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**Reflections
and Explorations
of the
Modern Music
Industry**

**Edited
by
Kyle Bylin**

Divergent Streams

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Modern Music Industry

Kyle Bylin

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Chapter 1: Online Music

Advertising Indie: Earbits Helps Bands Find Fans

By Kyle Bylin | [@sidewinderfm](#)

It's easy for bands to distribute their music, but hard to market it. They can pay to get their songs in the right places — iTunes, Amazon, and Spotify — but it's unclear how to get them heard by the right people. Earbits, a Los Angeles-based startup, aspires to turn their radio service into an ad platform where bands can buy airtime and gain exposure for their songs and upcoming live performances.

While the web-music sector is crowded with established services like Pandora and Spotify, Earbits stands out because it focuses solely on emerging artists and provides fans with a compelling way to discover them. The service offers genre stations, which are common, but it has many features which aren't.

For instance, if you log into Earbits using Facebook, the service pulls your friends into a toolbar and sorts them by who'd most enjoy hearing the song currently being played. If you click on one of your friends, a window opens up, which allows you to post the song to their Facebook wall.

Most interesting, though, are the ways in which Earbits nudges their users to engage more deeply with bands. While you listen to song, you can scroll beneath the fold on the website and find information about the artist, including a bio, discography and tour dates. If you give a song a

“thumbs ups” — the way you tailor a station to your likes and dislikes — the service prompts you to tweet the track or post it on your wall. If you’re listening to music on the mobile app and the band is playing a show nearby, it will alert you — and with a one click, you can share the info with a friend.

“We think of Earbits as an artist-centric radio platform,” says CEO Joey Flores. “We’re always looking for ways to connect a band with fans instead of just playing music for someone in the background.” He continues, “People are doing more on our website than just turning it on and tuning out.”

And there’s a good reason for this. On Earbits the songs themselves are commercials, which makes bands the customers, and of course, you — the listener — the product. Rather than encouraging users to click on ads and interact with brands, Flores hopes they’ll discover bands, become fans and buy their albums and concert tickets.

He desires this outcome for two reasons: For Earbits to make money (and keep doing so), it must create enough value for a cash-strapped band to justify the expense — and provide a return large enough that it demands reinvestment. If a band buys airtime to promote a show and converts a handful of listeners into concertgoers, they’ll likely recoup their costs and use Earbits again. Flores also wants this to happen because he — a lifetime music fanatic — believes that a world with more active fans (i.e. music buyers and concertgoers) could only be a better one.

“Don’t just turn on the music and not wonder who it is,” Flores laments.

But wanting something to happen doesn’t mean you can make it happen. The truth is that a majority of consumers aren’t music fanatics and have no interest in doing a majority of these things.

And, as Earbits has learned, even fanatics have limits. Flores and his team have this problem where when they sit around and brainstorm on ideas, the ones that they find interesting oftentimes “don’t get any traction” and ones that they “think are totally stupid” end up becoming really popular.

Earbits has some of the most interesting sharing tools of any music service on their site. They spent lots of time building them only to find out that “like only 3% of people” will ever use the tools.

“Most people scroll right past [the Facebook toolbar],” Flores says, “they don’t even see it.”

This is illustrative. The very innovative feature that music and technology publications will praise Earbits for developing and having on their site ended up being the one fans didn’t care to use.

Many music startups develop features in their products that they “think” fans want without actually testing them or embracing the hard truth that most fans may not want any of these things.

“We used to add a feature [to Earbits] and assume that it

created more value [for users],” says Flores, referring the time period before his team read the influential book *The Lean Startup* by Eric Ries. Rather than making assumptions about the features users want and the value they create, they now utilize the “real metrics” that Ries advocates for — such as active users and user engagement — to determine if a feature is creating more value for their users and whether they should keep it.

Weeks ago, Earbits added a search bar so that users could start a station by typing in an artist that they like — akin to what Pandora and rival services offer — and Flores says user engagement “went down with this feature.”

Before reading *The Lean Startup* and implementing its teachings, his company wouldn’t have even been tracking that metric. “We would’ve just assumed that adding a search bar would’ve been a good thing,” he says. “Actually, for some reason, it has a negative impact.”

Describing what operating a startup for over a year without any real, important metrics and then embracing them wholeheartedly is like, Flores says the process has “been really eye-opening.”

This sort of awakening is necessary for startups. Music elicits passion in people and some of them grow inspired to create products. These people are often fanatics who see problems to solve in their own lives and feel compelled to create solutions for everyone else. But fanatics aren’t everyone else; their wants and needs are different. A chasm exists between them and casual fans, and they don’t see it.

Fanatics make assumptions about what users want and develop a product, only to learn that most people don't have these problems and see no value in adopting their solution. As Ries argues in his book, a startup like this achieves failure by "successfully executing a plan that leads to nowhere."

This is the startup dilemma: A fanatic founder will often perceive a problem as being more universal than it actually is and mistakes his own experience as evidence that a solution should exist. But most people have never had such experiences and can't relate to the products they create.

A quick survey of the sector reveals that no one is doing quite what Earbits does. Services like Jango and Grooveshark let bands buy airtime and gain exposure, but they don't nudge fans to attend their shows or share their songs. Pandora debuted a free concert series last year wherein they invited fans to attend a live performance by the rock band Dawes, based on where they live and the likelihood that they'd enjoy listening to their music. But they don't promote shows within their platform — let alone, allow artists to buy airtime.

Deli Radio, a newly launched music startup, enables fans to create radio stations that play music by bands that'll be playing shows nearby — the downside being that, since the service is free, bands can't geo-target fans.

Generally speaking, music services take a hands-off approach to promoting bands. "They're not making an effort to turn people into real consumers of those band's prod-

ucts,” says Flores. “You’re always trying to send them to McDonald’s.” Like broadcast radio before it, Pandora’s customers are brands and it sells them a product — exposure to their audience. The music is the bait, and there’s nothing wrong with this. Many business models work like this.

Could Pandora make a better effort to help bands find fans? Of course. But here’s the thing: It’s not clear that casual listeners have a desire for this to happen. For them, a radio service that plays unfamiliar music and regularly alerts them about shows may be bad experience. That’s the reality. Flores is fighting a noble cause — and it’s one worth fighting for. But he’s targeting fanatics with Earbits and even they’re pushing back against his efforts.

“At the end of the day, if you want to build a company that’s good at promoting artists, you build a company that makes money from promoting artists,” says Flores, which is a fair assessment.

But first Earbits must find fans that want bands promoted to them and it’s a tough crowd.

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The Opportunity of Streaming Services for Artists

By Rishi Mirchandani | [@rmirchandani](https://twitter.com/rmirchandani)

There has been a lot of debate over streaming services and the royalty rates they pay. Critics point to royalties from services like Spotify, where it takes [200 streams to earn the equivalent of one download](#), as evidence that these services don't provide a viable income for artists.

Damon Krukowski of Galaxie 500 [argued](#) these streaming services "are doing nothing for the business of music." While I don't want to diminish the challenges faced by artists in the current environment, I believe this argument casts streaming services in the wrong light.

It's fair for there to be a healthy debate between all stakeholders over the rates services should pay. But to do that constructively, it's important to put these services in perspective, which seems to have been lost in many of the arguments that I've read online recently.

I would argue that, rather than undermining artists' income, streaming services [will offer a platform of unprecedented scale to distribute their music and reach new fans](#). These services will enable a model of artist development that requires significantly less investment than the "traditional" music industry model, allowing for a greater degree of autonomy and control.

I'd first like to address the 200 streams equals one download

fallacy. Critics point out most purchased music isn't listened to 200 times, therefore streaming services undermine existing artist economics. The problem with this reasoning is that it equates each stream with a track that would otherwise have been purchased. This doesn't reflect the fact that music sales take place (largely) at the bottom of the marketing funnel — to a fan who has already decided to make a purchase.

Conversely, on streaming services listening takes place throughout the marketing funnel. In some cases, it's at the bottom of the funnel, where a fan is streaming a track rather than purchasing it. But it could also be someone listening to a radio service or playlist on an on-demand service. It could be someone sampling a track based on a review, tweet, or friends recommendation. These are listeners with varying degrees of awareness and interest in the artist, who are not yet ready to make a purchase. In the absence of streaming services these impressions simply might not have happened, or they might have happened but not been monetized.

Since music can now be consumed throughout the marketing funnel, streaming services are transforming how listeners move down the funnel. In the traditional music industry model, there was a clear delineation between promotional channels and revenue generating channels.

Promotional channels (broadcast radio, television, and press, etc.) were used to build awareness and expose an audience to new music. These channels combined broad reach with

limited slots. Moving prospective fans down the funnel was expensive, since it took significant resources to gain access to those limited slots. But once that access was secured, significant value was created for the artist. The resources required to break an act were beyond the means of most artists, so their best option was to sign a recording contract, giving up significant rights in exchange for a chance to break through.

We now have a range of digital channels where access is not tightly controlled. These channels have broad reach combined with an endless supply of content. With limited barriers to promotion and distribution, the bar is much lower to get someone to listen to something new. But the bar is very high to maintain their attention. Listeners and fans, rather than gatekeepers, increasingly play the role of curator.

As streaming services do a better job of integrating social layers and building out taste graphs, we should have stronger feedback loops to efficiently facilitate this curation process. At scale, this could significantly reduce the level of investment required for artist development. Marketing becomes driven more by quality and relevance than by dollars.

In order to achieve this goal, reaching scale will be critical for streaming services. One key driver will be smartphones, which make streaming services mobile and accessible. Pandora, which experienced huge growth with the debut of the iPhone, is one of the earliest examples of this.

Subscription and other services are also gaining traction and should continue to do so as consumers become more familiar with these models. There are approximately [one billion smartphone](#) subscribers worldwide, which is only 15 percent of the total mobile phone subscribers today. As the smartphone market grows, this represents a huge opportunity for streaming services.

The limited marginal cost of consumption on streaming services enables artists to reach a much broader audience with their music. But they don't necessarily do a great job of capturing incremental value from core fans (something that was previously done by the music sale).

In the past, when fans purchased an album, they weren't only buying access to the music. They wanted to own a physical keepsake, read the liner notes, view the artwork, and be a part of the tribe, etc. Streaming services have unbundled "content access" from the rest of these motivations, but that doesn't mean fans still aren't willing to pay for them.

This is exactly what artists have been doing as they've developed their direct-to-fan channel over the last few years. And whether it's data from [Topspin](#) or [Amanda Palmer](#), fans have demonstrated they are willing to spend upwards of twenty five dollars on an average transaction. A direct-to-fan channel is of course of little value without a way to build and grow a fan base.

Aside from the core fans, casual listeners also made up a segment of album purchasers in the past. They weren't (yet)

fans, so when they made an album purchase they primarily wanted to hear the music. They had heard enough about the artist to want to give them a shot.

In a streaming environment, album purchasers who were just casual listeners (and never became fans) will likely generate less revenue. But if the artist can ultimately reach many more listeners, convert more fans, and do so with significantly less capital and more autonomy than would otherwise have been required, I'd consider that an opportunity worth pursuing.

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Streaming Music Services Seek to Empower Artists

By Brenna Ehrlich | [@BrennaEhrlich](#)

When it comes to artists and digital music services, the common lament among performers nowadays could be equated to Chicago's unofficial motto: "Ubi Est Mea?" Or, if you don't speak Latin, "Where's mine?" In the midst of contention over royalty fees and streaming music's questionable payouts, however, the cadre of companies behind these digital services are looking for new ways to put money and power in the hands of artists.

Since their inception, subscription and streaming services have been, at their core, tailored for the music listener – from the granddaddy of all-you-can-eat services Rhapsody (founded in 2001) to recent upstarts like Rdio (founded in 2010). The artist side of the equation took place behind the scenes and their involvement with the services in question was usually limited to a business transaction – i.e. we play your music, we pay you for streams. That was the end of the story. Until recently.

That state of affairs – wherein services have been wholly consumer-facing – has been undergoing a shift over the past year, due in part to the fact that artists have begun questioning whether putting their music on such services is worth it.

The issue became more widespread – at least in the public

eye — when Spotify found its way to U.S. shores in the summer of 2011, amassing one million paying subscribers in the states to date and bringing millions of tunes to the masses. The company, in total, boasts six million paying subscribers worldwide and 25 million active users total when counting those who use the free service. With the introduction of the Swedish service, suddenly everyone had instant access to a myriad of bands — from stadium acts to the garage band next door.

The joy that listeners felt over having access to more than 20 million songs, however, was not matched by all artists. Musicians like Damon Krukowski of Galaxie 500 and Damon & Naomi and Uniform Motion came out and reported low earnings paid out by subscription music service streams, and acts like Black Keys declined (quite forcibly) to put their new music up on the service. Add to the pre-existing queasiness the widespread negative reaction to Pandora's Internet Radio Fairness Act — which proposed to lower royalties that Internet radio pays to artists — and you had a lot of musically inclined folks looking askance at the online music space.

Granted, the argument over whether subscription music services are fair, royalty-wise, to artists has yet to be won by one side or the other — only time and hindsight will tell if such services can be profitable and if artists can reap the benefits — but those services have, it seems, been listening to artist derision in some respects. Over the last few months, everyone from on-demand services like Spotify to

online radio platforms like Pandora has been rolling out or teasing new, artist-facing features and services that aim to bring the artist into the subscription service fold. We break it down below:

Pandora

While Pandora and artists were battling over the service's proposed Internet Radio Fairness Act at the end of 2012 – which would have reduced the royalty rates that online radio services pay to artists – cellist Zoë Keating came forward with an [interesting request](#), one that cut through the chorus of contention issuing from a sea of miffed musicians:

I want my data and in 2012 I see absolutely no reason why I shouldn't own it. It seems like everyone has it, and exploits it ... everyone but the creators providing the content that services are built on. I wish I could make this demand: stream my music, but in exchange give me my listener data. But the law doesn't give me that power. The law only demands I be paid in money, which at this point in my career is not as valuable as information. I'd rather be paid in data.

Keating's request, it seems, did not fall on deaf ears; in fact, Pandora itself is aiming to make more of that data available to artists.

In December of 2011, Pandora started taking its service past the bounds of streaming music with the launch of [Pandora Presents](#), a live concert series that determines what band to book in what city based on listener data (likes, channels created, etc.). Pandora then invites fans that have shown a dedication to that band (those who created the channels, etc.) to a small show — free of charge. The whole thing is filmed and posted on a dedicated, sponsored hub. Pandora is doing for specific artists — like Dawes, Portugal, The Man and Theophilus London — what Keating is asking for in some respects; they don't get to "own" their data, but they get to realize its potential.

[According to](#) Pandora founder Tim Westergren, these select concerts have been a kind of test for a functionality that the service is cooking up for all artists: a way to give artists all the listener info they need in order to plan tours, sell records, etc.

"What we bring to this path is an immense amount of knowledge about the preferences of listeners connected with the location and the ability to communicate with them directly," he says.

Still, Westergren doesn't have much to say in terms of timing or specifics when it comes to a product. "It's unusual for us to talk about things or preview things in any way, but I think it was important that we be part of this broader discussion that's going on right now especially around royalties and legislation and the relationship between artist and these services," he says. "We still have a grand vision

at Pandora for a set of capabilities that would take what we've been doing — the kind of one-offs with these shows — and weave in a more manual base and turn it into a real product.”

So, it seems, Keating’s dream of gaining greater access to data could become a reality — someday. At least where Pandora is concerned. Some services have already taken such steps...

Deezer

Spotify arch-rival Deezer — a French, on-demand subscription service [present in 128 countries](#), excluding the U.S. — recently unveiled a full-service suite of artist tools called “Deezer For Artists” (a.k.a. D4A), complete with those aforementioned analytics.

The service, which has been really hitting the group running this past year — having scored [\\$130 million in funding](#) this past fall — announced the new features in December of 2012. They include:

- 1) Analytics, allowing artists and labels to see who is listening to tunes and where. All Deezer users will also be able to use the feature — in a more stripped-down manner, that is. The consumer-facing version will be more like a “What’s Trending” section than anything else;
- 2) Certified accounts for artists, which will let fans follow bands and check out their playlists and tunes;
- 3) Artist pages, which will allow bands to customize their presence and share their social feeds;
- 4) The ability to upload tunes directly,

which will help bands to showcase interviews, samples, etc.; and 5) A new app development platform, which bands and labels can use to create their own apps within Deezer.

On the horizon, Deezer is also planning to release an affiliate system that will award bands cash for bringing in new subscribers and a promotional program for Deezer-selected artists.

The new features are just part of the service's mission, which is to get fans more engaged with the music they're listening to. "The question for subscription services is not only the fact of using the artist and so on, it's much more than that," says CEO Axel Dauchez. "I do believe that since the digitalization of music, people are listening to more music, but they are definitely less engaged with music... We need rebuild the perceived value of music — not only the volume of listening."

On the whole, this suite of features sounds extremely beneficial. However, we can't help but wonder what effect Deezer's lack of U.S. presence will have on how many artists will make use of it. Naturally, artists hail from around the world, have global fanbases, and tour internationally, but it seems that excluding the U.S. severely limits the usefulness of the product to bands on the whole.

Rdio

Rdio also recently started rolling out its own artists' program, kicking off the festivities by offering bands cash in exchange for garnering new Rdio users.

How does it work? So let's say that Indie Band X enrolls in [the program](#). After doing so, the band will be able to share its music via affiliate links on Facebook and Twitter, and will score \$10 for every new user that Rdio gains through those links. An unlimited Rdio subscription costs around \$10, so, basically, Rdio pays artists a pretty hefty commission for attracting new fans.

Of the existing roster of online music services, Rdio has always been one of the most social, allowing users and bands to follow each other. Therefore, we could easily see a band becoming a tastemaker on the service and thereby garnering tons of users for Rdio – and cash for itself.

The commission program launched in [October of 2012](#), and we have yet to see any new features joining its ranks. However, Rdio's Global Head of Marketing Marisol Segal tells us, "As the first streaming service to launch any sort of program to support artists, we look at our initial Artist Program offering as just the start of things to come. As with Rdio, we are constantly innovating and we'll continue doing the same with the Artist Program. You'll see more developments from us in this area soon."

Rhapsody

Rhapsody, like Pandora, is still in the planning stages when it comes to rolling out new features for artists. "The only way that makes sense going forward is that we make sure we're building the streaming services with the artist in mind and they're really an integral part of the equation around subscription music," says Rhapsody President Jon

Irwin.

According to Irwin, these new features will be introduced via a series of steps, the first of which is already underway: Making sure that all Rhapsody-spun original content is readily available on artist pages so as to create a more deep-dive experience for listeners.

“Rhapsody has been in business for over 11 years and one thing that we have always done at Rhapsody — and it’s similar to MTV’s legacy as well — is created a lot of really cool and unique, engaging content around the artists, musicians, and their music,” Irwin says. Right now, this content is only visible via the web app, but Irwin says that it will soon roll out to mobile, too.

The next step, Irwin says, is integrating third-party services into Rhapsody’s ecosystem — so, that might include working with platforms like Topspin to allow artists to sell merch and tickets via their pages, or other editorial outlets to furnish even more content around bands. This would be a huge boon to artists, as features such as this are not common in the subscription music sphere.

Finally, Rhapsody hopes to furnish what Pandora is plotting and Deezer already provides: artist access to data. “We know who is listening to a specific artist’s music, we know how often they listen, we know similar artists that they listen to, we know where they’re listening geographically,” Irwin says. “That can be very valuable information to the artist. We’ll be working on how we open that up in a way that preserves everyone’s privacy.” Like Pandora, Rhapsody

has no public timelines for when these changes will roll out.

Spotify

Although Spotify is certainly one of the buzziest music services, its offerings when it comes to the artist side of the equation are rather scant – at least where visibility is concerned. At the end of last year, Spotify released one such new feature via its web app (currently in the roll-out phase across platforms): the ability to follow artists and other users and be notified when new music hits the scene.

“When fans follow artists they’ll be able to know when the artist releases new music or creates a playlist or otherwise does something that would be interesting to them,” says Spotify’s Artist In Residence, musician D.A. Wallach of Chester French. “Whereas prior to that, they would have to go and seek out that information.”

Although useful, the follow feature appears to be the only artist-facing tool on Spotify’s docket — we have yet to hear anything about a tool that lives within the app that would allow bands to check out listening data or sell merch.

With Spotify, rather, there are a cadre of fiddly tricks and tips that bands can use to draw extra value from the service. Wallach tells us that artists are, indeed, privy to that much-lauded listener data — providing they ask for it. All they need to do is contact the [Artist Service’s team](#).

“We do a lot of stuff behind the scenes to help artists understand the service and use it better and tailor their engagement to maximize their impact,” Wallach says. “One

of the things that we're excited about is continuing to open up more analytics to artists... We have some tools right now that allow us to share with artists some interesting insights into what's happening with their work."

Spotify also [recently partnered](#) with music analytics platform MusicMetric to integrate their data into its service, so artists can glean info via that route – albeit after paying a fee.

Spotify's apps platform – launched in 2011 – also affords some opportunities for enterprising artists, provided they know that it exists and how to use it. Artists can develop apps for the platform, or use the SDK (software developer kit) of services like social listening tool Soundrop to create their own offerings within Spotify. However, the process of making a Spotify app isn't the easiest of tasks for your average artist – the only ones who have one at present are bigger acts like Steve Aoki, Tiesto and Blur – so that opportunity if likely relegated to those musicians with influence and cash.

Daisy

While all of the above online music services were tasked with integrating artist features after the fact, a new service is primed to launch in 2013 with said tools already tow: a project currently codenamed Daisy. Daisy will become the newest incarnation of MOG, a subscription music service that was sold to HTC through its Beats Electronics subsidy for a mere \$14 million this past summer — the low price due likely in part to MOG's low user numbers.

The service, which recently scored \$60 million in funding, has found a CEO in Ian Rogers, the former CEO of the direct-to-fan company Topspin Media, and Chief Creative Officer in Trent Reznor, the Nine Inch Nails frontman who helped make the pay-what-you-want model cool. Both have the unique ability to understand the needs of the consumer while simultaneously taking care of the artist, and they aim to bring that sensibility to the table when building Daisy from the ground up.

There aren't a lot of details on the scene yet about what Daisy will entail, but we do know from the initial announcement that Topspin's Go-Direct platform will provide the service with photos, videos, and products from artists — like merchandise and concert tickets — without leaving Daisy's ecosystem. Artists will also be able to see where their fans reside and where their music is most popular — again, here's that data you asked for, Keating.

“When Trent showed me the vision for Daisy, I said, ‘Man, this is really incredible, but it’s also a vision built on top of a music subscription service,’ Ian Roger says. “What Trent has envisioned is really a music experience. I think having a really great music service as a starting point to that is a huge leg up.”

Daisy will be available for desktops and mobile devices, working with iOS, Android and Windows 8 operating systems and will launch some time in late 2013.

Why Now? What Will The Impact Be?

Regardless of all of the buzz that services like Spotify and Daisy kick up on trade and technology publications, when you look at the impact of streaming on the world at large, it's still pretty isolated. While digital sales in the U.S. burgeoned in 2012 for the first time in a decade, globally, physical albums (although declining) **are still the dominant form** of music consumption – and when we say “digital sales,” we mean, mostly, sales from services like iTunes. Subscription services are still a very small piece of the pie. (Think of it this way: Spotify has five million paying subscribers worldwide. Apple has 400 million active accounts in iTunes with credit cards and 300 million total iOS devices.) Still, the market is growing, which is a decade old, too, so it's vital – at present – that its denizens be embraced by consumers and artists alike in order to keep up that forward momentum.

That's where all of these new artist initiatives come in. According to media analyst Mark Mulligan, the addition of tools of this nature is a PR move of sorts: an effort to please artists as well as show consumers, “Hey, we care about bands. We're not the enemy.”

And that's a message that's vital to get out at present, when artists are looking at royalty payouts and finding them lacking – see the aforementioned Galaxie 500 and Uniform Motion. The discontent born from this state of affairs – as well as the massive soapbox that social media provides – leads to a lot of artists taking to social networks to express their frustration with/confusion over subscription services

to their legions of fans. And those fans – who were once jazzed on the idea of access to tons of tunes – might grow conflicted about their listening habits, which spells trouble for this relatively new market.

Meanwhile, the companies that run these services are unable to disclose any specifics relating to their payment practices in order to ease the concerns raised by artists. Which is why, when they do try to chime in, it's often in vague terms. This lack of transparency can be frustrating for artists, but it's a requirement of the licensing deals. Mulligan says this is because the services have signed very rigorous non-disclosure agreements about how much they can reveal about what they're paying out and when. A representative from Rhapsody confirms: "We have nondisclosures with the labels that preclude us from disclosing our exact rates/payments. And we do not know what the labels pay artists from what we pay them. Those terms are negotiated between the label and the artists."

Cue the influx of artist-facing tools and programs – an olive branch of sorts offered up to the artists who are wondering if services like Spotify and Pandora are really worth it.

Given that subscription and streaming services are "somewhat powerless to do anything meaningful about [questions of payment]," Mulligan says, due to these non-disclosure agreements being in place, "they do the next best thing that they can do: They go on a PR campaign." He continued, "They try to do everything they can to say how much they value artists and try to build the features that they're

allowed to build. There's a bucket-load of things they would like to do, but the terms of their deals are that they cannot."

It remains to be seen how tools and programs like this will be/are being greeted by artists – or if they're even using them. Rdio was unable to provide us with any metrics with regard to their commission program, for one, and all attempts (including a [HARO](#) request) made by this reporter to find an artist that had made use of it proved fruitless. Programs like this are usually only ever discussed by a niche audience (Hello, niche audience!), so it's unlikely that fans will even know that they're in place – unless, of course, they become widely embraced by artists at large who then champion their success via social media. Who knows, that day may come. These are early times.

Still, questions of motive and success aside, the introduction of all of these initiatives in behalf of artists is a good move on these platforms' parts. As Mulligan says, "Streaming has huge amounts of momentum; it's obviously going to be much more important by the end of 2013 than it was by the end of last year, but at the moment, it's still a relatively small deal. That doesn't mean it's not a good time to get the right practices in place."

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magazine, and is the co-founder of blog and book, Stuff Hipsters Hate. She likes listening to songs on repeat.

Daisy Chain: Dying Music Industry Sprouts New Hope

By Kyle Bylin | [@sidewinderfm](#)

I. Invisible Funnel

Industry pundits and executives looked at the file sharing and torrent downloading craze, and saw millions of people who desired unlimited access to music but lacked a legal service to satisfy their needs. Stockpiles of MP3s and bloated iPods evidenced a potential market for an entirely new model where every song on iTunes could be streamed from the cloud for a monthly fee. This fantasy of a “celestial jukebox” has always appealed deeply to fanatic listeners, who dreamed of Santa giving them the entire inventory of Amoeba Music for Christmas. But what about the mainstream market — the millions of casual listeners? Can this jukebox attract their interest?

To date, more than a decade into the digital revolution, no subscription music service has broken through to mass appeal. Spotify, a media darling and royalty scapegoat, boasts five million paid subscribers around the world, one million of which reside in the U.S. Rhapsody, the longest-running service, claims to stand above the one million mark, while newer entry Rdio, which has never shared numbers, is suspected to have far fewer subscribers. Meanwhile, Muve Music, a music plan bundled with Cricket Wireless phones, [recently announced](#) that it has surpassed

1.1 million subscribers since its early 2011 launch — more than any rival company in the U.S.

Beats Electronics, the creators of the high-end headphone brand, sees opportunity in the lack of any real subscription-model success to date. Since acquiring the fledgling music startup MOG in 2012, Beats has hired Ian Rogers from Topspin Media and positioned him at the helm of a new initiative, code-named “Daisy.” In tandem with this move, the company made a substantial investment in Topspin and named it a strategic partner that will supply photos, videos, and products from artists to the revamped MOG service. Both companies [said that](#) this collaboration stems from a “shared belief” that music services should “do a better job” at connecting fans to artists.

According to Bob Moczydowsky, SVP of product and marketing at Topspin, music listeners should be able to find out when their favorite artist is performing nearby, be able to view an artist’s Twitter feed, and see what products they have for sale, all while playing songs in a music service. Essentially, listeners should be able to dive as deeply as they wish into a newly discovered artist without having to leave to a site or start a Google search. Currently, listeners cannot navigate Taylor Swift’s site or Facebook page from Pandora or Spotify. Such services are, [in the words of Moczydowsky](#), “a walled garden” where the apps are a mere “utility that delivers the sound.”

For fanatic listeners, discovering a new artist opens a rabbit hole that leads to others. But before fanatics take that

journey, they often want to learn everything they can about their initial find. With such listeners willing to engage, the fear is that current services do not give them enough to explore, which can hinder the discovery experience, as well as the potential for them to be converted into consumers of an artist's products. Subscription services may have gotten better at making the actual music available — as catalogs continue to grow — but spreading the word to listeners about upcoming tours and releases remains an uphill battle.

The industry has long urged Spotify and Pandora to help artists to bridge this gap, and in recent months, the situation has improved. Pandora has revamped its web and mobile apps, making it easy for users to find lyrics, a short biography, and an overview of discography. Spotify, of course, allows users to play all of an artist's songs without limits, but that is the main benefit to the otherwise limited offering. It has also enabled developers to create apps centered on artists and record labels for the platform, which is a huge step forward.

Mr. Rogers and Trent Reznor, the industrial rock icon and [newly appointed](#) executive at Daisy, have a much bigger vision. They will attempt to connect the artist layer to the music service. The thinking is that by integrating ticketing and merchandise sales directly into Daisy, listeners will move through the marketing funnel more readily and convert at a higher rate. With credit cards already on file, such sales would be friction-free — like Amazon or iTunes checkout — and lucrative for everyone involved.

Such an arrangement would align Daisy's business model more closely with artists and make it less dependent on advertising and subscriptions for revenue.

"The challenge of the funnel — be it the traditional sales funnel studied in business school, or one specific to digital music — is that moving people from each phase gets harder and harder based on transactional friction," says Jason Feinberg, VP of Digital Strategy at Epitaph Records, whose roster includes punk legends like Bad Religion, Social Distortion, and NOFX. "Fans have to be reached, made aware, made interested, given relevant options, and be able to easily and conveniently conduct a transaction." Combining all these elements into a music service, he says, could lead to "a noticeable increase in conversion."

How much money is on the table? Dave Kusek, a business consultant and former CEO of Berkleemusic.com, [says](#) there is "a complete disconnect between where most music is discovered today, and the \$2.2 billion in annual merch revenue. The vast majority of merch is sold at the venerable merch table at any given concert." If merch distribution were aligned with the direction the online music market is heading, Kusek believes that it "would serve artists and merch companies extremely well, and potentially unlock a flood of new revenue." Added on top of this fair sum is the \$2.34 billion in tickets sold to the Top 100 U.S. tours in 2011, according to Pollstar, a trade magazine.

More importantly, Daisy could enable artists to take ownership of the fan relationship through every stage of the

funnel, or at the very least, see inside the funnel and reach listeners for a small price. As Mr. Rogers [has lamented](#) in the past, the fatal mistake many artists make is they send fans to iTunes to buy music or Facebook to friend them, and lose the opportunity to capture their email address for future contact. If artists do not collect and own this valuable dataset, they forfeit the ability to grow and monetize their audiences. Access to contact info and listening statistics in the Topspin dashboard would allow artists to more effectively target and market to Daisy users.

II. Trusted Sources

The opportunity for Daisy is to “create a trusted brand” in music, [said Mr. Rogers](#) in a conference call shortly after a flurry of news reports that he was taking the Daisy job. He said part of that trust is listeners knowing they are going to receive high-quality, human-curated recommendations and not simply an infinite search box. Meanwhile, Mr. Reznor [told the New Yorker](#) in an interview that rather than relying solely on algorithms to power the music Daisy suggests to listeners — if you like Taylor Swift, then you might like Sugarland — a network of music experts will point them down less traveled paths. So instead of the obvious fare, a country music aficionado may send listeners to Reba McEntire or Dixie Chicks.

Of course, the notion that music services need programming — as Beats Electronics CEO Jimmy Iovine put it — is not necessarily new. Rhapsody and eMusic employ editorial teams to write blog posts about the trending and

popular music, and Slacker and Songza rely on professionals to seed their playlists with the freshest and hottest songs. So too, Rdio has developed social discovery features that enable users to follow tastemakers and receive updates about music they listen to or add to their collections. In the coming months, Spotify, which offers numerous curated playlists through third-party apps, is expected to roll out a similar offering.

Despite the number of programmed services already available, the right formula — the “killer app” of discovery curation — remains elusive. The problem is that listeners who like the notion of “millions of songs in your pocket” tend to be music fanatics with insatiable appetites and deep knowledge. They prefer to dig through record bins and program playlists themselves. They already have “trusted sources” like KCRW and Hype Machine who assist in exposing them to new artists. No one in the know about the latest music and apps, to put it bluntly, is missing out or seeking a different solution. Spotify and Rdio work just fine for fanatics.

But Mr. Rogers and Reznor want to “take subscription music to the mainstream, and really get it to scale.” To accomplish this feat, Daisy’s staff needs to program the songs that casual listeners care most about hearing: the freshest, hottest songs by top-ranked artists. Such advice may sound rudimentary, but Daisy must develop a *Now That’s What I Call Music* sensibility. The great irony of Spotify is that the songs that get played on Top 40 radio are

exactly what casual listeners play there. Yet curation and discovery apps like Shuffler.fm and We Are Hunted cater to fanatic listeners and mainly focus on surfacing songs that are trending in the music-geek blogosphere.

Why is this? Startup founders and app developers often **succumb to** a “fanatic fallacy” that leads them to believe casual listeners can be re-educated to like “good” music through the labor of sifting and searching for songs. But they rarely convince anyone put in such effort. So they resort to taking the work out of music discovery, often by hand-curating the most beloved songs on blogs or by aggregating them through various algorithms. The hope is that if make music discovery easier, casual listeners will teach themselves to like “good” music. What founders and developers come to find, though, is that casual listeners just don’t care enough to make that investment.

“I believe that as an industry we put too much faith in music discovery,” says Mr. Feinberg. “I have no doubt that there are many fans that do want to discover new music, but I find far more ‘average users’ — i.e. people not in our industry — that simply want to pick something they love and hit play.” Listeners can tune into genre radio stations on Spotify and Pandora, but these are often pigeonholes that range from vast tunnels to tiny cages, either too generalized or too specific. Likewise, there is no way to fine-tune a station beyond rating songs with a “thumbs up” or “thumbs down,” which can lead to listeners protecting the songs they already love (thumbs up), while dismissing the unfamiliar

before really giving it a chance (thumbs down).

Many broadcast radio station lessons have not been applied to subscription services. 1) People want to listen to popular music and hear a few old favorites and new hits along the way; 2) The songs they discover should be from the best album releases by their favorite artists; and 3) The songs that listeners give “thumbs up” to on a station are likely the same songs that they want to hear in similar experiences. The best experience for casual listeners who love Nicki Minaj may be to recommend that they listen to Melanie Fiona and to seed her single “4AM” into a station, and if listeners favorite that song, alert them the next time a new single debuts.

Raw discovery — say, for example, listening to Hype Machine or We Are Hunted — is a bad experience for casual listeners. The songs are unfamiliar and eccentric. To make music discovery more accessible, it should be directly integrated into Daisy. A listener’s library should be the “musical brain” that powers the experience, shuffling in old favorites and next hits. It should be the central location where the songs a listener has collected from the physical and digital worlds are, and where disparate online identities are seamlessly unified. It should be a map that guides them — enhancing activities and brightening moods — without needing to be “seeded” with artists or songs to grow.

“In order to succeed, [Daisy] would need to be designed largely for casual listeners, because fanatics are by their

very nature the rarer creature,” says Aaron Tap, a musician who is best known for playing guitar with Matt Nathanson and Paula Kelley. “The big question hanging over every music service is what, really, does the average listener want?” The answer, [according to](#) Mr. Rogers, is “curation by trusted sources,” which he calls “the next phase of internet distribution.” On this point, Mr. Tap agrees, adding that there is “not much personality” in current services, and a well-curated one, along the lines of Jack FM or KCRW, “could be all things to all people.”

This is why Messrs. Rogers and Reznor cannot just strive to make Daisy a “better” Spotify, with a simpler design and stronger curation. The truth is that Rdio has already created a better Spotify, and Slacker Radio has always been a better Pandora. iHeartRadio sits somewhere in the middle, with a combination of broadcast radio and custom stations, and Songza and 8tracks probably tie for having the best curated playlists. YouTube and Vevo, the largest services, display music videos, which [continue to be](#) the most popular media among younger listeners. Not one, though, does a great job at curating and surfacing old favorites and new hits, i.e the songs that casual listeners want to hear.

III. Pieces Together

Billboard writer Glenn Peoples says that subscription services [have not reached](#) a wider market because they are not “built, packaged, and priced” for mainstream listeners. The leading services — Spotify, Rhapsody, and Rdio — are for fanatic listeners who will “invest a great deal of time

and money in the product.” Mr. Peoples argues further that such services “need to become easier to use and a better value for the price.” Aping iTunes may have been the best way for rival companies to translate the idea of unlimited music for their listeners, the Iovine pitch goes, but Daisy will take a different approach, possibly bundling the service with mobile devices and pricing the plan very low.

During a [Twitter exchange](#), professor and researcher David Touve suggested that the price of music services should “match the nature of demand” — \$5 a month rather than the industry standard of \$10 — because casual listeners only spend \$60 a year on music. Rhapsody [recently introduced](#) a new plan with MetroPCS that dropped rates to \$5 a month, proving that such a price is possible. But whether it can help Rhapsody convert and retain subscribers is the big question. The greater problem is that making subscription services cheaper to buy and easier to use will not *magically* enthuse apathetic casual listeners.

“The idea of being able to hear anything they want, whenever they want, appeals to the mass market — but it’s not actually what most want in practice,” says Jason Herskowitz, who contributes to Tomahawk and leads Platform Development at Official.fm. “I think what they want is a few giant play buttons that just play them stuff they love ... with the majority of it being stuff they already know they love with a few prospects of new love sprinkled in between.” Entrepreneur Bruce Warila summed up this concept perfectly, saying casual listeners want a “fader”

that calibrates “more to less of the music I already love and less to more of new tracks you think I love.”

The music industry has bought into this idea that casual listeners are fanatic listeners with less time. If we just make it easier for them to harvest the fruits of fanatic labor they will love the same music. In effect, the “programmer” needed for music services is a fanatic listener that takes them on a guided tour of their rabbit holes. Casual listeners, in this context, are viewed as lazier or older listeners (often both). With more ambition or time, they too would research and discover new music, but the effort is too great. Rather than accept that casual listeners are *different* listeners, we have wrongly labeled them as “lesser” listeners.

But casual listeners never shopped at record stores and sought advice from the clerks. They walked into big box retailers like Wal-Mart or Best Buy — where the staff is mostly clueless — and grabbed the album with the single they liked off an end-cap. They do not spend their free time researching on music blogs and programming playlists. They turn on KIIS FM in their car and Ryan Seacrest introduces the next Justin Bieber or Rihanna single. They have seen Nickelback perform live — *twice* — and eagerly captured Instagram photos of singer Chad Kroeger dousing the entire front section with Bud Light. The “soundtrack” to their life is “Bartender Song” by Rehab.

To be clear, even casual listeners are “fanatic” about some artist or band. They might discover One Direction and grow so passionate that they read the latest gossip, print

out and hang up pictures, and share lyrics on Facebook and Twitter. They might even become so committed that they [lash out against](#) “enemies” in online feuds. But it is their orientation toward culture more broadly that is different. They will not also become passionate about activities like discovering songs on blogs or listening to records. A fanatic of this sort is something that you are, not someone you become. Fanaticism toward music has never been the destiny that pundits have made it out to be.

In a presentation in 2006, Mr. Rogers [accused](#) [iTunes](#) of being “a spreadsheet that plays music” — adding in a recent [blog post](#) that subscription services have yet to find “a way to surround music with context.” The crux of his claim is that listening to music *used to* consist of physical media — the object that produced brilliant sound, and the ever-important artwork and album booklet that, taken together, formed a cohesive experience. When fanatic listeners bought an album and played the songs, they pored over the photos and lyrics inside. To see the faces of their heroes and read their words (maybe for the first time) gave the music additional meaning.

Mr. Rogers (of course) is not the only voice in this choir. Speaking of a recent re-design, Rdio VP of product Malthe Sigurdsson [said](#) the company’s new web and desktop apps transform “the boring, spreadsheet-like way of consuming digital music into something visual and dynamic.” The word choice here is very specific and revealing. It is tempting to argue that listening to music should be emotional

and engaging, but that is also a fanatic fallacy. Casual listeners often want music to be *anything* but those things; they are way too busy working and studying. The **problem** with Turntable.fm, after all, is that fanatic listeners *love* the experience, but stop getting anything done and leave.

This is not to say that improvement to existing music services is not needed, or that it should not be attempted. Messrs. Rogers and Renzor have good reason to deem the state of online music unacceptable and to challenge the status quo (they both share a well-documented history of doing the latter — **sometimes even together**). The future they hoped for and the present they occupy are vastly different; a music utopia that is neither lost or found. The web did not create a middle-class of musicians and “1,000 True Fans” to support each of them; it gave us a relatively successful handful of artists who did all right, but many more who did not, and an upper class that largely continues to control tours and charts.

After years of fighting with record labels and downloading millions of songs, music listeners have been given the “celestial jukebox” at least some of them always fantasized about. They can pull out their computer and have unlimited access to music on Spotify or Rdio, *for free*. Hell, Amoeba Music **has even made** much of its brick-and-mortar store available for sale online, too. Everything *is* amazing and most listeners are either blissfully ignorant or very happy. Mainstream or not, the “promised land” already exists, and it would seem worth asking, as actor Jack Nicholson once

did, “What if this is as good as it gets?”

Perhaps we’ll find out later this year, after Daisy sprouts.

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An Empowered Future for Musicians

By Matt Urmy | [@matturmy](#)

I would never presume to be able to provide truly valuable insight into the values and philosophies that shaped the business models of the music industry from previous decades. I simply do not know enough about it. And today, there are many areas of the industry that I would not be qualified to give a keynote speech about, such as copyright law, or royalty rate negotiations for online radio. Despite this, I am asked almost daily to answer questions regarding the state of our current industry, and make forecasts as to what I believe the future holds. It's a fun question... but divination is a risky business.

One topic that I feel is of utmost importance to the future of our industry moving in a healthy and sustainable direction is the empowerment of today's working artists.

Throughout history, social empowerment has taken many forms: the right to vote, the right to an education... even the right to decide where to live and raise your family. In the music industry today, we face a new and urgent need for the educated empowerment of our working artists. Not only does our industry need it, but I would argue our society, and the future of its evolving culture is in desperate need of a newly empowered creative class.

Artists must be enabled to become participants in the

design and infrastructure of the new business model. Does this mean that artists should be writing bills for the Senate on royalty rates? Probably not, but it does mean that their participation in the debate should be supported, and their perspectives should be reverently considered by those who are designing the tools of tomorrow's industry, especially with regard to technology.

Part of this empowerment will happen in the halls of Congress (hopefully), and part of it will come from emerging technologies, and even more precisely, the trend of these new music technology services integrating with one another to bring new and unprecedented levels of user experience and customer service to fruition. This is the developing area of the music industry that I have placed myself right at the center of over the last year.

We need an unprecedented level of integration in music technology services, and with that, a model will emerge from the chaos that could potentially become an example to other industries on how to sustain business in the age of the cyber cloud.

Another point that I believe to be critical to the success and sustainability of our new ecosystem is that the new technology-based model not be designed by technologists alone. Only a cooperative initiative of technologists working directly with artists, and the business operators, will create a system that enables sustainable growth in all sectors of the industry.

We need to engage the market in a manner that removes

the mundane and overwhelming aspects of using and managing music technology, and provide access to actionable data that affords artists and their teams the ability to strategically execute business plans, and lead the discussions that frame the negotiations with their investors, be it angel funding, a record label, or patron fans.

In short, as technologists it is our responsibility, and should be our pledge, to establish and maintain a sustainable, scalable ecosystem that establishes a fresh and streamlined portability of data. I believe that through partnership we foster an increased drive towards profitability and a healthy market where the force of competitive energy drives the pursuit of more innovation. As long as we remain true to one of the most core values of our renaissance, which is that we build this new industry model with a strict commitment to serving artists, not just profiting from them, then we will succeed.

The goal of our innovation should be to create services that do not impede upon the artists' time that is committed to the development of their craft and creative processes, but rather provide services that offers incentives to artists for participation in the shaping of their individual business plans and the industry model as a whole. We should strive to do so without preventing them from focusing the majority of their energy on the processes necessary for them to do their most important work — bringing music into our world.

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