of consuming and distributing music, and it is safe to say that it will not be going away any time soon. There will be discussions to be had about details like the freemium model, the way revenues are divided amongst all parties and even the value of music in general. But barring some unforeseen, great technical advances in the coming years, streaming will be the main way music is consumed in the predictable future.

The question asked by this thesis "Is on-demand streaming the future of the music industry?" can therefore be answered with "yes and no". It most definitely is the future in that it is the way music is and will be listened to. Whether it is the "future" in the sense that it can save the music industry is a different matter. The transition into the digital age has been just as inevitable as the transition into the time of MDs or CDs was. These kinds of things will not change back, and "saving" the industry can and does not mean to revert to the past and return to the old, well-known business models. However, it must be said that at presence, many artists are rightfully unhappy about low pay outs from a service that claims to mostly care about music. Whether the fault lies with companies like Spotify, or the way record labels do their accounting, it is plain to see that all parties need to come to a mutually beneficial agreement rather sooner than later. As has been shown by the survey, this is also an aspect of which the users are at least somewhat aware – they wish for artists to be treated 'fairly'.

Another important aspect is the fact that the political and legal framework still leaves some things to be desired – as mentioned briefly in the case of video platforms and the "Save Haven" legislation. This is another area where solutions must be found in order to ensure a fair treatment of all concerned.

Aspects like these will need to be addressed, since one thing is safe to say: streaming is here to stay, and all affected parties – be it the musicians and song writers, the record label executives and music publisher, or even those who only consumer music as a freetime activity – better try to adapt.

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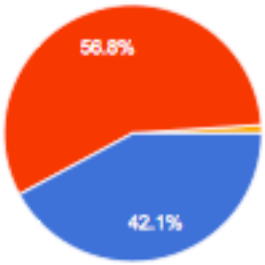
Appendices

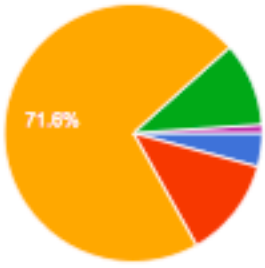
Survey

Gender



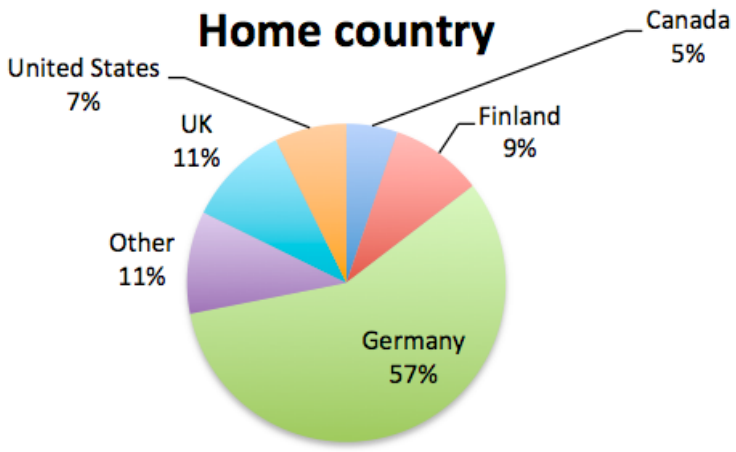
male / männlich	40	42.1%
female / weiblich	54	56.8%
other / sonstiges	1	1.1%

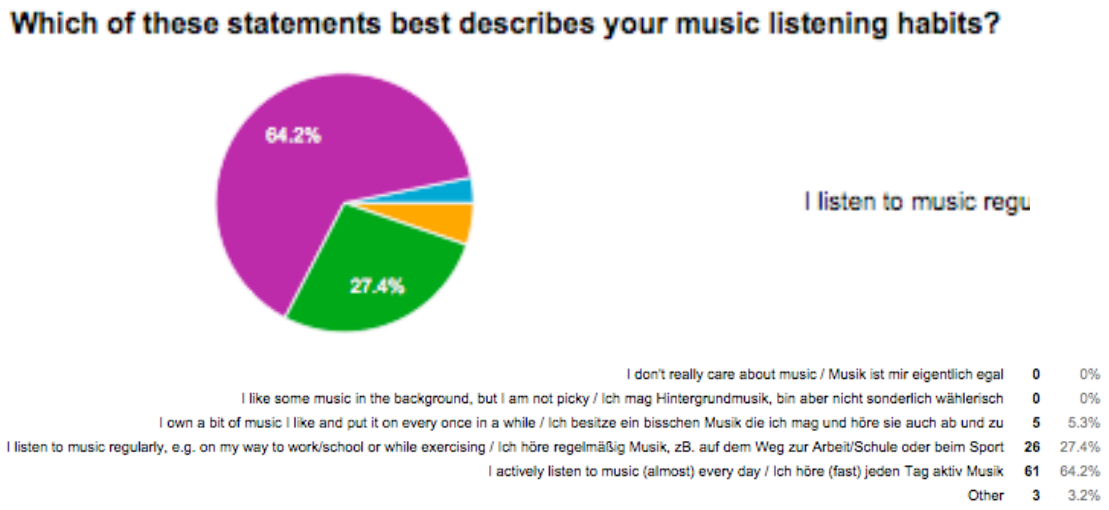
How old are you?



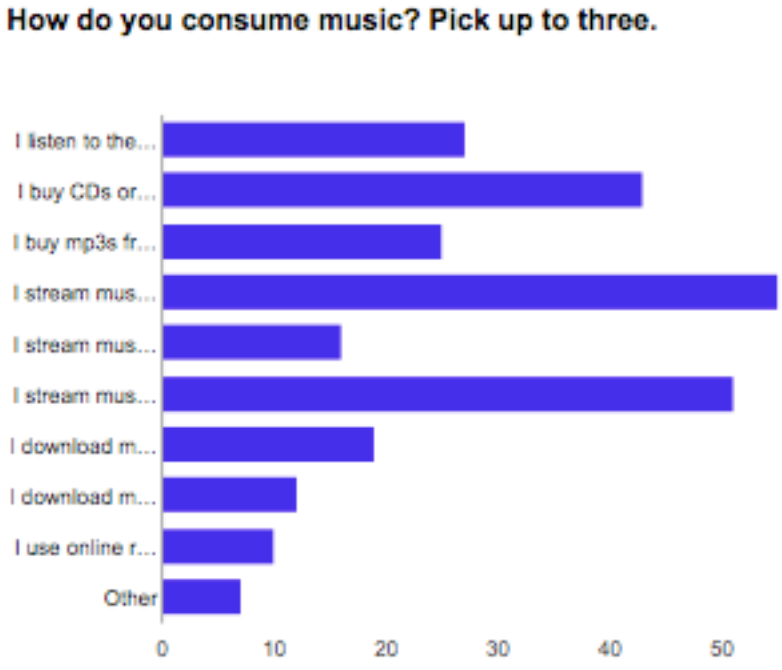
12 - 16	4	4.2%
17 - 20	12	12.6%
20 - 29	68	71.6%
30 - 45	10	10.5%
over 45	1	1.1%

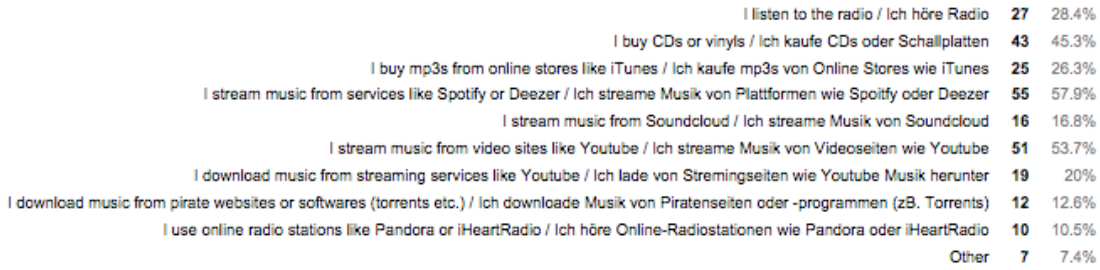
Please tell me what country you are from!





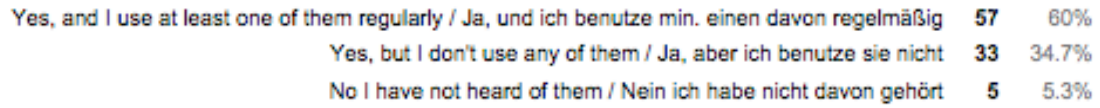
0% I don't really care about music / Musik ist mir eigentlich egal
0% I like some music in the background, but I am not picky / Ich mag Hintergrundmusik, bin aber nicht sonderlich wählerisch
5,3% I own a bit of music I like and put it on every once in a while / Ich besitze ein bisschen Musik die ich mag und höre sie auch ab und zu
27,4% I listen to music regularly, e.g. on my way to work/school or while exercising / Ich höre regelmäßig Musik, zB. auf dem Weg zur Arbeit/Schule oder beim Sport
64,2% I actively listen to music (almost) every day / Ich höre (fast) jeden Tag aktiv Musik
0% Other





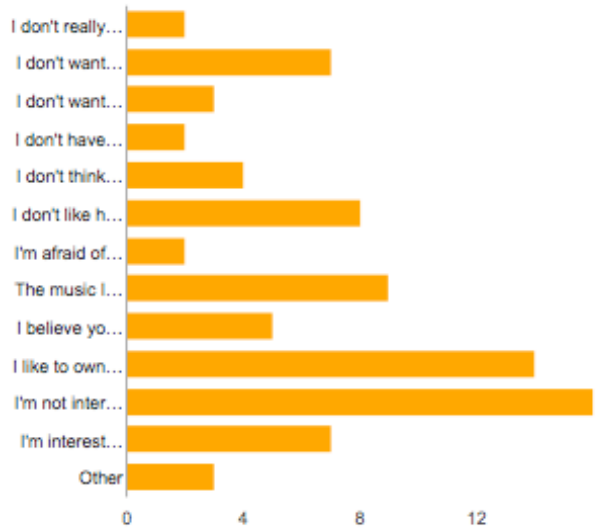
27 I listen to the radio / Ich höre Radio
43 I buy CDs or vinyls / Ich kaufe CDs oder Schallplatten
25 I buy mp3s from online stores like iTunes / Ich kaufe mp3s von Online Stores wie iTunes
55 I stream music from services like Spotify or Deezer / Ich streame Musik von Plattformen wie Spoitfy oder Deezer
16 I stream music from Soundcloud / Ich streame Musik von Soundcloud
51 I stream music from video sites like Youtube / Ich streame Musik von Videoseiten wie Youtube
19 I download music from streaming services like Youtube / Ich lade von Stremingseiten wie Youtube Musik herunter
12 I download music from pirate websites or softwares (torrents etc.) / Ich downloade Musik von Piratenseiten oder -programmen (zB. Torrents)
10 I use online radio stations like Pandora or iHeartRadio / Ich höre Online-Radiostationen wie Pandora oder iHeartRadio
7 Other

Have you heard of on-demand streaming services like Spotify or Deezer?



On-demand streaming services - why not?

You are not currently using an on-demand streaming service. Please tell me why? Pick up to three reasons.

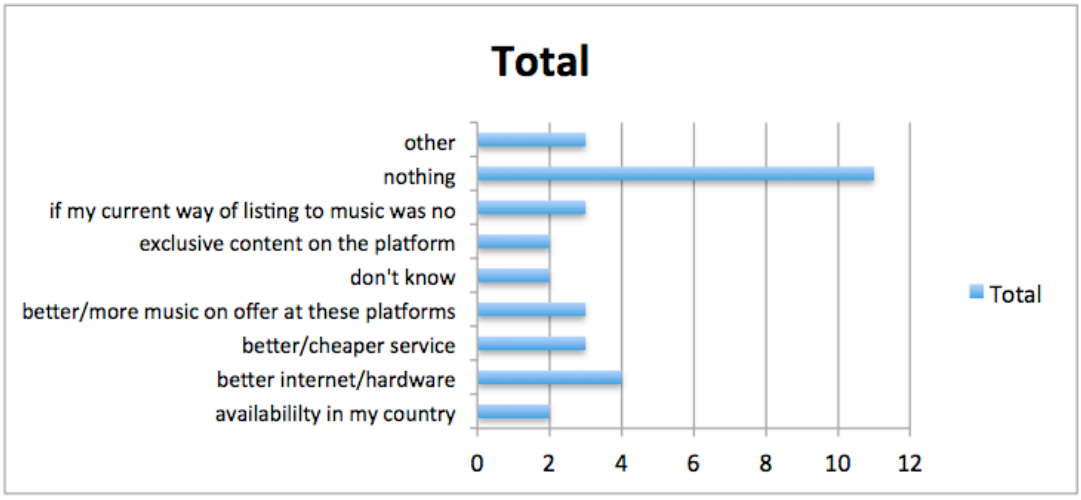


I don't really understand how it works / Ich verstehe nicht wirklich wie das funktioniert	2	6.1%
I don't want to download the software / Ich möchte mir das Programm nicht herunterladen	7	21.2%
I don't want to pay for music / Ich möchte nicht für Musik bezahlen	3	9.1%
I don't have the proper hardware to make good use of these platforms (old computer, no smartphone, etc.) / Ich habe nicht die Geräte um diese Plattformen gut nutzen zu können (zB. kein Smartphone, alter PC etc.)	2	6.1%
I don't think these services are a good way to consume music / Ich finde nicht dass diese Plattformen ein guter Weg sind, Musik zu hören	4	12.1%
I don't like having to use the internet for listening to music / Ich mag es nicht, zum Musikhören das Internet nutzen zu müssen	8	24.2%
I'm afraid of hidden costs / Ich habe Angst vor versteckten Kosten	2	6.1%
The music I want to hear is not available on these platforms / Die Musik die ich hören möchte gibt es auf solchen Plattformen nicht	9	27.3%
I believe you don't support the artists (enough) by using these services / Ich glaube dass man damit die Künstler nicht (genug) unterstützt	5	15.2%
I like to own the music I listen to / Ich möchte die Musik die ich höre auch besitzen	14	42.4%
I'm not interested in changing my current way of consuming music / Ich habe kein Interesse, meine momentane Art Musik zu hören zu ändern	16	48.5%
I'm interested in general and might start using one of these platforms in the future / Ich bin grundsätzlich interessiert, und werde evtl. in Zukunft so einen Service nutzen	7	21.2%
Other	3	9.1%

2 I don't really understand how it works / Ich verstehe nicht wirklich wie das funktioniert
7 I don't want to download the software / Ich möchte mir das Programm nicht herunterladen
3 I don't want to pay for music / Ich möchte nicht für Musik bezahlen
2 I don't have the proper hardware to make good use of these platforms (old computer, no smartphone, etc.) / Ich habe nicht die Geräte um diese Plattformen gut nutzen zu können (zB. kein Smartphone, alter PC etc.)
4 I don't think these services are a good way to consume music / Ich finde nicht dass diese Plattformen ein guter Weg sind, Musik zu hören
8 I don't like having to use the internet for listening to music / Ich mag es nicht, zum Musikhören das Internet nutzen zu müssen
2 I'm afraid of hidden costs / Ich habe Angst vor versteckten Kosten
9 The music I want to hear is not available on these platforms / Die Musik die ich hören möchte gibt es auf solchen Plattformen nicht
5 I believe you don't support the artists (enough) by using these services / Ich glaube dass man damit die Künstler nicht (genug) unterstützt
14 I like to own the music I listen to / Ich möchte die Musik die ich höre auch besitzen
16 I'm not interested in changing my current way of consuming music / Ich habe kein Interesse, meine momentane Art Musik zu hören zu ändern
7 I'm interested in general and might start using one of these platforms in the future / Ich bin grundsätzlich interessiert, und werde evtl. in Zukunft so einen Service nutzen
3 Other

What would/could make you consider using any of these services in the future?

Sum of Answers Row Labels	Total
availabililty in my country	2
better internet/hardware	4
better/cheaper service	3
better/more music on offer at these platforms	3
don't know	2
exclusive content on the platform	2
if my current way of listing to music was no longer available	3
nothing	11
other	3
Grand Total	**33**



On-demand music streaming - why?

What music streaming platform(s) do you use?

Simfy

Spotify, 8tracks, Pandora

Spotify Ampya Soundcloud

Songza and Grooveshark

Spotify & pandora

soundcloud

spotify

Youtube, Spotify, Soundcloud, Bandcamp, Reverbnation, Mikseri.net and Grooveshark

youtube spotify soundcloud ..

Spotify

Spotify

Spotify, Radio1 online

Spotify, YouTube

Spotify, YouTube, Grooveshark

YouTube, Spotify, Last.fm

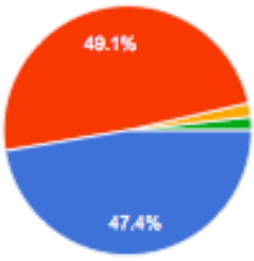
youtube spotify radio?

Spotify YouTube

Spotify Tape.tv

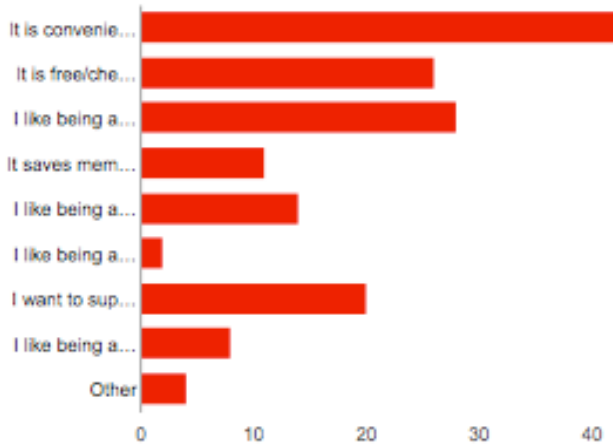
Spotify,Soundcloud,Youtube

Are you a paying subscriber, or do you use the ad-based/free version of the service?



47,4% I pay for a premium subscription / Ich zahle für ein Premiumabo
49,1% I use the free version of the platform / Ich benutze die kostenfreie Version der Seite
1,8 % I am currently using a free or trial version of the service, but plan to purchase a subscription in the next three months / Ich benutze momentan eine kostenfreie oder Trial-Version, plane aber innerhalb der nächsten 3 Monate ein kostenpflichtiges Abonnement abzuschließen
1,6% other

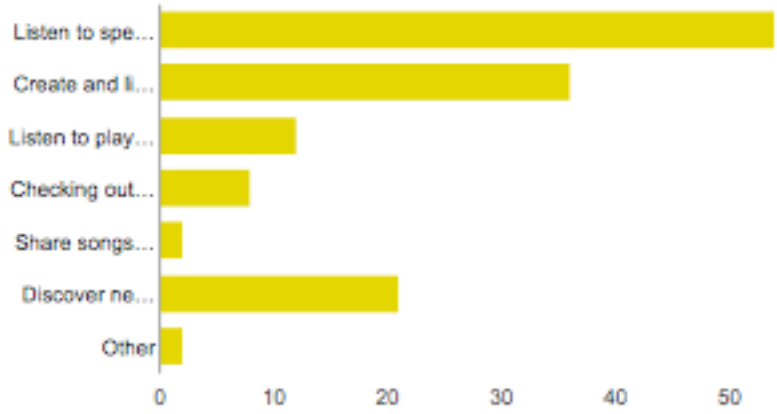
Why are you using one or several of these platforms to listen to music? Pick up to three.



It is convenient / Es ist praktisch	48	84.2%
It is free/cheap / Es ist kostenfrei bzw. günstig	26	45.6%
I like being able to discover new music through the app / Ich mag es, mithilfe des Programms neue Musik zu entdecken	28	49.1%
It saves memory space on my devices / Es spart Speicherplatz auf meinen Geräten	11	19.3%
I like being able to create and share playlists / Ich mag es, Playlisten zu erstellen und teilen zu können	14	24.6%
I like being able to connect with my friends, send them songs etc. / Ich mag es mich mit meinen Freunden zu verbinden und ihnen Songs zu schicken etc.	2	3.5%
I want to support musicians by not consuming their songs illegally / ich möchte Musiker unterstützen indem ich ihre Musik nicht illegalerweise konsumiere	20	35.1%
I like being able to listen to other people's playlists (this also includes playlists from companies and artists) / Ich mag es, die Playlisten von anderen anzuhören (auch zB. von Firmen oder Künstlern)	8	14%
Other	4	7%

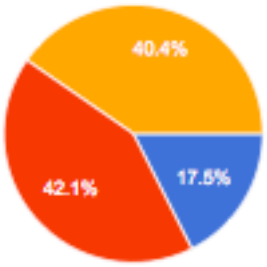
48 It is convenient / Es ist praktisch
26 It is free/cheap / Es ist kostenfrei bzw. günstig
28 I like being able to discover new music through the app / Ich mag es, mithilfe des Programms neue Musik zu entdecken
11 It saves memory space on my devices / Es spart Speicherplatz auf meinen Geräten
14 I like being able to create and share playlists / Ich mag es, Playlisten zu erstellen und teilen zu können
2 I like being able to connect with my friends, send them songs etc. / Ich mag es mich mit meinen Freunden zu verbinden und ihnen Songs zu schicken etc.
20 I want to support musicians by not consuming their songs illegally / ich möchte Musiker unterstützen indem ich ihre Musik nicht illegalerweise konsumiere
8 I like being able to listen to other people's playlists (this also includes playlists from companies and artists) / Ich mag es, die Playlisten von anderen anzuhören (auch zB. von Firmen oder Künstlern)
4 Other

Which feature of your streaming service do you use (most often)? Pick up to three.



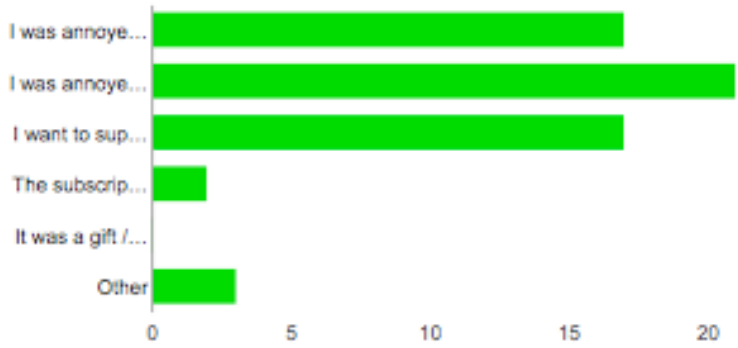
Listen to specific music I search for / Spezifische Musik suchen und anhören	54	94.7%
Create and listen to my own playlists / Eigene Playlisten erstellen und hören	36	63.2%
Listen to playlist by other people/artists etc. / Die Playlisten von anderen anhören	12	21.1%
Checking out and/or listening to the streaming charts / Mich über die Streaming Charts informieren und/oder sie anhören	8	14%
Share songs or playlists with friends through social media like Facebook / Songs oder Playlisten mit meinen Freunden teilen, zB. über Facebook	2	3.5%
Discover new music through recommendations, "radio stations" etc / Mithilfe der Empfehlungen oder "Radio Stationen" neue Musik entdecken	21	36.8%
Other	2	3.5%

Do you listen to music on streaming services to decide whether to buy it later on?



Yes, often / Ja, häufig	10	17.5%
Yes, sometimes / Ja, manchmal	24	42.1%
No / Nein	23	40.4%

If you are currently paying for your premium subscription, please tell me why? Pick up to three main reasons.

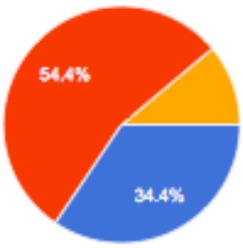


I was annoyed by the ads in the free version / Die Werbung in der kostenfreien Version hat mich genervt	17	56.7%
I was annoyed by the restrictions of the free version (limited mobile and offline availability of songs etc.) / Die Einschränkungen der kostenfreien Version haben mich genervt (zB. bezüglich Verfügbarkeit offline oder am Handy)	21	70%
I want to support the musicians I like / Ich möchte die Musiker die ich kenne unterstützen	17	56.7%
The subscription came with my phone/mobile contract / Ich habe das Abonnement zu meinem Handy/Handyvertrag bekommen	2	6.7%
It was a gift / Es war ein Geschenk	0	0%
Other	3	10%

17 I was annoyed by the ads in the free version / Die Werbung in der kostenfreien Version hat mich genervt
21 I was annoyed by the restrictions of the free version (limited mobile and offline availability of songs etc.) / Die Einschränkungen der kostenfreien Version haben mich genervt (zB. bezüglich Verfügbarkeit offline oder am Handy)
17 I want to support the musicians I like / Ich möchte die Musiker die ich kenne unterstützen
2 The subscription came with my phone/mobile contract / Ich habe das Abonnement zu meinem Handy/Handyvertrag bekommen
0 It was a gift / Es war ein Geschenk
3 Other

Recent news

Spotify has recently been in the news because Taylor Swift removed her music from the platform. This once again sparked a discussion on whether artists are treated fairly and receive enough royalties from companies like Spotify. What are your thoughts on the matter?



I didn't even hear about this / Ich habe nicht einmal davon gehört	31	34.4%
I heard about it, but it did not influence my opinion of music streaming platforms / Ich habe davon gehört, aber es hat meine Meinung zu Streaming Plattformen nicht verändert	49	54.4%
I heard about it, and it did influence my opinion of music streaming platforms (please detail below) / Ich habe davon gehört und es hat meine Meinung von Streaming Plattformen verändert (Bitte erkläre unten inwiefern)	10	11.1%

34,4% I didn't even hear about this / Ich habe nicht einmal davon gehört
54,4/ I heard about it, but it did not influence my opinion of music streaming platforms / Ich habe davon gehört, aber es hat meine Meinung zu Streaming Plattformen nicht verändert
11,1% I heard about it, and it did influence my opinion of music streaming platforms (please detail below) / Ich habe davon gehört und es hat meine Meinung von Streaming Plattformen verändert (Bitte erkläre unten inwiefern)

Survey - Text answers

Question / answer	Translation	Transcribed meaning
What would/could make you consider using any of these services in the future?		
kein plan alta	no idea dude	don't know
Music you could only listen to through that software that I want to have access to		exclusive content on the platform
Good selfmixed Playlists like on Youtube which find Music i dont know but like.		better/more music on offer at these platforms
Availability of more music, especially from less known artists.		better/more music on offer at these platforms
nothing		nothing
-		nothing
.		nothing
I'm content with my current means for music.		nothing
I am currently using grooveshark, wehere i can listen to music for free. I might consider using any of these services in the future if i could not use grooveshark anymore.		if my current way of listing to music was no longer available
Ease of services and not so costly.		better/cheaper service
Angebote, die ich sonst nicht abrufen könnte	content I wouldn't be able to access otherwise	exclusive content on the platform
If a family or friend let me use theirs to try it out for a while, I'd decide if I though it is good for me or not		other
Indem die Musikquellen die ich zurzeit nutze: youtube/soundcloud - nicht mehr vorhanden sind/mir nicht mehr gefallen	If the sources I currently use for music: Youtube/Soundcloud would no longer be availabe I would not like them anymore	if my current way of listing to music was no longer available
es muss einfach unterwegs zu	it has to be easy to use on	better inter-

nutzen sein	the go	net/hardware
...		nothing
maybe I can upload my own songs there		other
Nothing really		nothing
Nothing		nothing
Nothing I can think of by now.		nothing
Keine Installation & Preisgeben von Daten notwendig	If you did not have to install any software or disclose any private information	other
Wenn CDs für illegal erklärt werden würden. Für mich beinhaltet der Begriff "Musik erleben" auch den haptischen und optischen Effekt.	If CD would be made illegal. For me "experiencing music" includes the physical and optical aspect.	if my current way of listing to music was no longer available
better internet		better internet/hardware
I used Spotify while I was in the Netherlands and enjoyed it. I like listening to music and testing it out before I commit to having it on my iPhone. If they made it available in Canada and with a variety of artists then that would be good.		availabililty in my country
I do not wish to use these services.		nothing
Würde mir derzeit nichts einfallen.	Can't think of anything right now.	nothing
Better hardware at home (really slow laptop) and approval to install the software on my work computer		better internet/hardware
Free of cost, easy to use		better/cheaper service
Evtl bessere Integration in meinen Prepayed-Tarif, bessere Angebote oä	Better integration into my phone plan, better/cheaper services, etc.	better/cheaper service
Nichts	nothing	nothing
A lot of those services aren't available in my country, so if at some point in the future they decide to make them a real option for Latin America, i would consid-		availabililty in my country

er using them.		
i don't know...		don't know
Das Spektrum an Musik müsste sehr viel mehr ausgeweitet werden	The variety of available music had to a lot wider.	better/more music on offer at these platforms
Better Software and Internet-connection in rural areas, a way to temporarily store the music on the hardware, so that it isn't necessary to use the internet.		better internet/hardware
Any additional thoughts on music streaming services you would like to share?		
I think they're good to discover bands and songs you havent heard about before.		positive
Ein Sammler möchte die Musik real besitzen, nicht nur virtuell in irgeneiner "cloud"	A collector wants to own their music and not only store it virtually in some "cloud"	negative
-		
.		
nein	no	
Streaming Plattformen sollten Künstler ausreichend Geld zahlen & auch offen legen, wie sie ihr Geld verdienen (Werbung, Daten...)	steaming platforms should pay more to artists, and reveal how they earn money (ads, data etc.)	
I think they're a great idea, but they need to be more open (to different countries, make music available everywhere, etc.) There are a lot of songs I want to listen to that aren't always available on YouTube here.		positive
Gute Idee, nur für mich ungeeignet.	Good idea, just not for me	positive
Very good.		positive
I generally like the idea of streaming music for free. Despite the fact that the artists may not get a fair share of royalties. I think, however, without free music, the audience may not have the		positive

chance to have access to music they potentially like and would buy the artists cds, pay for downloads (to listen to it more flexible) and buy concert Tickets		
Any additional thoughts on music streaming services you would like to share?		
streaming is the future, whether people like it or not. Nevertheless, collecting societies really should start to finally figure out a way how to easily and quicker get the royalties that are collected through streams to the artists/authors.		
Die Telekom bietet Spotify auch auf mobilen Geräten an, ohne die gestreamte Musik auf das Datenvolumen anzurchenen, was bei ausreichendem Netz die Möglichkeit immer und überall auf ein gigantisches Sortiment an Musik zuzugreifen.	[German mobile network company]Telekom offers to use of Spotify on mobile devices without charging the streamed music to the users data allowance. As long as sufficent reception is available, the user can access a huge range of music anytime and anywhere.	
Alles zu meiner Zufriedenheit	Everything is to my utter satisfaction	
In my oppinion listeners benefit from the the music more than music makers and the service providers. I think the percentage eraned by artist from streaming is not enough. on the other hand technology makes it easy for listeners without a single stress. either way, eventhough i do not pay for streaming services, the restrictions do not bother me because i still discover even good older music i never heard before. Also i do hear music that are not availabe for pirate downloads example:Musical album by Christina Pluhar, L'Arpeggiata, and Henry Purcell. streaming music is such a great service.		
How was your opinion of music streaming platforms changed		

by recent news?		
Gar nicht	Not at all	
In a way it made me think about streaming platforms even more positively, as a lot of good points came up after it. Although there is discussion whether the royalties should be higher, it is a cold fact that the music industry has changed and not many other artists besides Taylor Swift can sell that many physical records anymore (and Taylor Swift made about 6 million $ in Spotify royalties in a year). Therefore the choice for a big portion of music consumers is to either download music illegally or use streaming services. So, I'm not saying that the royalties should not be higher than what they currently are, but I see little royalty (streaming) as a better choice than no royalty/no money (illegal downloading).		
es wäre nötig sich genauer damit zu beschäftigen. ich bin sicher, dass es fairer Anbieter gibt. ein vergleich lohnt sich sicher.	I would need to know more about the issue. I'm sure there are services that are more fair, and a comparison surely makes sense	
I became slightly less interested in streaming platforms, I'd really like to know more about how many royalties various artists gain from platforms like this.		
Spotify pays fairly decent royalties to musicians so her decision to pull her music off Spotify but still have it available through YouTube - notorious for having very difficult to understand revenue models and pay far less in royalties than Spotify - makes little sense. Streaming is the end use in today's market, and musicians need to start looking at it like that instead of treating it as just promotional activity.		
None. Music artists make too much money as it is.		
Not at all		
It is an interesting issue of Taylor swift's act. The fact is wether, as anrtist, you put ur music in spotify		

or not, consumers will always have a way to reach the music anyway, musicians get popular and recognition from these streaming service to build their brand if they already have good content and it is catchy. This plat- from "spotify" is the means to arouse my interest to go to an artist's concert. How else would i hear an artist's music to develop interest? I dont even have time and the space for downloads these days. Such a bad decition by tailor swift. To be honest, I benefit a lot from streaming be- cause my favourit genre of music; wide range of Classical and jazz would have been a lot of work to discover music that I have not heard before. thus either current and old from archives.		
Ich finde, Künstler sollten nicht ausgenutzt werden auf solchen Plattformen.	I think artists should not be taken advantage of on the- se platforms	
It was Taylor's decision and I continue to use the service be- cause if it was a big problem then other artists would follow suit		
No, if this is the case, at least there are deals being made legal- ly to make music available to the public, and would hopefully less- en illegal downloads.		
Artists should allow to choose whatever they want to put on the platform.		
I'm not a musician that gets paid for plays in these services... at least yet so in no way whatsoev- er. Please don't shut down the ad-free Grooveshark! :'<		
Taylor Swift is a fraud. She took her repertoire off Spotify to put it back on the upcoming streaming service Google/YouTube are soon launching. See my thoughts on streaming in my previous comment.		
It wasn't. I love and support Tay- lor Swift, but I would've bought her albums in physical copies anyway because I like to solve her puzzle about who each song		

is about (and you need a copy of the booklet to do that). I would still use Spotify (if I could access it) even without T.Swizzle.		
garnicht	Not at all	
Da der großteil meiner Generation üblicherweise überhaupt nicht für Musik bezahlt, sondern sie über Youtube hört/herunterlädt, oder über Datashare oder Torentz illegal bezieht finde ich das System von Streamingdiensten super. Die Plattenfirmen sparen ja auch an Produktionskosten(CD) und Werbekosten (wer Streamingdienste benutzt bekommt dort ja selbst mit Premiumabo noch Werbung über neuste Erscheinungen.) und sollten in einer Zeit in der CD-Player als altmodisch gelten froh sein, dass ein Bezahlsystem in vielen Ländern überhaupt so erfolgreich läuft.		
Not at all.		
cds kaufen	Buy CDs.	
Überhaupt nicht.	Not at all	
It made me question how much money artists make from these sorts of services. Although somebody famous like Taylor Swift would probably not lose out, one has to question is this sort of platform viable for new and upcoming musicians...		
No		
Before I thought artists put their music willingly on Spotify and get fair compensation for that. After the TS news it is obvious that artists are taken advantage of by Spotify and that only get promotion out of it not fair payment, which I think is not enough. Music has value and is actually worth money and not just a promotion tool for upcoming live performances.		
It simply proved that artists like Taylor Swift are in great need of additional PR and attention. It is widely known that streaming ser-		

vices cannot and do not provide a main source of income to the artists unfortunately. However it is a fair step towards a better music market without illegal downloading or piracy, which is already saying something in this digital era.		