



MUSIC STREAMING

# Stem helps split royalties, and takes off as music distributor

Service joins online platforms that cater to indie artists.

**Ben Sisario**

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When Frank Ocean’s album “Blonde” came out in August, it went straight to No. 1 and became the talk of the music business because it was released completely outside the usual channels of the recording industry. The mystery was how Ocean and his team did it.

One answer was revealed last week in an online ad promoting “Blonde” as one of the most acclaimed releases of 2016 and noting that it was “powered by Stem.”

That service, which began only a year ago, has quickly become a player in a fast-growing corner of the music industry: online platforms that cater to independent artists by distributing their music to streaming services and organizing the many strands of royalties that accumulate from fans’ clicks.

Stem, founded by three 20-somethings in Los Angeles, has attracted a clientele of young artists who operate independently yet tend to collaborate frequently with other acts, some of them stars. For them, Stem’s attraction is its ability to easily manage the complex “splits” — the divvying up of royalties among multiple parties — that result from such collaborations. Stem Disintermedia, the company behind it, has raised

\$4.5 million from investors, including Upfront Ventures and Scooter Braun, who is the manager for Kanye West and Justin Bieber.

The indie music sector has a well-established network of alternative distribution companies like TuneCore and CD Baby, which deliver unsigned artists’ work to online services for what is usually a small fee. But those services have no means to divide the royalties if a song has, say, two producers and five writers, an example of the kind of collaboration that is in pop. Instead, the main performer would be responsible for accounting.

Stem eliminates that burden by tracking every collaborator on a song, and requiring all parties to agree on percentage splits. Milana Rabkin, Stem’s chief executive and one of its founders, compared the service to online payment apps that let friends easily split a restaurant tab.

“In a world where Venmo exists,” Rabkin said in an interview, “why isn’t there a Venmo for Apple and Spotify?”

Stem’s consensus model, however, could also be its Achilles’ heel, since it will not allow any party to be paid until all agree on the splits, a process that gives holdouts bargaining power. Rabkin said that most projects reached consensus in a few days and that the longest had taken “a couple months.” The service takes a 5 percent cut on royalties.

Representatives of Ocean declined to comment on

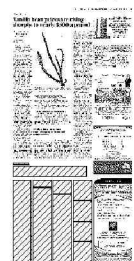
exactly how he had used Stem. But aside from the album’s initial appearance on Apple Music — when it was delivered directly to Apple — Stem appears to have been the vehicle used to release “Blonde” to most major services. Stem distributes music to Spotify, Apple, YouTube, Amazon, Tidal, SoundCloud and several other outlets.

While Stem’s model was novel when it first appeared, it has competition. In December, CD Baby quietly introduced a distribution service, Soundrop, which, like Stem, tracks royalty splits — although without the consensus requirement — and caters to a generation more likely to post songs on YouTube and think about making money later.

“It’s an opportunity to reach a demographic that wants to create differently,” said Kevin Breuner, vice president of marketing at CD Baby. “Music distribution is a secondary thought to them.”

Stem, by contrast, is catching on among a class of young professionals who often operate independently but may be involved in the highest creative levels of the business. Its clients include Childish Gambino and electronic producer Deadmau5. The company says it has distributed 6,000 pieces of content that have been streamed 500 million times.

Dina LaPolt, a lawyer representing Deadmau5, said her client was using Stem to track his music on YouTube, but explained that





Stem's royalty-tracking system was particularly important to artists in managing the otherwise daunting task of tracking royalty splits.

"Music is the only business in the world where the artist is responsible for doing all the paperwork," LaPolt said.

Among Stem's most vocal advocates is Anna Wise, 28, a singer and songwriter who

won a Grammy Award for her work with Kendrick Lamar. She was working as a nanny before she began using the service, which she said had provided her with a steady income – "enough to pay Brooklyn rent," she said – and devote herself fully to making music. Her latest album, "The Feminine: Act II," released through Stem,

comes out Friday.

The company's system, she said, allows her and friends to quickly and transparently arrange deals among themselves, maintaining control and minimizing any disruption to creativity.

"It's essentially like a smart contract," Wise said. "It's easier and simpler, and I love easy and simple."