

Tuned Out: Exploring Music Streaming Services' Unfair Compensation Practices

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Chances are you are one of the 616.2 million people who fulfill their daily music needs through a music streaming platform.¹ Whether it's Apple Music, Spotify, Amazon Music, or some other music streaming platform that a consumer pledges their loyalty to, there is some motivating reason behind why a consumer selects a specific platform. It could be that you are an iPhone user who likes that Apple Music was already downloaded to your device and want to stay within the Apple family. Maybe you were tired of feeling left out when the 30.5% of music streaming service consumers who use Spotify posted their Spotify Wrapped to their social media to show off how superior their music taste is compared to their peers.² Maybe it was simply that Amazon Music is already included in your Amazon Prime subscription. Regardless of the music streaming platform that a consumer chooses, consumers consider a multitude of factors before making their ultimate choice. One factor many consumers do not consider is how music streaming services treat their artists, or more specifically, how it compensates artists. This blog will briefly explore why artists even choose to utilize music streaming services, issues with artist compensation, and how music artists and music streaming services have tried to solve this problem.

It is a no-brainer as to why music artists use a music streaming service to distribute their music. Spotify alone has 11 million artists and creators utilizing its platform.³ Streaming services give artists greater reach to a wider audience. Spotify has 574 million users across 184 regions, which allows artists to reach an audience previously unimaginable.⁴ Artists can now have fans and exposure globally, which can exponentially increase their streams and, thus, the amount of royalties earned. Music streaming platforms highlight different artists in featured playlists shown on their platforms to allow listeners to discover new music, but allows artists to be discovered by new listeners and grow their fanbase. Being featured on one of these curated playlists is called playlisting. In 2020, just two years after Spotify began allowing artists to pitch themselves for their inclusion in playlists, 72,000 artists were playlisted.⁵ Being playlisted by a music streaming service is critical for increasing an artist's exposure and streaming numbers. Streaming services also help smaller artists distribute their music because anyone can put music on a streaming

¹ Marie Charlotte Götting, *Number of Music Streaming Subscribers Worldwide From the 1st Half of 2019 to 2nd Quarter 2022*, STATISTA (Sept. 26, 2023), <https://www.statista.com/statistics/669113/number-music-streaming-subscribers/>.

² Marie Charlotte Götting, *Share of Music Streaming Subscribers Worldwide in the 2nd Quarter of 2022, By Company*, STATISTA (Sept. 26, 2023), <https://www.statista.com/statistics/653926/music-streaming-service-subscriber-share/>.

³ Rohit Shewale, *Spotify Stats For 2024 (Subscribers, Revenue & Trends)*, DEMANDSAGE (Dec. 15, 2023), <https://www.demandsage.com/spotify-stats/>.

⁴ Shewale, *supra* note 3.

⁵ Spotify for Artists & Spotify Editors, *Behind the Playlists: Your Questions Answered by Our Playlist Editors*, SPOTIFY FOR ARTISTS (July 23, 2020), <https://artists.spotify.com/en/blog/behind-the-playlists-your-questions-answered-by-our-playlist-editors>.

service. This means that smaller and independent artists can use streaming services as a distribution platform with few resources and no record label backing them.⁶

Music streaming services have also decreased music piracy and have increased overall music sales. In 2009, music sales were a mere \$6.3 billion; however, the introduction of streaming platforms and thus the ability for people to have an affordable (and legal) means of obtaining music increased that number to \$15.9 billion, with 84% of that revenue coming from streaming according to the Recording Industry Association of America (RIAA).⁷ By 2030, it is predicted that the global revenue from music streaming will be \$90 billion.⁸ In theory, the increase in revenue from music sales should mean an increase in revenue for music artists, which unfortunately is not the case.

Despite all of the benefits associated with streaming, a massive area of contention for artists is the compensation they earn from streaming. Major labels are maximizing their revenue while artists are barely making minimum wage from their streams.⁹ Artists generally make less than a penny from each stream, making it difficult for smaller artists to make a livelihood from music alone. Artist compensation varies based on the music platform they are featured on. There is typically a 70/30 split favoring the rightsholder of the song.¹⁰ While most mainstream music streaming platforms do not have a fixed “pay per stream” rate for the royalties that they pay out to artists, there have been many estimates floating about.¹¹ In 2024, it is estimated that artists on Spotify will earn \$0.00437 per stream, \$0.00783 per stream on Apple Music and \$0.00402 per stream on Amazon Music.¹² To put this into context, for every 1,000 streams on Spotify, an artist will generate \$4.37, \$7.83 on Apple Music, and \$4.02 on Amazon Music. Tidal, which claims to be an “artist-first, fan-centered music streaming platform,” pays artists the highest amount per stream, ranging between \$0.125 to \$0.015.¹³ The effects of just how little this amount is were felt the most during the Covid-19 pandemic when artists could not tour, and merchandise sales were down, thus causing them to rely even more on the revenue generated by their streams.

Since its inception, artists have been attempting to fight back against the meager compensation. Popstar and America’s sweetheart, Taylor Swift, pulled her entire catalog from

⁶ Ailey Butler, *Why Streaming is a Good Thing for the Music Industry*, 2 BACKSTAGE PASS 1, 2 (2019).

⁷ Dreamchild Obari, *Six Ways Music Streaming Services Have Positively Changed the Music Industry*, MAKEUSEOF (Aug. 30, 2023), <https://www.makeuseof.com/music-streaming-services-have-positively-changed-music-industry/>.

⁸ Michael Huppe, *Should Streaming Services Change How Artists Are Paid?*, FORBES (Feb. 8, 2023, 8:15 AM), <https://www.forbes.com/sites/forbesbusinesscouncil/2023/02/08/should-streaming-services-change-how-artists-are-paid/?sh=6690346e2ddc>.

⁹ Lanre Bakare, *The Music Streaming Debate: What the Artists, Songwriters and Industry Insiders Say*, THE GUARDIAN (Apr. 10, 2021, 3:00 PM), <https://www.theguardian.com/music/2021/apr/10/music-streaming-debate-what-songwriter-artist-and-industry-insider-say-publication-parliamentary-report>.

¹⁰ Kristian Gorenc Z, *Which Music Platform Pays the Most? Find Out Now!*, VIBERATE (Oct. 11, 2023), <https://www.viberate.com/blog/independent-artist/which-music-platform-pays-the-most-find-out-now/>.

¹¹ *How Much Do Music Streaming Services Pay Musicians in 2024*, DITTO MUSIC (Jan. 11, 2024), <https://dittomusic.com/en/blog/how-much-do-music-streaming-services-pay-musicians>.

¹² *Id.*

¹³ Gorenc Z, *supra* note 10; TIDAL, <https://tidal.com/> (last visited Jan. 27, 2024).

Spotify from 2014 to 2017 over a dispute about artist royalties.¹⁴ Other smaller artists have had to take on second jobs in order to survive, because they realized that unless you are Taylor Swift, Drake, or Beyonce, being a creative will no longer be enough to pay the bills.¹⁵ In 2021, the Union of Musicians and Allied Workers organized artists and others in the music industry in coordinated demonstrations at Spotify offices globally under their Justice at Spotify campaign. The campaign called for a “penny-per-stream” payment model, increased transparency in the company’s business practices, and an end to lawsuits filed against artists.¹⁶ Some artists, such as country singer Garth Brooks, have opted to enter into exclusive streaming deals to “negotiate more favorable terms and secure better royalties.”¹⁷ This approach is not only beneficial for the artist but for the streaming service as well, as it may experience an increase in users as an artist’s fan base migrates over to that specific platform. Exclusive streaming deals, however, have the potential to hurt consumers. As more prominent artists choose to enter exclusive streaming deals, music streaming services may become more like TV and movie streaming platforms in which consumers would have to subscribe to various platforms to access their favorite songs, as opposed to having full access to music libraries on one service. Imagine having to subscribe to all three major music streaming services to listen to your favorite artists.

Artists have also chosen the route of not distributing their music on streaming platforms at all. In 2022, Ye (the artist formerly known as Kanye West) released his album *Donda 2*, exclusively on his Stem Player (which retailed for \$200). Ye cited in part his decision to release *Donda 2* on his Stem Player because “song writers have been really hurt by streaming platforms.”¹⁸ Other artists have opted to release their music on their own websites or “use a service like Bandcamp that reportedly gives artists 85 [%] of download proceeds[.]”¹⁹ There may be an uptick of small artists who use social media, especially TikTok to advertise and promote their music and then use their own means to distribute it.

The only way for a balance to be reached is if streaming services prioritized artists and consumers, and music streaming services were willing to decrease the revenue they garnered, which is highly unlikely. As the gap between larger and smaller artists widens, many artists may opt out of music streaming services entirely. Even worse, we may see an uptick of artists who opt into exclusive streaming deals to improve their compensation, resulting in a fragmented streaming service model similar to that of tv shows and movies. To avoid this, music streaming

¹⁴ Mark Sweney, *Shaken it Off! Taylor Swift Ends Spotify Spat*, THE GUARDIAN (June 9, 2017, 12:21 PM), <https://www.theguardian.com/music/2017/jun/09/shaken-it-off-taylor-swift-ends-spotify-spat>.

¹⁵ See generally Travis M. Andrews, *In the Spotify Era, Many Musicians Struggle to Make a Living*, THE WASH. POST (Feb. 4, 2023, 6:00 AM), <https://www.washingtonpost.com/arts-entertainment/2023/02/04/spotify-grammys-songwriters-payment-musicians/>.

¹⁶ Matthew Ismael Ruiz, *Musicians Organize Global Protests at Spotify Offices*, PITCHFORK (Mar. 15, 2021), <https://pitchfork.com/news/musicians-organize-global-protests-at-spotify-offices/>.

¹⁷ *The Benefits And Challenges Of Exclusive Music Streaming Deals For Artists*, MUSCONV, <https://musconv.com/the-benefits-and-challenges-of-exclusive-music-streaming-deals-for-artists/> (last visited Jan. 27, 2024).

¹⁸ Andre Gee, *Are Artists Removing Music From Streaming For the Best Reasons?*, COMPLEX (Mar. 17, 2022), <https://www.complex.com/music/a/andre-gee/artists-removing-music-dsps-opinion>.

¹⁹ *Id.*

giants will have to eventually increase the pay-per-stream to an amount that appeases artists and gives them the compensation they deserve.