

# SoundCloud to be first music app with 'fan-powered' artist payments

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SoundCloud says it was easy to implement the change and will better support independent artists

SoundCloud announced Tuesday it would become the first streaming service to start directing subscribers' fees to the independent artists they

support, a move welcomed by musicians campaigning for fairer pay.

At the moment, streaming services like Spotify, Deezer and Apple put royalty payments into one big pot and dish them out based on which artists have the most global plays.

Many artists and unions argue this system is grossly unfair, giving a huge slice of the pie to mega-stars like Drake and Ariana Grande while leaving almost nothing for lesser-known musicians.

From April 1, SoundCloud will start directing royalties due from each subscriber only to the artists they stream.

However, this will only apply for the roughly 100,000 independent artists who monetise directly through the site. Artists licenced from major labels will continue to be paid via the traditional pooled method.

SoundCloud said the new payment system—known as "fan-powered royalties" or a "user-centric model"—would empower listeners and encourage greater diversity in musical styles.

"Artists are now better equipped to grow their careers by forging deeper connections with their most dedicated fans," the statement said. "Fans can directly influence how their favorite artists are paid."

## **'Distortion in value'**

Major record labels are thought to be resistant to "user-centric" payments, in part because the current system allows them to generate massive profits through a relatively small number of huge stars.



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A study by France's Centre National de la Musique (CNM) earlier this year found that 10 percent of all revenues from Spotify and Deezer go to just 10 artists at the very top.

That has allowed the major labels to amass record revenues over the past year, just as most musicians were thrown into crisis by the cancellation of live tours due to the pandemic.

Earlier this year, label bosses told a British parliamentary commission investigating the streaming economy that it may be too complicated for platforms to shift to fan-based royalty payments.

But SoundCloud, which has been trialing the new model for months, said

this was exactly wrong—that its computing calculations took just 20 minutes for user-centric, compared with 23 hours for the pooled model.

"The most important takeaway from SoundCloud's data is that none of the previous modeling has been accurate, that when you actually run a user-centric system, the rewards to artists that have an audience are significantly improved," said Crispin Hunt, chair of the British Ivors Academy. The Academy has been running a campaign to "fix streaming".

"It proves the distortion in value that the existing model delivers," he said.

## **'Interesting initiative'**

The CNM study, which only used data from Spotify and Deezer, found that changing to fan-based royalties would make only a slight difference to the income of smaller artists.

It would take around 4.5 million euros from the top 10 but distribute it very thinly around lower tiers, it said.



Streaming services like Spotify, Deezer and Apple put royalty payments into one big pot and dish them out based on which artists have the most global plays. Many artists and unions argue this system is grossly unfair, giving a huge slice of the pie to mega-stars like Drake and Ariana Grande.

SoundCloud however, found it made a significant difference. Using the example of an artist with 124,000 followers, it said they would see an increase in royalties from \$120 to \$600 per month.

It said the overall effect was that 90 percent of royalty pay-outs would now be driven by 90 percent of listeners, rather than just 40 percent of listeners under the existing model.

CNM president Jean-Philippe Thiellay said it was "an interesting initiative".

"Things are moving a lot in the world of streaming. It's a good thing. We'll have to see what it does for artists."

SoundCloud said its positive data may be linked to the particular nature of its users, who tend to be "younger and much more active".

It was launched in Berlin in 2007 as a sort of YouTube for music, allowing anyone to upload their music, from scrappy garage band covers to dubstep DJ sets.

This made it hugely popular, with some 175 million users by 2019. But it struggled to generate revenues and landed in legal trouble over the

number of unauthorised remixes and covers on the site.

In 2016, it shifted strategy, signing deals with the major labels to provide a premium service with a catalogue similar to those of its rivals. But it has remained a long way off the customer numbers of Spotify, Amazon and Deezer.

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