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# Building a Career as an Independent Artist in the Digitalised Music Industry

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## Abstract

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The purpose of this study was to find out how can an independent artist forge a living in today's music industry. The industry has experienced extensive changes due to digitalisation making it possible to pursue a music career without the help of major record labels. This thesis aims to find out what is needed to actualize a sustainable career in music independently.

The research will be carried out with exploratory qualitative research methods. Observational research will be used to support the research as the author has worked in various positions in the music industry. Preliminary data was collected from structured non-disguised interviews by a music industry executive and an independent artist. Secondary data will be gathered from industry websites and articles from highly trusted outlets. The secondary data includes statistics, case studies and examples of contributing factors to the success of independent artists. The secondary data includes the various income streams for independent artists.

The key findings state that the independent artist business model is a viable path for artists and that succeeding as an independent artist requires a business mindset to some extent to be able to evaluate and execute successful music operations. A lot of work goes to activities which aren't directly related to music but are just as important to build a sustainable career. The most important support function is promotion and especially social media promotion. When the potential audience is large enough, the music is well made and marketed right, the possibility of success is favorable. The results indicate that further research should go into the importance and potential of social media.

Keywords: independent artist, digitalisation, major record label, social media

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## **Glossary**

A&R	Artist & Repertoire. A&R refers to activities, division, or tasks in a record label revolving around discovering and signing new musical talent.
EoF	A model used to describe the benefits of offering some product (preferably with an infinite supply) for free to attract customers to buy more scarce products.
DSP	Digital Service Provider. A DSP is an online store (iTunes, Amazon Music) or streaming service (Spotify, Apple Music, Tidal, YouTube Music) containing digital albums and singles.
MAU	Monthly active user. The number of unique customers who interacted with a product or service of a company within a month
ROI	Return on investment. Measures the amount of return on an investment in relation to the cost of the investment. The return of an investment is divided by the cost of the investment. The result is expressed as a percentage or a ratio.
DIY	Short for do-it-yourself. In this thesis used to refer to digital services that help artists to release and promote their music.
NFT	Non-fungible token. An NFT is a technology in which data associated with digital files such as photos, videos and audio can be stored on the blockchain making it possible for a copyright holder to sell a digital file to a buyer.

# 1 Introduction

The music industry has experienced extensive changes during the last couple of decades transforming the way in which the industry operates, and the way music is being consumed by fans and listeners. Emerging technologies have given birth to opportunities for new businesses to form and new ways of navigating the industry as an artist. Many serious artists come to a crossroad where they need to weigh the pros and cons of going it alone versus signing a contract with a record label.

The aim of this thesis is to investigate the viability of the independent artist business model, to test if it is possible to build a lasting music career as an independent artist and to study what are the key components that go into forging a living as an independent artist. To find this out, two interviews were conducted. One with a rising independent artist and one with a former major record label executive.

This thesis includes a literature review covering a wide range of information regarding the history of the music industry, the changes it has experienced and the current situation in reflection to independent artists. A more thorough explanation of how research was conducted for this thesis can be found in the methodology section. The interview answers as well as secondary data from online sources are used in the results section to study the matter followed by analysis and a conclusion to present the findings.

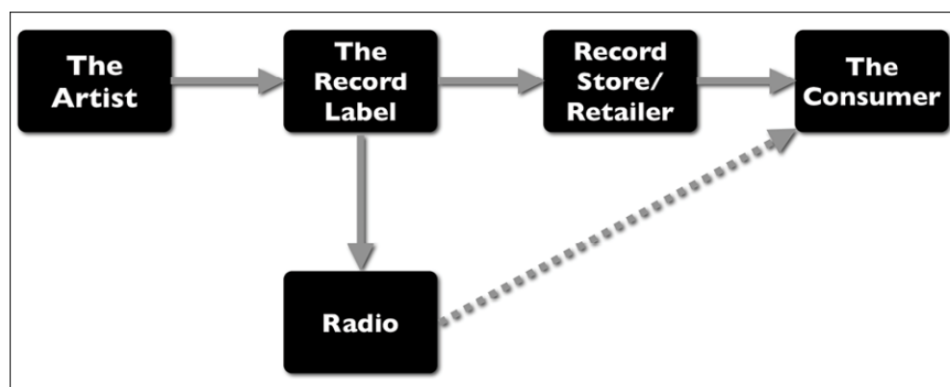
## 2 Literature Review

Understanding how independent artists forge a living in the highly saturated digital music industry requires exploration of the literature covering the music industry and independent artists.

## 2.1 The Music Industry

The music industry is a complex business environment involving music recordings with layers of copyrights, artists with a lack of knowledge regarding music copyrights, and companies profiting from exploiting these two. Richard Strasser defines the music industry as a vast and complicated field of business that includes various activities, disciplines, and organizations. When discussing *music business* as a term, it normally covers all the economic practices that are needed for production and performance of music related products and services. Scholars in the field understand the creation, management, and sales of music as a product, performance or as a stack of intellectual property rights. (Strasser, 2009)

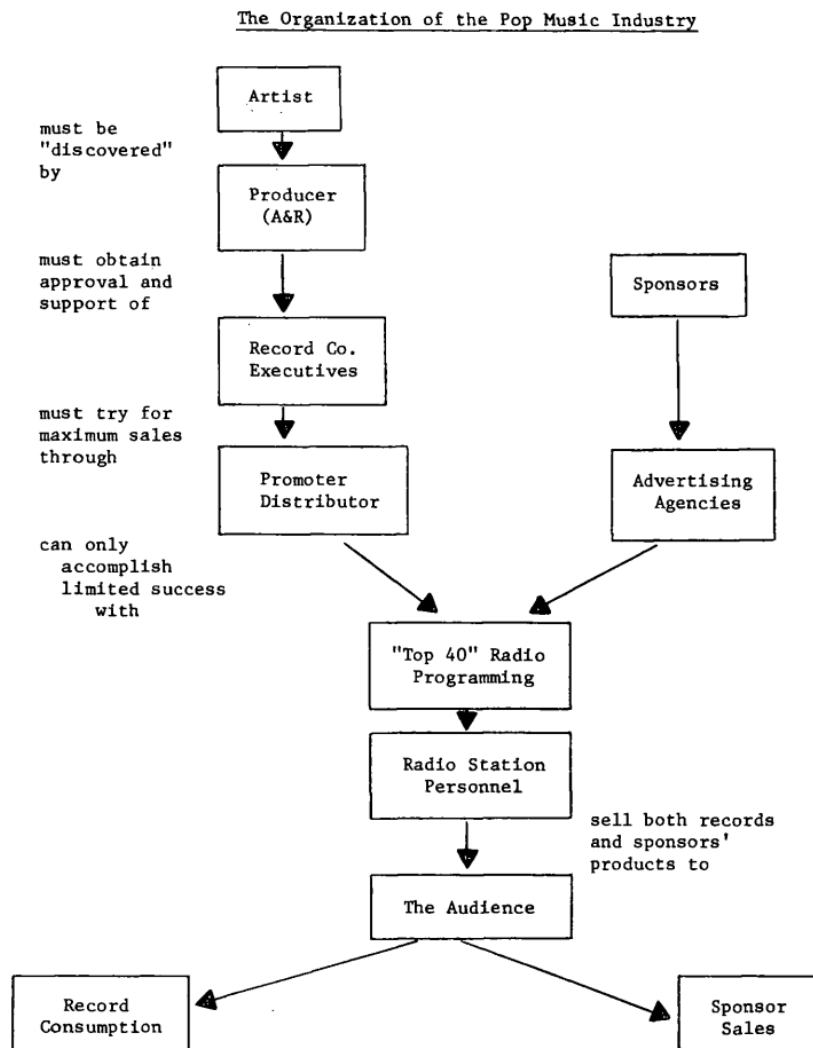
Owsinski (2016) describes the various stages of the music industry throughout its history with a simple model labeling the most important time periods in the industry of which he calls the first stage *music 1.0*. In *music 1.0*, Owsinski describes the business as how it was represented in the very elementary models of the industry. A key element for artists was partnering with a record label because labels had the means of production and distribution, which were required to reach the consumer. Artists had very little control over the artistic vision of the music and were isolated from the fans and listeners.



**Figure 1: Music 1.0. (Owsinski, 2016)**

One of the first models of the music industry was coined by Hirsch in 1970 describing the precursors of succeeding as an artist. At the time, artists needed

to be discovered by a specific type of record label personnel called an A&R (Artists & Repertoire) scout who would then introduce the artist to the record label in hopes of convincing the record label to sign a contract with the artist. Record labels possessed the means of producing, distributing, and marketing of music on a large scale and were therefore integral in the process of establishing an artist's career in a way that was profitable for the label and the artist.



**Figure 2: The Organization of the Music Industry (Hirsch, 1970)**

During the 21st century, the music landscape has experienced major changes due to ever changing market conditions largely affected by digital services such as Digital Service Providers (DSP's), social media platforms and other online music services for artists. This change has affected the way artists view the



industry and it has given rise to the hot topic of today which revolves around whether to be an independent artist or to sign with a major label.

According to Wikström (2013) social media platforms have become highly influential gatekeepers in the digital music landscape. The importance of social media platforms such as Instagram, Facebook and Twitter is justified since the reach of the platforms is truly global and the number of users on these platforms is enormously high. As of the second quarter of 2021, Facebook users totaled 2.89 billion users (Facebook MAU worldwide 2021 | Statista, 2021). That is over a third of the world's population. In the 20<sup>th</sup> century, reach was mainly national and regional as the media system was based on terrestrial broadcasting.

The first glimpse of the digital music era of today was witnessed shortly after the first MP3 music file was created in 1991. The first mp3 file was shared somewhere around 1994. This event eventually gave birth to *Music 2.0* (as Owsinski calls it) where peer-to-peer (P2P) file sharing was the core disruptor of the industry. Services such as Napster and MP3.com attempted to change the way music is consumed, but both faced major problems regarding copyright violations and were eventually shut down by court order. (Owsinski, 2016)

## 2.2 Independent Artists

Wikström (2009) makes the distinction between major and independent as follows, “*major* is usually the term used to represent a large copyright firm with operations in several countries and in control of well-established distribution machinery. The major is usually publicly traded or is a part of an entertainment conglomerate. This should be compared with *independent* (companies) or *indies*, which usually are the opposite of everything above”. Therefore, once an artist signs the rights to their master recordings over to a major label in return for an advance payment to fund their career, they cannot be considered independent anymore. Independent artists may sign a record label deal, but it should be with an independent label to maintain the status of an independent artist.

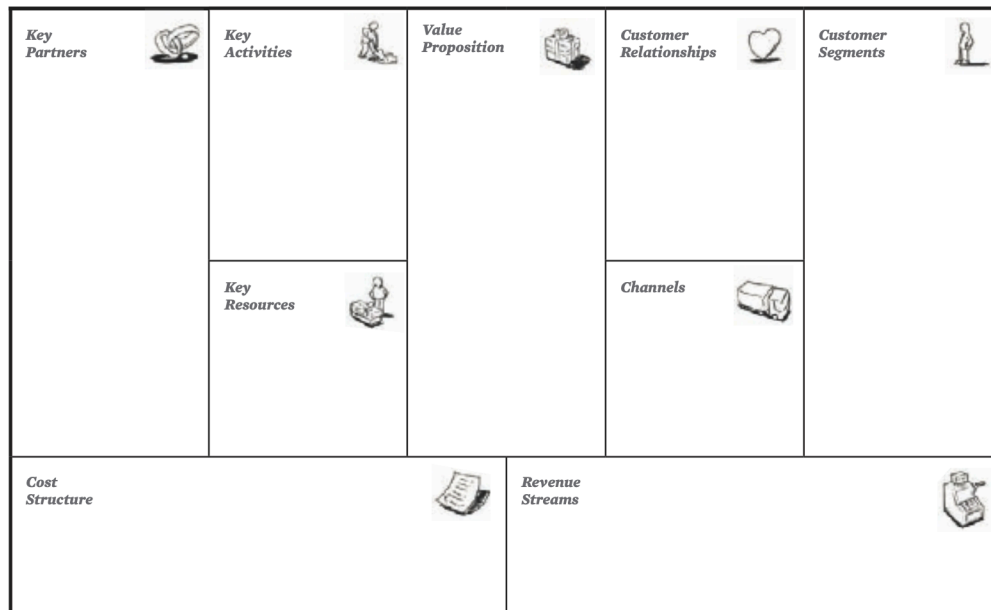
An independent artist in the music industry is an artist who creates, releases and/or performs their music without having signed a deal with one of the major labels or their subsidiaries. Signed artists are music creators bound by contracts which are in place with one of the major labels. Signing a major label contract means that the artist hands over the master rights of a recording or recordings to the record label. When the master rights are signed over to the label, the artist is no longer in control of how that recording is used. The one who owns the master rights is the owner of the recording. (Amuse, 2021).

## 2.3 Business Models

Business models are covered in this thesis, because independent artists operate within the music industry and by understanding the business model, we can study the viability of the independent artist path.

Raphael Amitt and Christoph Zott define a business model as “something that depicts the design of transaction, content, structure, and governance so as to create value through the exploitation of business opportunities”. (Amit R., Zott, 2001) In any proposed viable business model, revenues must cover the costs. If an entrepreneur wishes to include an investor as a business partner, the business model must also produce a return on investment (ROI) acceptable to the investor. (Erdogmus, Favaro and Strigel, 2004) In the case of an independent artist, the investor could be the artist themselves and to grow their business, they would ideally aim for a ROI.

Osterwalder presents the building blocks of a business model with a canvas as shown in Figure 3. The idea of a business model canvas was proposed by him in 2005. The canvas is a template that professionals use to evaluate, document, and develop new and existing businesses (De Reuver, Bouwman, Haaker 2013). It has been successfully tested in corporations as being an effective way to study existing business models and create new strategic models for the companies (Barquet 2011).



**Figure 3: The Business Model Canvas (Osterwalder and Pigneur, 2010)**

The business model canvas consists of nine sections, which are described as follows by Osterwalder:

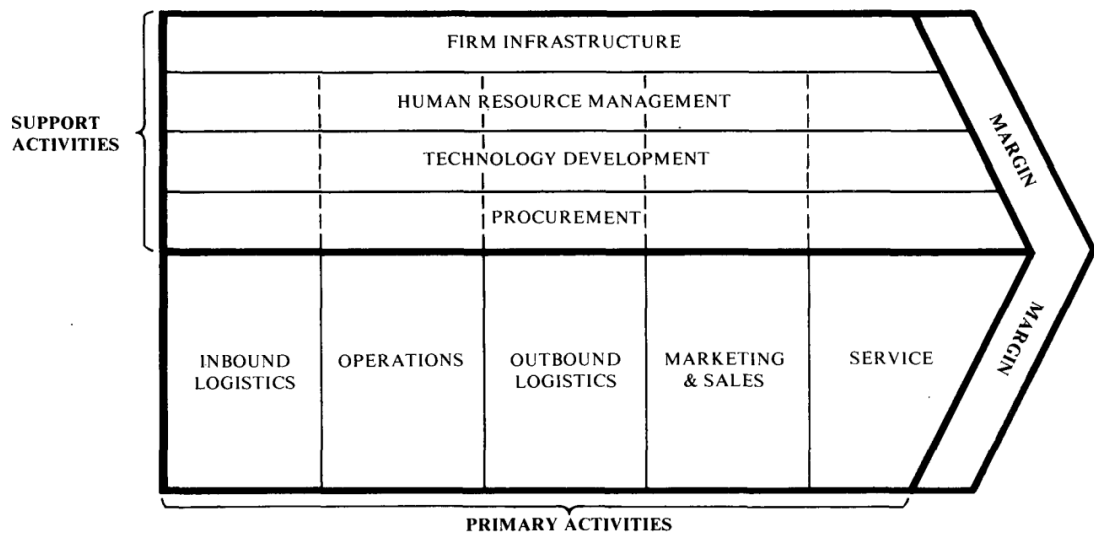
1. **Value proposition:** What is it that the business offers to the market.
2. **Target customer segments:** To whom it offers to.
3. **Distribution channels:** How it reaches them.
4. **Relationships:** How it interacts with the customers.
5. **Key Resources:** What are the elements that make the business possible.
6. **Configuration of activities:** What task need to be handled to implement the business model.
7. **Partners:** Who will help set up the business and why do they do it.
8. **Revenue streams:** How will the business create cash flows.
9. **Cost structure:** How much does it cost to build and operate the business.

### 2.3.1 Music Business Model

The music business model focuses on monetizing music recordings and compositions. The industry is comprised of the organizations and individuals involved in producing and selling music as defined by Richard Strasser and these parties operate their own business models to add value to the industry.

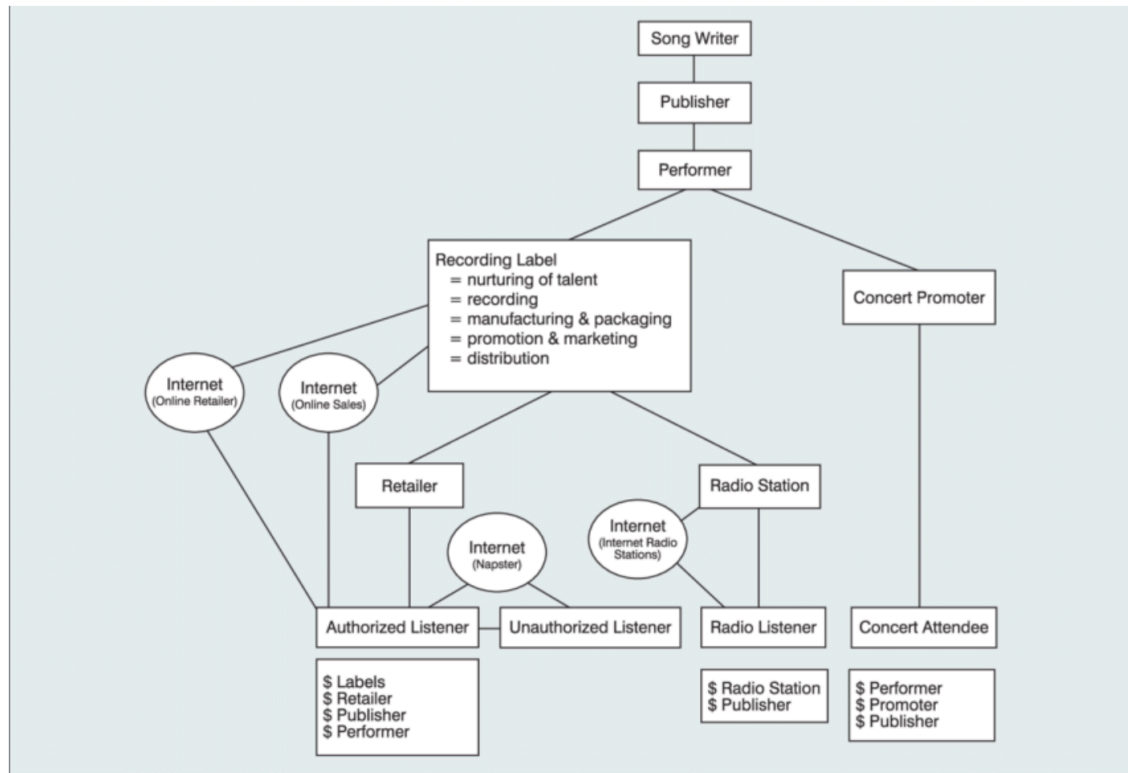
The value adding activities which have existed ever since the beginning of phonograph record sales are still the way value is added in the industry today, but a lot has changed in how these activities are carried out in the big picture. The sources of income are still the same as in music is still performed and sold, but due to the comprehensive digitalisation of the industry, the means of creating and selling as well as interacting with fans has changed. This outcome has resulted from physical sales nearing zero, the booming of the streaming economy and social media becoming such an integral part of people's lives.

In 1985, Michael Porter first described the value chain in his book "Competitive Advantage: Creating and Sustaining Superior Performance". The value chain describes the activities a business conducts to produce value and it includes the margin of the business. The value activities are what create a competitive advantage over others, and they are the things to analyse over value added, which is the difference between the selling price and the cost of production. (Porter, 1998)



**Figure 4: Michael Porter's value chain (Porter, 1998)**

Meisel and Sullivan (2002) described a simplified value chain for the music industry during the brink of the major label era emphasizing the need for a record label between the artist, the gatekeepers of the industry and the consumers. The shift from a major label governed to a more democratized industry meant that the traditional music business model in which major labels were an integral contributor to the music value chain, was disrupted remarkably removing the need for a record label to create a competitive advantage when producing and releasing music. Below is a figure describing the music business value chain and different parties involved in the business model.



**Figure 5: Traditional simplified music business value chain (Meisel, John & Sullivan, Timothy. 2002)**

Meisel's and Sullivan's (2002) value chain is still somewhat relevant today although some corrections should be made to update the figure to match the contemporary structure of major label deals and to include the significant share of independent music revenues. Previously major labels invested in the music recordings made by artists and collected revenues solely from them. As Passman (2011) explains, also the major record labels have had to adapt to the changing market conditions and the approach is a relatively new concept called the "360 deal", in which the record label taps into more revenue streams than just record sales e.g., live performance and merchandise sale revenue.

### 2.3.2 Independent Artist Business Models

Independent artist business models rely on the fundamentals of the music business value chain. The value proposition of the business model is the same, but the methods are different. As an independent artist is differentiated by the fact

that they aren't funded by a major label, they need to carry out the functions of a record label themselves.

Literature on business models for independent artists is scarce since the independent sector has only recently begun to take up a significant portion of the industry and the sensibleness of aspiring to be a successful independent artist has only been a viable goal for such a short period of time. The first phonograph records were released in the 1880's enabling listening of recorded music. Widespread radio broadcasting began in the 1920's, which changed the way music was marketed and listened to. This means that the entire recorded music industry is only around 100 years old.

The independent sector, however, is much younger. Around the break of the 21<sup>st</sup> century, companies focusing on independent music started forming. One of the companies founded is called CD Baby. The company started offering digital distribution in 2004. Today it is one of the largest independent music distributors catering to over 650 000 independent artists. (Robley, 2018)

Dolata U. (2016) explains how new technologies resulted in the shift of power in the music industry in favour of the independent sector as opposed to the major label sector. Music production, music distribution and the underlying market structures experienced monumental changes decentralizing the market to a state in which artists could produce and distribute music themselves without needing to rely on expensive recording studios for production and major labels for distribution of digital music.

New technologies in this area include do-it-yourself (DIY) distribution services such as CD Baby as well as music recording hardware and software. This means that artists can learn the skills to utilize the new technologies to handle recording and distribution themselves. This removes one of the most important functions of the record label, which is distribution.

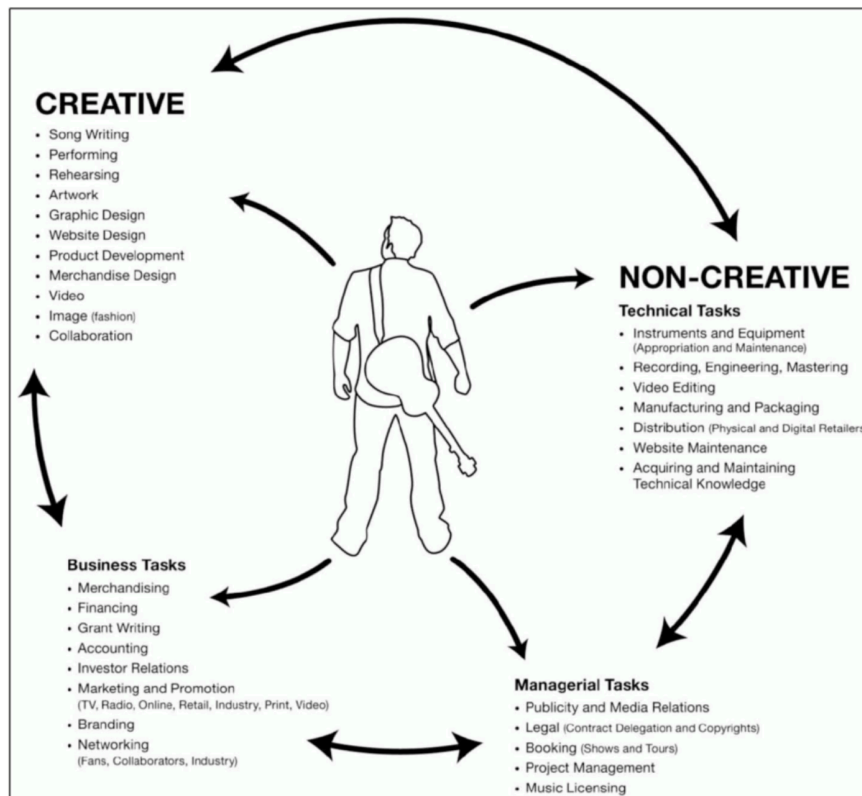
The digitalisation of the recorded music industry has given birth to dozens of online services for artists. Among these services are digital music aggregators.

Aggregators are companies that offer to distribute the music created by independent artists to the DSP's such as Spotify, Apple Music and Deezer. The emergence of aggregators has had a notable impact on shifting the power from the record labels to the creators themselves as argued by Harrison (2021). As opposed to the days when labels delivered music to the music stores, today artists can use aggregators to handle distribution themselves.

Hracs (2013) describes the activities revolving around an independent artist's career. When leaving the record label out of the equation, all the tasks previously handled by the record label are to be handled by the artist themselves or by using intermediaries. Intermediaries could mean booking agents for touring, a manager to handle managerial activities and a marketing agency or consultant to handle creative marketing. Hracs' figure shows that there is a wide variety of tasks around different kinds of things most of which aren't directly related to the creation of music recordings.

Hracs outlines things in the creative process such as graphic design, website design, product development, merchandise design and visual creation. These are only a fraction of the entire process. In addition, the artist must manage non-creative aspects of music creation such as music mixing, mastering, and recording to prepare a commercially viable product. Moreover, the artist must be business savvy to reach an audience and convince them to purchase the product in one shape or another. The customer base also needs to grow, or it needs to be sustained to run a successful operation and create a sufficient ROI.





**Figure 6: Tasks associated with contemporary independent music production (Hracs, 2013).**

A viable business model for an independent artist requires growing and sustaining a fanbase and utilising a variety of revenue streams by targeting the fans through multiple marketing activities. According to Owsinski (2016) the music industry is currently at the stage *music 4.1* which involves digital music being monetized, communication switched to direct artist-to-fan, YouTube becoming the new radio (as in the largest outlet for music discovery and listening), streaming becoming profitable and labels changing their business models (the 360 deal).

One of the many revenue streams utilised by artist is merchandising. Passman (2015) describes merchandising or merch as selling products that use your name, logo, or likeness, which can be for example T-shirts, posters, hoodies, hats, etc.

Owsinski (2016) also highlights a model called the Economics of Free (EoF) in which it is encouraged to offer something for free (such as digital downloads) to boost sales of scarce products. This theory can be applied to independent artists by offering digital music downloads for free or almost free to attract buyers for merchandise, show tickets, backstage passes, private concerts, CD's or anything else that has a limited supply.

To go about starting a sustainable career in music, an artist must consider how much money they'll need to make each month to cover their expenses. According to Wikström (2009), in the beginning of the 21<sup>st</sup> century, costs of music production have fallen to a point where most artists are able to afford a home studio set-up to record and produce commercially viable music. In the 80s and the 90s, costs began declining steadily because digital versions of expensive studio hardware began emerging in the markets. Previously artists had to pay by the hour, which made studio time unreachable for most early-stage artists. Today, all the necessary emulations of hardware can be fitted on to a single laptop.

To analyse the work required to achieve the necessary cash flow we can have a look at economic theories. Productivity or labour productivity equals the output per hour worked and to achieve growth there generally needs to be an increase in both. (Baily and Kirkegaard, 2004) By using productivity theory we can try to estimate the workload of an independent artist required to produce the necessary cash flow and ROI to be able to forge a living out of music. A brief analysis on using productivity is provided in the results section.

Wikström (2009) states that 85% of artists revenue is generated from live performances and 10% come from recording sales. Usually, live performances are the most important revenue stream for artists. As Passman (2011) notes, the now common major label deal called the 360-deal results in a lower payment for performances as the record label takes a major share of the performance revenues too. As an independent artist one gets to keep a major share of the revenue in every area.

As the artist sits in the very elemental part of the music business value chain, they have the possibility to utilise a large part of the revenue streams associated with the music business model. Without the record label, artists can also keep a major share of the related income. Revenue streams include royalties from recording sales, income from live shows and merchandise sales. According to Passman (2019), if you're a niche artist with a limited audience, you could be better off without a record label in principle, because the record label deal won't be able to generate large growth to justify the large percentage they'd take.

For more mainstream genre artists, such as hip-hop and pop, the question isn't as straightforward. If you manage to create a good online presence, a good fanbase and market your music well, you'll make far more money than you would with a record label deal. The difficulty is to make these things happen without a record label. There are so called "virtual" record companies as Passman puts it, who can handle all the record label activities for an expensive fee. This is out of reach for most starting artists. The most plausible way of utilizing these services would require releasing a few albums or building up a good fanbase. (Passman 2019)

## 2.4 Music Deals

As a serious musical artist, one will encounter multiple forms of music deals during their career. Choosing when and which kind of a deal suits them depends on a multitude of factors including the genre in which the artist operates, size of fanbase, monthly recurring revenue from streams, ideology of the artist and many others to consider. Choosing the right deal could be a pivotal point in one's career for the good or bad.

### 2.4.1 Label Deals

The nowadays common direct deal between an artist and a major record label is the "360 deal". In a 360 deal, the artist signs away rights to not only recordings, but also to their publishing, merchandising, and touring. Essentially, all the revenue streams related to the exploitation of the artist and their music are tapped

in to by the label. Due to this, record labels have become more like music companies rather than solely record labels. (Passman 2011)

The bottom line in major label deals is that the artist gives up most of their royalties in return for backing from the major label with solid means for promotion. Once the masters are signed to the major label, there is basically no way of getting out of the deal besides doing a buyout. Similarly, artists can sign a record label deal with an independent record label for a smaller cut of their royalties, but potentially lower potential for growth.

#### 2.4.2 Label Services Deals

Another form of a music deal for artists is a “label services deal”, which is essentially a distribution deal. Distribution deals provide means of getting the music to the online outlets and streaming platforms. In a deal like this the profits are often split 50/50 (this can be lower) and the label service company provides recording and promotion help for the artist. The good thing is that the artist keeps a good portion of their royalties and remains the owner of the masters, but they must pay for the services and bare the risks of getting returns. For established artists, the company might upfront the costs as an advance, but this is relatively rare. (Passman 2019)

An independent artist may sign a record label deal with an independent label or a music services company to boost their career and stay independent as defined in this thesis, but if they wish to maintain full control of their music (maintaining full control can be considered independence by the definition of the word), the right option would be to go with the music services deals.

### 3 Research Methodology

#### 3.1 Research Design

This section of the thesis explains how research is carried out to find out if and how can independent artists establish a sustainable and successful career in the digitalised music industry. According to the OECD (2015), research is "creative and systematic work undertaken to increase the stock of knowledge". Conducting research involves collecting, organizing, and analysing of gathered data to increase understanding of a subject. According to C.N. Sontakki (2009) "marketing research" consists of methods of discovering and interpreting data to help leaders in rational marketing decision making.

Kotler (2013) states that marketing research is an important activity for organisations as it provides information on customer motivations, purchase behaviour and satisfaction. By conducting research, organisations can gain insights on market potential, market share and the four Ps of marketing (product, price, place, and promotion).



**Figure 7: Marketing research process (Kotler 2013)**

In the first stage, which is often the most difficult one, a problem must be defined. Sometimes the problem isn't apparent even though managers realize there is something wrong. This is what makes it hard. After carefully determining the problem, the research objectives are set to determine what kind of information is needed and to create a plan for getting the information. Once this is done, the plan will be presented to management for review.

Once the plan is done, it is implemented by the researchers often by examining secondary data first. Secondary data refers to data that has already been collected previously, which makes it logical to begin with. After that, researchers

look for primary data through various activities such as observation, surveys, experiments, and interviews. Finally, the gathered data should be presented to management highlighting important findings that contribute to the decision-making process regarding the major decisions faced by management. (Kotler 2013)

Sontakki's figure of the marketing research process features the three types of research:

- Exploratory

Is usually based on secondary data and provides a basis for understanding of the problem at hand. Uncovering the hypothesis of the research often emerges through exploratory research and is tested through descriptive and experimental research. Exploratory research

- Descriptive

Formal and conclusive based on primary data. Descriptive research describes the features of specific demographics and estimates the proportions with varying qualities. It makes specific predictions and determines if specific variables are associated with one another.

- Causal

Describes causal relationships through experimentation. In causal research, researchers perform an activity with closely monitored variables and then they replicate it with different experimental variables. They examine the results and draw conclusion on how the newly introduced variables affected the outcomes of the activity.

Research questions can be further divided in two categories: qualitative and quantitative. Sontakki describes quantitative research as questions like; what? Who? How many? Where? And when? Qualitative is described as questions

answering why? A qualitative research question could ask why a consumer chooses product A over product B.

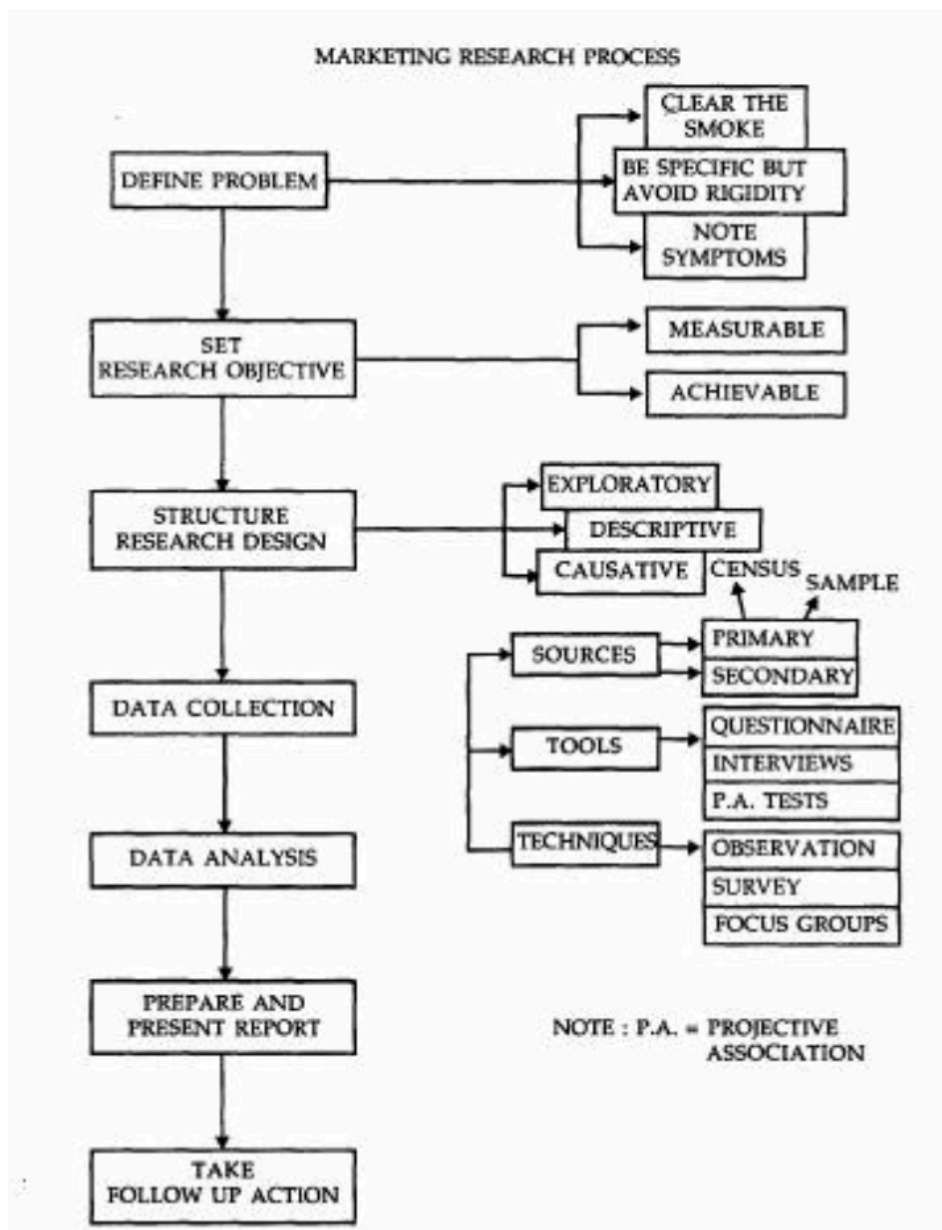


Figure 8: Sontakki marketing research process (Sontakki, C.N. 2009)

### 3.2 Data Collection

The research will be carried out with exploratory qualitative research methods. Observational research will be used to support the research because the author has worked within the relevant field and closely with independent artists who've succeeded in building a career in music adequate to provide them a living.

Secondary and preliminary data will be used to draw results for the thesis. Secondary data will be gathered from industry websites and articles from highly trusted outlets. The secondary data includes statistics, case studies and examples of contributing factors to the success of independent artists. The secondary data includes the various income streams for independent artists and the prerequisites of achieving a sufficient ROI as well as explanation of what is a sufficient ROI.

Preliminary data will be collected from structured non-disguised interviews. A structured non-disguised interview refers to a questionnaire where the questions are pre-arranged in order and the purpose of the interview is revealed to the interviewee beforehand. Most of marketing questionnaires are laid out in this format. Experts consider this method to be the best approach to get accurate answers because the interviewee is not kept in the dark about the reason for the interview (Sontakki 2009).

Interviewees are an independent artist (as defined in the Literature Review in part 2.3.2) and a music industry ex-CEO from the major label sector. These interviewees were selected because they have extensive backgrounds in the music industry and first-hand experience on how artists are being developed as well as deep knowledge about the subject overall.

The aim of the interview is to gain insights from a top-level executive and an independent artist on the viability of the independent artist business model and how the traditional music business models can be modified to suit independent artists. The answers will have perspectives from both sides of the coin as the interviewees have experience from the major label sector as well as the independent sector.

## **4 Research Results**

In the results section, I will analyse the interviewees responses as well as secondary data from online sources such as articles and statistics in contrast to



the literature review. The aim of the interviews is to provide first hand insights in to the current day music industry and to examine the viability of the independent artist business model as well as the key factors to success.

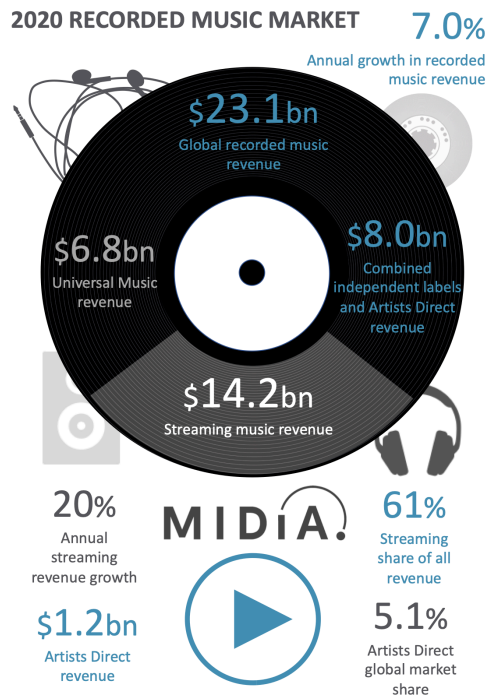
Interviews were conducted with representation from top level record label management and an upcoming independent artist on 15<sup>th</sup> of April in 2022. Both granted permission to use the interview in this thesis. From the record label side, Wemppa Koivumäki was interviewed. In the beginning of the interview, background information was gathered on industry experience and position.

Koivumäki has 28 years of music industry experience and is the former Managing Director of Sony Entertainment Finland and the Baltic States. Koivumäki was chosen for this interview as he has witnessed closely the process of artist career development and is familiar with the details that go into the process. His extensive history also provides deep insight on how the industry has changed due to digitalisation.

At the time of writing, the independent artist interviewed has officially released 2 singles of his solo project and multiple previous releases as part of a group. The two songs under their solo project have gained over 800 000 streams on Spotify during the first year and the number of monthly listeners on his Spotify profile are 15 000. The artist also has experience with monetizing music related non-fungible-tokens (NFT's). The interview responses by the artist have been translated to English. The artist preferred to stay anonymous.

#### 4.1 Music Industry

The global recorded music market generated 23.1 billion USD during the year 2020. The largest company was one of the major labels, Universal Music Group (UMG) and it produced 6.8 billion USD (Mulligan, 2021). During recent years, the independent sector has grown with tremendous momentum eating up market share from the major labels. The combined recorded music revenues generated by the independent record labels and independent artists reached 8 billion USD surpassing the largest major label in revenue. (Mulligan, 2021).



**Figure 9: 2020 Recorded Music Market (Mulligan, 2021)**

Now, the winners are the ones with biggest catalogues (catalogue represents about 80% of streaming income). This means that the big three will continue to rule (Universal, Warner and Sony). There are signs that the share of old catalogue versus new is gradually changing which should mean increased share for the independent sector and especially DIY sector.

– Koivumäki

It has been a trend during the recent years that independent artists direct revenue has been outperforming the market. In 2020 independent artists direct revenue grew by 34,1%, breaking the billion-dollar mark at 1,2 billion USD. According to Mulligan the rise is due to a major shift in the markets where a new generation of independent artists are taking over. He also mentions that a large amount of money is being invested towards creator tools aimed at this new generation, which will further boost the growth.

When interviewing Koivumäki, Mulligan's findings gain support as the major labels are following the same trend of content creation focus. Koivumäki

commented that the biggest change he has witnessed during his career of 28 years in the industry, has been a change in the basic model.

A change of the basic model from distribution to content creation. The changes made running a music company much more “professional” - less ego’s and more concentrating on content and artists.

- Koivumäki

As explained by Passman (2011) in the literature review, major record labels have had to adapt to the changing market conditions by introducing additional services on top of distribution to maintain their value creating activities in the industry. Koivumäki was shown the organization chart of the music industry by Hirsch (1970) and asked if it seemed accurate in 2022 and he goes onto highlight the importance of social media as discovered in the literature review.

Seems a bit narrow. Big part of the “hit game” happens outside of this model for example on TikTok and other social media platforms.

– Koivumäki

## 4.2 Business Models

### 4.2.1 Record Label Business Model

Record labels as owners of music recordings have their own business model. Sections of the record label business model canvas (Osterwalder and Pigneur, 2010) would look as follows based on the simplified value chain by Meisel and Sullivan:

1. **Value proposition:** Entertainment in the form of music recordings and performances are offered to the market.
2. **Target customer segments:** Music is offered to the fans/listeners of relevant genres.

3. **Distribution channels:** Online outlets (digital), retailers (physical), radio
4. **Relationships:** Through live performances, social media engagement
5. **Key resources:** Commercially viable music, appealing artists, songwriters, producers, human resources, finances
6. **Configuration of activities:** Distribution, promotion
7. **Partners:** Concert promoters, artists
8. **Revenue streams:** Recording sales, merchandising, radio, touring
9. **Cost structure:** Salaries, outside services

Above is a general model for record labels. Different types of businesses within the industry have different variations of the model. Independent artists are creators and financiers of the music that is offered in the value proposition.

When asked about the value chain of the music industry from Koivumäki, he commented that licensing of music would be something he'd add in the value chain and emphasize in the business model canvas for the industry. He was also asked about the main sources of income for artists to which he answered:

Depends on the artist, for some its streaming, for many its live. Some non-touring artists have made biggest part of their income through synchronization like Moby.

– Koivumäki

Synchronization refers to licensing a song to be used in visual media like for example movies, series, advertisements, or games. For reference, in 1995 Microsoft licensed a Mick Jagger song called "Start Me Up" for the launch of Windows 95 in an advertisement campaign. ('Start Me Up': The \$3 Million Anthem That Launched Microsoft's Windows 95 - 4A's, 2022, Scott, 2022). According to

now retired Microsoft chief operating officer Bob Herbold, Microsoft paid 3 million USD for a six-month license of the song. Inflation adjusted value of the 3 million in 1995 compared to the present moment is about 5,6 million USD. ('Start Me Up': The \$3 Million Anthem That Launched Microsoft's Windows 95 - 4A's, 2022, Scott, 2022).

#### 4.2.2 Independent Artist Business Models

Choosing the path of an independent artist is a growing trend in the music industry as opposed to signing a contract with a major label early on. The revenue share generated by the major labels is declining annually, while the independent sector keeps growing at an attractive rate. From 2018 to 2019, the independent artist revenues (not including independent labels) grew by 25% resulting in a valuation of 821 million USD (Zarczynski, 2021). The growth between 2019 and 2020 was even more impressive at 34.1% breaking the billion-dollar mark for the first time (Mulligan, 2021).

Using productivity theory was discussed in the literature review as a method of evaluating the inputs that go into producing a wanted output regarding the amount of work needed to achieve sufficient ROI. However, productivity theory is a poor tool for examining the development of an artist career, because in the early phases of the career, returns are not guaranteed for any input. Once an artist has built a fan base and released a large quantity of material, we can begin to evaluate the required inputs based on data such as Spotify and social media followers, streaming numbers, and fan engagement as well as other sources such as radio time.

The independent artist was asked about how new artists should approach a sustainable music career.

I've noticed that many beginner artists have a goal of signing a recording deal. When aiming for a sustainable music career, it should be thought of as a business and one should be very careful with all

contracts. They should be careful about how much are they giving away and for what return. If you have time to study how the business works and you have some savings, you should really consider if you should take the record label deal or should you rather stay independent and keep all the profits for yourself. Another thing you should keep in mind is the target market, is the audience large enough and who are your competitors. This should be thought of as doing a SWOT analysis for your business. If thinking about these things feel hard, then you might be better off taking the record label deal and leave this stuff in the hands of other people.

– Independent artist

As explained in the literature review, the key function of the major record labels - music distribution - has been made available for every artist through digital DIY distribution services and music promotion nowadays relies heavily in social media. According to Koivumäki, Sony Music helps to develop and create sustainable careers for artists by nurturing the right talent to help artists. When asked what the key factors are to building and sustaining a career independently from Koivumäki, the answer is quite straightforward.

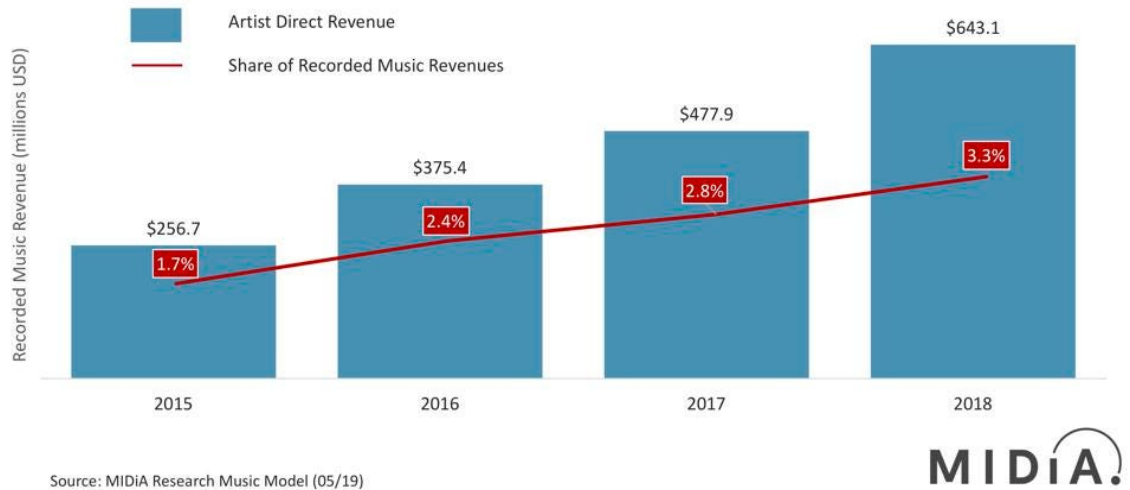
Very simple: The right team. If your team is missing even one vital piece, it will be very hard if not impossible.

– Koivumäki

And regarding what's most important for effectively marketing music:

Being creative, breaking new ground.

– Koivumäki



**Figure 10: Independent artist direct streaming revenues (Midia 2019)**

### 4.2.3 Cost Structure

Since according to Passman, production costs of music only require a home studio set-up which is affordable to most artists and is a one-time payment, the most important factor in terms of overheads is the covering of living expenses. This would include housing costs such as rent and rent related costs such as water and electricity, sustenance, clothing, and other living expenses.

Living expenses in the USA would look something like this:

Rent (average of a one-bedroom apartment): \$1106,24/month (Statista, 2021)

Living expenses: \$938,59/month (Numbeo, 2022)

Total: \$2044,83

The artist must produce at least 2044,83 USD plus taxes each month through music activities to provide themselves a living. Ideally, an artist should generate a ROI on top of covering expenses to invest in growth and to generate a return for themselves/investors. For the independent artist path to be a viable one in terms of a business model, according to Erdogmus, Favaro and Strigel, a ROI is a must, and it enables growth of the business. So, the question is, how much

work is required to produce the necessary amount to cover overheads and to generate a sufficient ROI.

The calculation above assumes that the artist is taking care of all the duties of an independent artist as described in Figure 6 by Hracs (2013). Another calculation should be made which takes in to account an artist who is sharing percentages of their income with team members or partners. In the literature review it was mentioned that an artist often gives away a percentage with the booking agent. The booking agent isn't the only one who might be receiving their share of an independent artists revenues.

Koivumäki was asked what the costs are of sustaining a career independently and how much in revenue would be left with the artist after fees. His breakdown of the cost structure was as follows:

First and foremost, the cost of time. Having the right team is also expensive. At least you must share your income. In general, I would say: 20 percent manager, 10 percent distributor (if this is all music streaming/sales), 15% agent/promoter (if live). Other costs would include several other things such as social media/marketing service and other costs of marketing.

– Koivumäki

When asked about time consumption of making music the answer from the independent artist was as follows:

For the last year my goal has been to go to the studio daily from Monday to Thursday for six hours each day. So, 24 hours per week. Outside of studio time, I spend time in planning activities and studying on how to advance music related and not music related things. It's hard to specifically say how much time goes into music, because as an artist, you are an entrepreneur, and you are working 24/7.



### – Independent artist

In the literature review, productivity theory was discussed to be used as a tool to determine the inputs required for certain outputs, but as the interviewee explains, a lot of time is being put into different kinds of activities and the work is entrepreneurial, so it becomes very difficult to measure exact inputs versus outputs.

As Passman (2011) explained, often 85% of artist revenues are generated through live performances. The average sales tax in the U.S. is 5,09% (Sales Tax by State, 2022). Based on these statistics and Koivumäki's answer, we can calculate a new number for the monthly revenue required for an independent artist. The required monthly recurring revenue would need to be a minimum of about 3100 USD (calculation in Appendix). This is over a 50% increase to the original calculation.

#### 4.2.4 Business model canvas

When comparing business model canvases of record labels and independent artists, the biggest differences can be found in the sections, "resources", "activities", "partners" and "revenue streams". The sections of a business model canvas for an independent artist would look like this (Osterwalder and Pigneur, 2010):

1. **Value proposition:** Entertainment in the form of music recordings and performances are offered to the market.
2. **Target customer segments:** Music is offered to the fans/listeners of relevant genres.
3. **Distribution channels:** Online outlets (digital), retailers (physical), radio
4. **Relationships:** Through live performances, social media engagement

- 5. **Key resources:** Hardware and software, finances
- 6. **Configuration of activities:** Creative (musical and visual) and non-creative activities, business, and managerial tasks.
- 7. **Partners:** Manager, live agent, marketing agency
- 8. **Revenue streams:** Recording sales, merchandising, radio, touring
- 9. **Cost structure:** Salaries, outside services

Recording sales account for physical sales (CD’s and vinyl), digital sales (digital copies of the recordings e.g., iTunes) and streaming (e.g., Spotify and Apple Music). Merchandising refers to any products manufactured, designed, and created featuring the copyrighted artist name or marketed under the artist’s name. Touring refers to income generated from the ticket sales of the artists live shows.

<b>Key Partners</b>  Manager, live agent, marketing agency	<b>Key Activities</b>  Creative (musical and visual) and non-creative activities, business and managerial tasks.	<b>Value Propositions</b>  Entertainment in the form of music recordings and performances are offered to the market.	<b>Customer Relationships</b>  Through live performances, social media engagement	<b>Customer Segments</b>  Music is offered to the fans/listeners of relevant genres.
	<b>Key Resources</b>  Hardware and software, finances		<b>Channels</b>  Online outlets (digital), retailers (physical), radio	
<b>Cost Structure</b>  Salaries, outside services			<b>Revenue Streams</b>  Recording sales, merchandising, radio, touring	

**Figure 11: Business model canvas of an independent artist.**

## 4.3 Revenue Streams

In this thesis, a multitude of revenue streams inside the music industry have been identified. This part will delve into the different revenue streams and their building blocks. When asked from the interviewed artist the most important stream is quite clear.

The shows are the most important of course. I haven't had any shows during the Covid-19 pandemic or after, so my music income consists of royalties currently.

– Independent artist

As noted, Covid-19 has affected the artists incomes. In the interview, the artist was also asked if they can provide a living through music revenue currently.

Not fully, but it covers a part of my expenses. Recently, I've reinvested all my profits. Currently, I could provide a living through music if I did one or two shows per month, but it wouldn't be a life of luxury.

– Independent artist

### 4.3.1 Streaming Royalties

Artists who write or produce music can be compared to entrepreneurs creating products and services for the public to consume. A professional musical artist records a musical recording that they can sell in any shape or form. They choose the outlets in which they'll place their recording as well as the partner that will deliver the recording. The outlets today are mainly digital streaming platforms (DSP's), such as Spotify and Apple Music. The delivery partners are mainly either record labels such as Warner Music and Universal Music or digital music distribution companies such as TuneCore and Amuse.io also known as aggregators.

When the recording gets played on a DSP, the artist generates revenue. On each song, the DSP's pay royalties for several kinds of rights and often to several rights holders. A recording can have as many owners as there were parties involved in working on the recording. The streaming economy is an important area for artists to educate themselves on as the portion of streaming revenues is growing. For some artists, streaming revenues can even be their main income in the beginning or at some point. The lack of knowledge that artists have regarding music copyrights often results in uncollected royalties resulting in lower revenues. In 2021 it was reported that approximately 424 million in unmatched royalties were left uncollected by songwriters and composers. (Horowitz-Ghazi and Garcia, 2021)

Generally, the largest portion of streaming income for artists are generated by Spotify with its 365 million monthly active users (MAU's) (Spotify MAUs worldwide 2021 | Statista, 2021). 61% of the recorded music revenues are generated from streaming which means that Spotify plays an integral role in the industry. (Mulligan, 2021). On Spotify, artists do not get to choose their pricing. Artist revenues are largely based on the location of where the music is being listened to.

The equation for calculating revenues from Spotify for instance, is  $q \times r = i$  ( $q$  = quantity of streams,  $r$  = DSP's payout rate per stream,  $i$  = income). If an artist generates 1 million streams during a given month on Spotify and the payout rate from Spotify is 0.004 USD (country specific), the artist receives 4000 USD in streaming revenues for that month.

**Equation:  $q \times r = i$**

**Quantity of streams:  $q = 1\,000\,000$**

**DSP's payout rate:  $r = 0.004$**

**Income:  $i = ?$**

**$= 1\,000\,000 \times 0.004 = 4000$**

Countries which have many Spotify Premium users as opposed to free users pay higher payout rates to the artists. For instance, when an US based Spotify user

listens to a song that single stream could generate the artist 0.0035 USD. To reach the required monthly earnings of a US based independent artist (as described in part 2.3.2) with Spotify streams only, their music should stream at least 584 237 times each month. In contrast, Ariana Grande who is one of the world's highest streaming artists has almost 55 million individual listeners each month according to her Spotify profile in February 2022. (Ariana Grande, 2022)

As an example, for Argentinian independent artists, choosing the language of their music can be a very important decision when figuring out the earning potential for their music. A single stream coming from Argentina might only generate 0.008 USD as opposed to 0.0035 USD in the U.S. In many South American countries, the payouts are much lower. (How much do I get per stream on Spotify? – 2021 edition, 2022) Even though Spanish is the second most natively spoken language, an artist would need roughly four times more streams to generate the same amount of revenue from Spotify when making music in Spanish compared to making it in English if the streams would be concentrated in lower payout regions due to the language.

The independent artist interviewed has almost all their listeners in Finland according to their Spotify profile. The Finnish rate for Spotify payouts is 0.0054 USD, which is very high. (How much do I get per stream on Spotify? – 2021 edition, 2022) During the first year of releasing music, as mentioned before, the artists music has generated over 800 000 streams on Spotify. Based on the formulas above, the artist has made roughly 4320 USD in streaming revenue from Spotify only during the first year.

In the big picture, an artist constantly streaming these numbers would be making around 33 000 USD per year if the previously covered statistic of live performance revenue would be applied in which artists revenue consists of 85% coming from live performances (Passman, 2011). This would equate to 2750 USD per month, which would be enough to cover living expenses in the U.S.

*“Streaming shouldn’t be only considered as means to generate revenue, but rather as a method of promoting live shows”.* The Josh Abbott band told the

Financial Times that they've been able to generate a living through concert revenues and that they view streaming more as a method of promoting their live shows. When Spotify introduced something called Discovery Mode late 2020, which offers artists to benefit from extra algorithmic plays in exchange for a lowered payout rate, the band commented that utilizing the new feature was a "no brainer". (Nicolaou, 2021)

However, Discovery Mode has given rise to controversy as some have compared it to payola. Payola refers to the illegal practice of paying a commercial radio station to play a song without the station publicly stating that they've received payment for playing it. Under the law of the United States of America, radio's need to state that they received a payment in return for playing the song. (47 U.S. Code § 317 - Announcement of payment for broadcast, 2021) Payola democratizes the industry due to the immense purchasing power of the major labels and other large players compared to, for example, most of the independent artists. (Leight, 2019)

Labels manage to conceal and avoid getting prosecuted from payola by utilizing independent promoters. The labels pay the independent promoters a fee which the independent promoters take to the radios to deliver airtime for their songs, thus hiding the transaction from scrutiny. For their services, the independent promoters take a commission from the transaction.

#### 4.3.2 Radio

There are also radio pluggers who've managed to build tight relationships with the radio curators through years of hard work. These companies and individuals offer to present upcoming song releases to the radios in hopes of getting radio plays for the song. Radio play isn't guaranteed when using radio pluggers and the price can go up to 1500 USD per single, which makes this strategy not worth it for most independent artists (Knight, 2021).

Radio time is a great way of reaching an audience for artists as well as an added source of income provided that the song played was published and written by the artist. Oftentimes artists that are signed to major labels perform and record songs

that were written by other songwriters and published by a publishing company. If this is the case, the performing artist doesn't receive any royalty income from the radio plays regardless of the number of times the song was played on radio. (Lorinczi, 2014) So as an independent artist, it is worth it to develop songwriting skills to establish and maintain the songwriter royalty revenue stream.

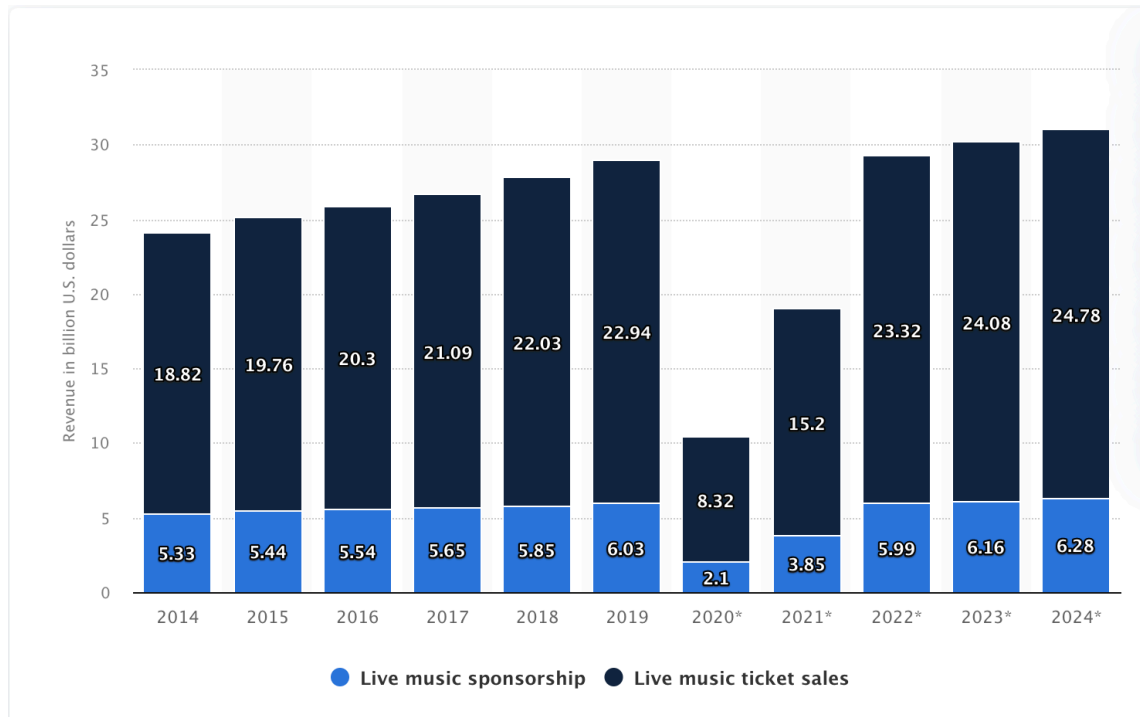
Radio is a source of income for artists who act as both songwriters and publishers, but it's one of the hardest media to get placed on. After building a fanbase and achieving sufficient traction, the curators will want to have the music played as it will create traction for the radio. Getting radio time is also dependent upon the curator's judgement of consumer preferences. If the curator believes that a new song has the potential to reach wider audiences, they might give it a chance. The radio receives most of their income through advertising sales (Whidborne, 2014), therefore the more listeners the radio station has, the more advertisers are willing to pay for the radio station. Hence, it is a common case of value exchange in business when an artist receives radio time.

#### 4.3.3 Live Shows

The most impactful revenue stream for artists is live performances such as shows and tours according to a study conducted by the Future of Music Coalition (2013). Artists play their music live to a paying audience and receive compensation from the show booker for the performance. The importance of other sources of income such as digital streaming revenues has become more pronounced during the Covid-19 Pandemic as the live music industry has taken hits all around the world disabling artists from playing at live venues. Figure 12 below shows the extent of Covid-19's effects on the live music industry and the projected revenues for upcoming years (\* = forecast).

As Passman stated, often 85% of artists revenue comes from live shows, however these numbers don't reveal the differences between signed and unsigned artists, nor do they provide knowledge on the royalty split deals the artists have with their record labels and booking agents. A booking agent takes a

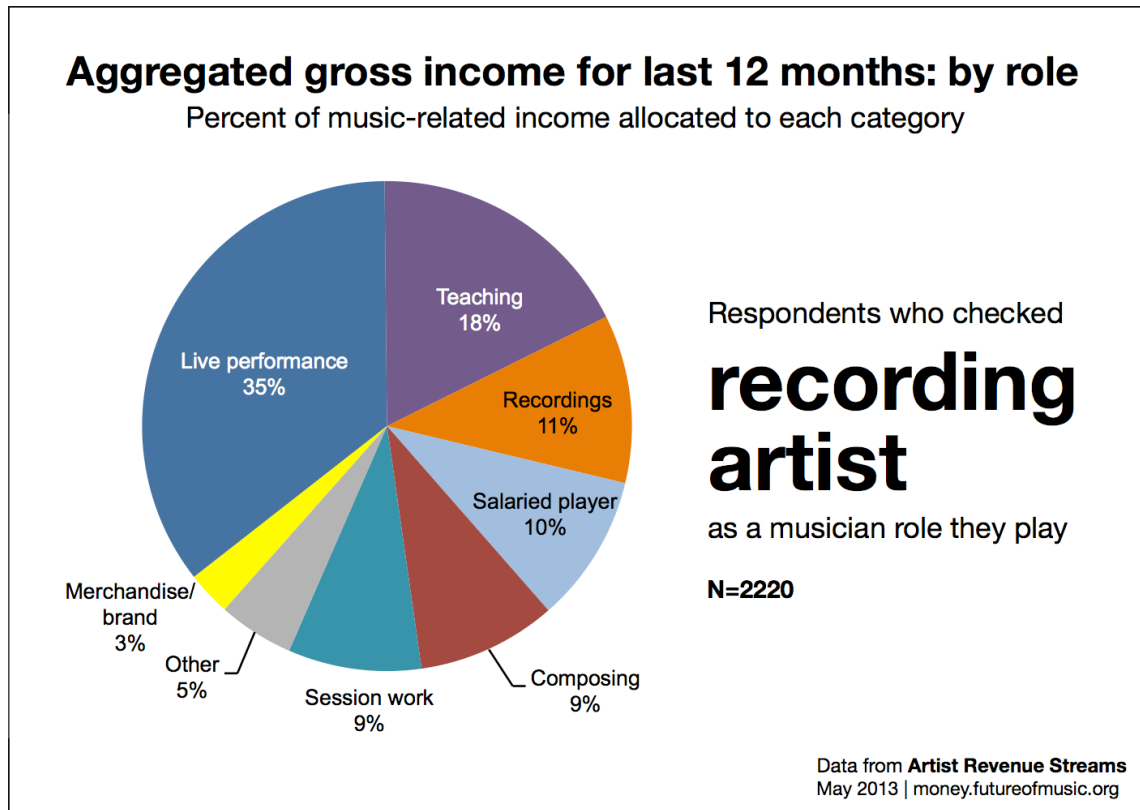
fixed fee or a percentage from the performers compensation. The performer receives a payment from the show promoter who in turn receives payment from ticket sales. The performer fee is usually a fixed payment but can be negotiated and is sometimes a percentage of ticket sales.



**Figure 12: Live music industry revenue worldwide from 2014 to 2024, by source (Statista 2020)**

The Future of Music Coalition conducted a study back in 2011 surveying 4453 musicians to find out the shares of different revenue sources for artists. For respondents who checked “recording artist” as their role, live performances accounted for 35% of their income.





**Figure 13: Recording artist revenue allocation (Future of Music 2013)**

#### 4.3.4 Merchandise sales

Merchandise sales (as defined by Passman, 2015) can include for example, t-shirts with the artists logo, items branded with lyrics and even vinyl records. Merchandise sales have before the internet boom taken place mainly at the live shows of the artist/band, but in today's digitized landscape, artists can even start a drop shipping business to manufacture and deliver their merchandise to paying fans without the need for an inventory or warehousing by using internet companies such as Shopify and Printful. How these services work is that the user chooses from a wide selection of items the one that they want to use as their piece of merchandise and on their online interface, the user customizes the item by uploading their logo or artwork onto the item. Once it's been customized to the users liking, they can set up a website to display the product just created.

Once the item is on display on the website and a visitor chooses to purchase the item, a request is sent to the service provider to manufacture the item and ship it to the customer. Traditionally, artists had to purchase the items first (often in bulk

as that made individual item prices cheaper but resulting in higher upfront fees and bigger risk) then have them printed and hope that there is enough demand for the products. For an already well recognized artist with a vast fanbase, this is a no-brainer of course, but for up-and-coming artists it is sometimes hard to say when the right time is to begin selling merchandise. (Printful, 2021)

## 4.4 Independent Music Marketing

As covered before, independent artist must become the record label and handle promotional activities themselves unless they are working with a label services company. Working with these types of companies is usually out of reach for artists in the early stages of their careers. Therefore, developing skills and processes for music promotion is highly important to increase the chances of succeeding in building a career.

### 4.4.1 Social Media

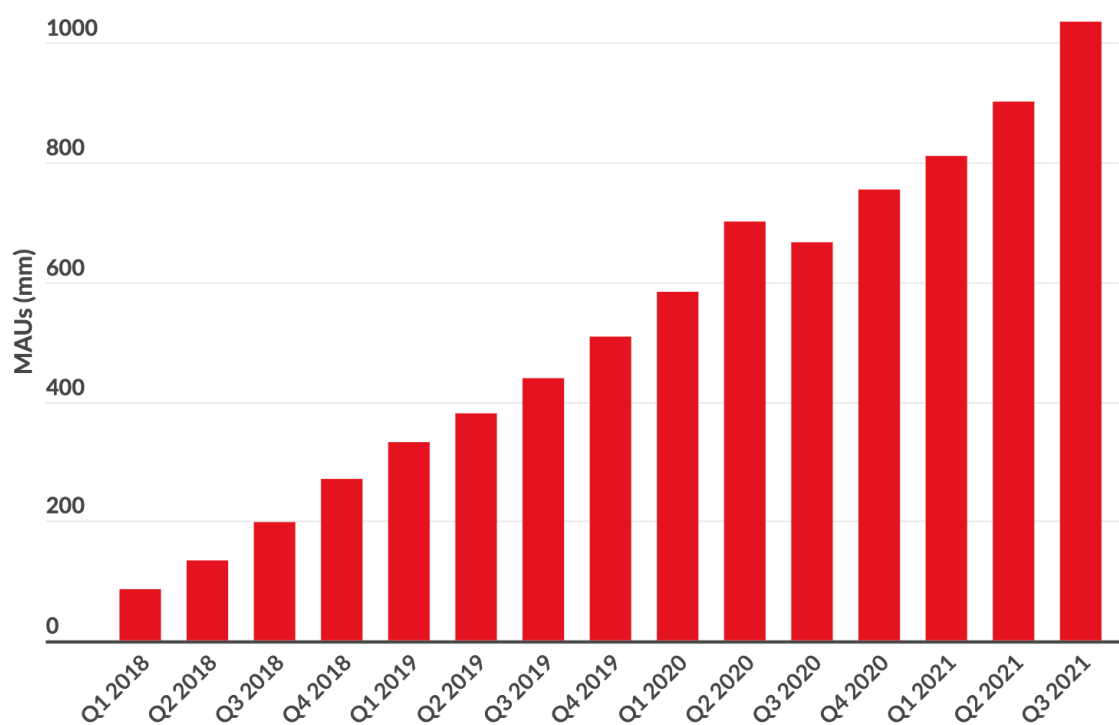
Reaching customers and growing a fanbase has been transformed during the 21st century. Promotion and communications can be done through free content marketing on social media, which can be extremely effective given there is a good strategy behind it that in some way creates value for the fans and visitors. The independent artist interviewed was asked about the time that they spend on social media and whether it is worth it.

Compared to other artists, I spend quite little time on social media. I usually begin promoting two to four days before the release date and each day I post some content. Then after about a week, I start reducing the frequency of posting. It is clearly visible that if your musical side is in good shape and you spend time and effort on social media, the streams from social media promotion are many times higher than organic streams.

– Independent artist

The 2016 released social media platform called TikTok is an effective, highly popular, and fast-growing platform to consider for promotional use for artists. As shown in Figure 14, TikTok has grown to a billion monthly active users (MAU's) in 5 years (Mansoor 2021). Research conducted by MRC Data shows that 75% of TikTok users say that they discover new artists and 63% say they've heard new music on the social media platform that consists of an estimated 800m MAU's. By October 2020 TikTok had a confirmed number of 732 million MAU's. This means that roughly 600 million people discover new artists on TikTok. Furthermore, 67% of the users claim that they are more likely to search for music on the DSP's they've heard on TikTok. (Stassen, 2021)

### TikTok users



**Figure 14: TikTok MAU's (Mansoor 2021)**

An example of TikTok's power in creating music trends involves an artist called Lil Nas X and his song "Old Town Road". At the time of releasing, Lil Nas X was an independent artist who used the aggregator Amuse.io to release "Old Town Road" to the public. He also uploaded the song on TikTok and promoted it as a meme for months. Soon, the song was picked up by the TikTok community and

it began spreading rapidly yielding astronomical results in terms of streaming and exposure. (Strapagiel, 2019) The attention resulted in Lil Nas X receiving multiple deals from record labels and distribution services. (Ingham, 2019) By establishing a fanbase and reaching high stream counts, Lil Nas X gained substantial leverage when negotiating with the labels as opposed to new artists with very little to no streaming or following counts.

Interviewees were asked about the role of social media in music and which platform is the most important. Both interviewees recognized the crucial importance of social media and the artist also highlighted TikTok.

In almost all cases they are vital (with exceptions). Territory, genre and other factors define which platform is the most important.

- Koivumäki

I see that it depends on the current era, which social media platform is the most effective and the situation evolves constantly. Social media is the most important tool for music marketing. Currently the best platform is TikTok, because the algorithm is on a better level when compared to other on platforms. It is what many artists are now focusing on and even writing their songs for.

– Independent artist

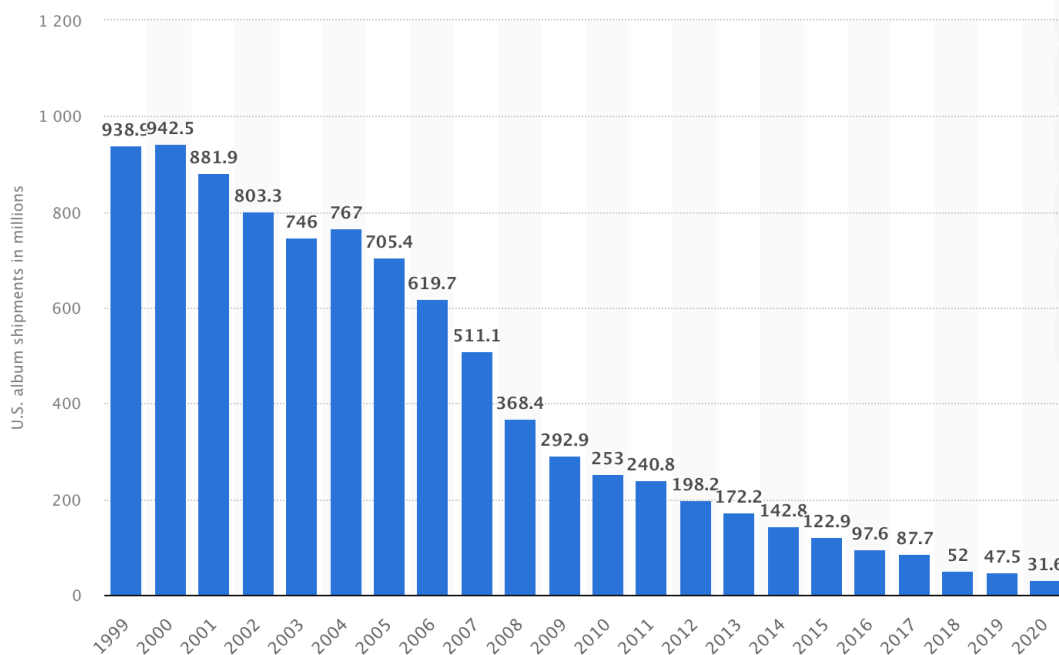
#### 4.4.2 Music Services

Many independent artists have a specific skill, or a certain skill set that they can use to generate income. A market for all kinds of musical services exists, but it requires a lot of hard work to find clients just as in any area of business. Artists can market and offer their services such as songwriting, recording an instrument or vocals, mixing, and mastering and playing instruments. Talented artists often write their own songs and if they manage to spark interest in other artists, they can join songwriting sessions or songwriting camps in exchange for payment or royalty shares of the music they help create.

#### 4.4.3 Do-It-Yourself Artist Services

One of the key factors contributing to the rise of independent artists is the emergence of DIY artist services that enable artists to create, release and promote their music. Before these services, having a record label was essentially a must for artists to get their music out to the consumers. When artists relied on CD sales and label marketing efforts, the production, distribution, and marketing were financed by the labels and even after iTunes and Spotify were released labels were the main distributors to these outlets. Now that digital streaming has become so important, aggregators such as Amuse.io and TuneCore are amongst the most important independent artist tools out there.

In the U.S. almost a billion CDs were shipped to consumers in the year 2000. More precisely 945.5 million CDs were shipped in the U.S. alone. That number in the year 2020 is only 31.6 million. That is only 3.3% of what it was 20 years ago. E.g., If a U.S. based artist making music in English produced 4000 USD each month and 50% of their income came through CD sales, the total revenue in today's market would equate to 2066 USD. Assuming that most of their listeners are in the U.S, the artist would need to generate around 300 000 streams each month to compensate for the CD sales with streaming royalties. (Statista, 2021)



**Figure 15: Physical album shipments in the U.S. 1999-2020 (Statista, 2022)**

As the independent sector grows, so does the pool of services for artists. There is a vast selection of distribution companies with slightly differentiated offerings catering to specific needs. Some platforms offer financial help, some focus on marketing and others focus mainly on cheap and effective distribution. Beside distribution services, there are many other types of platforms that enable artists to push their music to ever larger audiences. Some of these platforms let artists pitch their music to playlist and blog curators. Playlists are an enormously important part of music marketing in today's music industry.

Groover, SubmitHub and MusoSoup are all examples of services that artists can use to promote their upcoming releases to multiple outlets with a single pitch. These platforms connect artists with playlist curators, influencers, podcasters and more. Using these services reliably places the artists' music in front of important gatekeepers of the music industry. As an example, the artist called Álec placed his music on Rolling Stone Brazil by using Groover. (Beaussant, 2020) Rolling Stone Brazil reaches 2.3 million unique visitors yearly, which means that by submitting to Groover for under 3 USD, one can reach millions of people. (Perfil Media Kit, 2021)

## 4.5 Independent Artist Business Model Based on Interview

Based on the interviews, the business model canvas for independent artists gathered from web results was accurate. Koivumäki would have added some additional potential revenue streams to the canvas.

Looks accurate, but would add something more to revenue streams: recording sales & streaming (which is a licensing income), licensing (for example advertising and synchronizing), publishing income and NFT's.

– Koivumäki

When showed to the independent artist, the answer was along the same lines.

From my perspective, all the most important aspects are covered in this (the business model canvas for independent artists).

– Independent artist

<b>Key Partners</b>  Manager, live agent, marketing agency	<b>Key Activities</b>  Creative (musical and visual) and non-creative activities, business and managerial tasks.	<b>Value Propositions</b>  Entertainment in the form of music recordings and performances are offered to the market.	<b>Customer Relationships</b>  Through live performances, social media engagement	<b>Customer Segments</b>  Music is offered to the fans/listeners of relevant genres.
	<b>Key Resources</b>  Hardware and software, finances		<b>Channels</b>  Online outlets (digital), retailers (physical), radio	
<b>Cost Structure</b>  Salaries, outside services		<b>Revenue Streams</b>  Recording sales, merchandising, Recording sales and streaming merchandising, radio, touring, licensing (synchronization), publishing income, NFT's		

**Figure 16: Independent artist business model revised after interviews.**

## 5 Analysis

### 5.1 Discussion

The aim of this thesis was to find out if and how is it possible for independent artists to build and sustain their music careers. Many important findings were made to support the viability of an independent artist business model. The most important finding was that artists can distribute their music to the relevant outlets with ease without the need for a record label or a recording contract. The success of an individual independent artist however is based on many different aspects. Key factors included for example, the artists team, costs, and size of potential audience.

The importance of social media was encountered in multiple sources and received support when looking into the results. Based on both interviews and online research, social media appears to have a very meaningful role in music marketing. Comparing to the beginning of the century, when DIY distribution services and social media platforms were in infancy, the possibility of successfully running one's music career independently looks a lot more manageable as these services and platforms allow artists to fully control the content they put out. Also, the switch from distribution to content creation was found to be a paradigm shift based on the answers by Sony Music Finland's former CEO, Wemppa Koivumäki.

The thesis provided good insights into what is required from an independent artist to forge a living the music industry and to what are the tools and resources needed for achieving this.

### 5.2 Reliability and Limitations

The limitation in this thesis was the fact that there was a given timeframe for the project and once it was apparent that a large sample size of interviewed independent artists would provide more accurate, reliable, and sufficient data, it was not possible to gather more artist interviewees. Having a large sample size



to study would provide more reliable data to examine and draw conclusions from. However, the interviews conducted provided support for other results found as they were from highly relevant respondents.

The independent sector is relatively new and although literature can be found on independent artist music marketing and strategy, not much data has been gathered yet. This makes it difficult to fully analyse all the factors that contribute to successful independent careers in the music industry and to present guidelines for forging a living as an independent artist.

### 5.3 Further Research

This thesis can be used as support for further research in the field. More research should be directed towards the relationship between social media content and music as it was highlighted multiple times during the research. Studying the correlation between online activity and music streaming as well as fan engagement, can provide extremely valuable data on how to craft a social media strategy as an independent artist to boost streaming and gain more fans to sell more shows and merchandise as well as to be able to harness the potential of all the possible revenue streams.

Although not much literature exists on the subject, there is a vast collection of data that can be analysed and presented to draw conclusions on successful marketing strategies and campaign that have helped artists in their careers. This data includes for example social media statistics and streaming behavioural statistics. It can be expected that more literature will emerge as the independent sector grows and becomes more and more of an important part of the music industry.

## 6 Conclusions

In this thesis, the literature on the music industry and independent artists was examined, research conducted and analysed to find out how to forge a living as

an independent artist. It was discovered that the activities handled by the record labels can be handled by independent artists themselves. However, handling all these tasks alone is a lot of work and hiring a team to reduce the load will introduce costs. As the artist interviewed mentioned, artists are like entrepreneurs and should handle their art as business. When making contracts it's important to weigh the trade carefully and think about what you are giving away for what return and not rush into deals assuming they'll advance your career.

The way of succeeding as independent will vary for each artist. Although generally 85% of artist incomes come from live performances, there are many revenue streams to be tapped into for artists. For some, other streams are more prominent than others and for someone the most relevant stream could be completely different. When advancing one's career, it's important to be mindful of the audience and opportunities of the music. For some artists synchronisation licenses bring the most revenue and for some it may be streaming. So, if the music you are making would be perfectly suited for advertisements or games, the right path could be to focus more on placements on ads and games rather than gaining streams or live shows.

The independent sector is a new and fast-growing sector of business in the music industry. The infancy of the independent sector means that literature and research on the independent artists is quite scarce. Companies and services for independent artists are also emerging fast and have not been around for a very long time, which means that there will be a lot of winners and a lot of losers in the upcoming years as these services will be looking for their place in the market. A lot of interesting data will be available in the future as the services advance and this will provide independent artist new tools, knowledge, and skills to work independently.

Based on the trends, it looks like the independent sector will keep growing enabling new solutions to support artists on building their careers and sustaining them with the help of technology.

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## Appendix 1

### Interview Questions for Executives

1. What is/was your latest work position in the music industry (in a music company)?
2. How long have you been working in the music industry?
3. What are the biggest changes the industry has faced during your career?
4. How has your career been impacted by the changes?
5. How does your latest employer help to develop and create sustainable careers for artists?
6. How has your most recent music industry employer adapted to the emergence of digital services? (DSP's, DIY services etc.)
7. What is the role of social media in artist promotion and which are the most important?
8. What do you think the future of the industry looks like in terms major label and independent sector market share allocation?
9. Have a look at the proposed business model canvas of an independent artist (attached). Does it look accurate and what changes/additions you'd make to it? And is it a viable solution for artists compared to the major label path?
10. What are the main sources of income for artists?
11. What are the key factors/activities needed for building and sustaining a career independently?
12. How much work should an artist expect to do to provide for themselves and sustain their career?
13. What are the costs of sustaining a career independently?
14. How can independent artists effectively market their music?
15. Have a look at the music industry value chain. What do you think about it and is it accurate in 2022?
16. What about the organization of the music industry?
17. What would be the breakdown of making for example 10 000\$ for an independent artist and how much of it will remain with the artist?

## **Appendix 2**

### **Interview Questions for Artists**

1. How much work do you do daily towards your music? (Percentage of 9-5)
2. How much time do you spend working on social media and do you feel that you get a good return for the work?
3. How important is social media and what is its effect on your music? Which is the best for music?
4. Have a look at the proposed business model canvas of an independent artist (attached). Does it look accurate and what changes/additions you'd make to it?
5. Are you able to provide a living through music?
6. What are your current music related revenue streams? Which is the most important?
7. Is there a certain point that you have identified when it would be possible to break even or make a profit?
8. What were the key factors that led to this?
9. How could it be replicated for someone else?

### **Appendix 3**

#### **Calculation of required monthly recurring revenue for independent artists**

**Live revenue: 1738 + agent fee (15%) = 2045**

$$100\% - 15\% = 85$$

$$1738/85 = 20,45$$

$$20,45 * 100 = 2045$$

**Rest: 307 + Distribution fee (10%) = 340**

$$100\% - 10\% = 90$$

$$307/90 = 3,4$$

$$3,4 * 100 = 340$$

$$= 2045 + 340 = 2385$$

**Sales tax: \$2385 + U.S. average sales tax (5,09%) = \$2513**

$$100\% - 5,09\% = 94,91$$

$$2385/94,91 = 25,13$$

$$25,13 * 100 = 2513$$

**Total with manager fee: \$2513 + manager fee (20%) = \$3141**

$$100\% - 20\% = 80$$

$$2513/80 = 31,41$$

$$31,41 * 100 = 3141$$