

IDENTIFYING ALTERNATIVE REVENUE STREAMS FOR INDEPENDENT MUSICIANS

by
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East Carolina University
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Requirements for
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by
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Table of Contents

Introduction	pg. 1
Background	pg. 1
Purpose	pg. 4
Research Question/Methodology	pg. 4
Data Collection and Analysis (Including IRB Approval).....	pg. 4
Areas of Interest.....	pg. 13
Recommendations.....	pg. 15
Conclusion.....	pg. 17

Introduction:

In the modern music industry, there has been a digitalization and modernization of the industry that is having and will continue to have an effect on the modern independent recording artist or group. The access that consumers, especially young people, have to music through digital mediums, be it through “free” illegal downloading, free streaming services, or services such as iTunes, is unprecedented. Music will only continue to become more accessible as services seek to make getting music to consumers in a more streamlined, integrated fashion that can be used on all of their technological devices. Musicians all over the world have had to adapt to this change, and some have more trouble adapting than others.

Musicians signed to a record label have the financial backing of the label to ensure their music will reach a large audience through every available medium. Independent artists with a large following are often able to give their music away for free or at little cost and still survive financially due to ticket and merchandise sales. However, small, independent artists or groups cannot afford to give away their music and cover their recording costs, and often struggle to make profits from tickets and merchandise sales at the small venues where they perform. As a result of this marketplace reality, and a review of the existing literature (see works cited page), it has become clear that other avenues must be explored to allow smaller independent artists or groups to increase sales revenue.

Background:

The digitalization of recording technology and easy access to the Internet has made it easier for artists to record and promote themselves. Struggling and unknown musicians have found the Internet to be a great way of promoting themselves, and in small studios, even in homes and garages, artists and bands are busy creating more music than ever before and releasing them on the 'Net (Sen, 2010). This can help independents create a grassroots following at little or no cost to them. However, this digitalization has also made it easier for listeners to gain access to artists' or bands' music illegally - thus eliminating the ability to profit from their art. Made famous by the downloading website Napster, and the lawsuits that ensued, the issue of piracy can seriously impact a new or independent artist financially. As computer speeds increased, file-sharing websites grew in popularity, and hard-drive storage became larger, the digital age made it easier and more affordable to gain access to any musicians' work (Dooley, 2008, 81).

In the world of digital music, there are a few major ways to legally get access to music. One is permanent downloads - a large provider of this is iTunes. Another is non-interactive webcasting - a large provider of this is Pandora. A third is streaming-on-demand - an example of this type is a service like Spotify (Passman, 2012, 140-141). Streaming on demand is a huge part of the future (Passman, 2012, 141), as it continues to grow in popularity and more artists make their music accessible this way, but the impact that streaming services have on independent musicians financially remains to be seen. In the past, musicians have had large chunks of their royalties taken by record labels, publishers, distributors, and so on, but without the music having a physical form, does any entity besides the artist

really need royalties?

According to an interview I conducted with Elephant Convoy, an independent reggae group out of Wilmington, NC, the percentage of sales the group makes from online mediums is almost negligible. Most of this small percentage of income comes from album sales on iTunes, but as the band's following still remains largely in their hometown, these sales still don't present a viable source of income, as the third party distributor the group uses takes a portion of each sale. The band pays out of pocket for all of their recording, promotion, and merchandising costs, and generates most of its revenue through merchandise – thirty percent of which comes from physical CD sales. This presents a challenge, because physical CD's are part of the traditional music industry.

The traditional (non-digital) music industry has declined by 71 percent in the last decade (Safir, 2013, 95), and more non-traditional components of the music industry continue to be developed. This is an area that has not been fully explored with regards to the smaller independent artist, and at times it has seemed obvious that these artists can be hurt by what seems like forward progress. Just recently, in 2015, in a blog post entitled 'To Apple, Love Taylor,' pop artist Taylor Swift addressed the roll-out of Apple Music, Apple's version of a streaming-on-demand service: "I'm sure you are aware that Apple Music will be offering a free 3 month trial to anyone who signs up for the service. I'm not sure you know that Apple Music will not be paying writers, producers, or artists for those three months. I find it to be shocking, disappointing, and completely unlike this historically progressive and

generous company.” She pointed out that while superstars like herself, who can afford not to be paid for every download or stream of her music, struggling, independent, or new artists may not have that luxury. These smaller artists or groups have to find other ways to cover their recording and merchandising costs.

Purpose:

The purpose of my research project is to be able to offer empirically tested recommendations on point-of-purchase sales strategies to small independent musicians. These strategies can be implemented at the artist or group’s live events to increase revenue.

Research Question/Methodology:

My research addresses the following question: *What point-of-purchase opportunities exist at live events that would allow small independent musicians or groups to increase sales revenues?* I intend to answer this question by gathering quantitative data from consumers using survey methodology, aiming for a minimum of one hundred fifty survey participants. The survey will target various facets of musical distribution strategies. Before implementing this study, I will submit the survey for IRB approval.

Data Collection and Analysis:

Before implementing my study, I was required to submit it for review by the Internal Review Board. Below is letter from the board detailing my study’s exempt

status.



EAST CAROLINA UNIVERSITY
University & Medical Center Institutional Review Board Office
4N-70 Brody Medical Sciences Building · Mail Stop 682
600 Moye Boulevard · Greenville, NC 27834
Office [252-744-2914](tel:252-744-2914) · Fax [252-744-2284](tel:252-744-2284) · www.ecu.edu/irb

Notification of Exempt Certification

From: Social/Behavioral IRB
To: [John Nolan](#)
CC: [William Rowe](#)
Date: 4/3/2017
Re: [UMCIRB 17-000623](#)
Identifying Alternative Revenue Streams for Independent Musicians

I am pleased to inform you that your research submission has been certified as exempt on 4/3/2017. This study is eligible for Exempt Certification under category #2.

It is your responsibility to ensure that this research is conducted in the manner reported in your application and/or protocol, as well as being consistent with the ethical principles of the Belmont Report and your profession.

This research study does not require any additional interaction with the UMCIRB unless there are proposed changes to this study. Any change, prior to implementing that change, must be submitted to the UMCIRB for review and approval. The UMCIRB will determine if the change impacts the eligibility of the research for exempt status. If more substantive review is required, you will be notified within five business days.

The UMCIRB office will hold your exemption application for a period of five years from the date of this letter. If you wish to continue this protocol beyond this period, you will need to submit an Exemption Certification request at least 30 days before the end of the five year period.

The Chairperson (or designee) does not have a potential for conflict of interest on this study.

IRB00000705 East Carolina U IRB #1 (Biomedical) IORG0000418
IRB00003781 East Carolina U IRB #2 (Behavioral/SS) IORG0000418

The study had a relatively small focus: college students East Carolina University. The goal of 150 participants was met with a response of 151. It was administered via

email using a Google Forms survey. The survey consisted of 18 inquiries with four separate response formats, and was given in the following order with a short description at the top:

You are being invited to participate in a research study titled "Identifying Alternative Revenue Streams for Independent Musicians" being conducted by John Henry Nolan, a student at East Carolina University in the Marketing department. The goal is to survey 150 individuals in/at East Carolina University. The survey will take approximately 10 minutes to complete. It is hoped that this information will assist us to better understand how different strategies can be utilized to make the unknown musician or group profitable. Your responses will be kept confidential and no data will be released or used with your identification attached. Your participation in the research is voluntary. You may choose not to answer any or all questions, and you may stop at any time. There is no penalty for not taking part in this research study. Please call John Henry Nolan at (919)-995-3121 for any research related questions or the Office of Research Integrity & Compliance (ORIC) at 252-744-2914 for questions about your rights as a research participant. Participants under the age of 18 are not permitted to take part in this study.

Yes/No Questions (Participants were given the option of one or the other)

Do the artists you listen to have a large following?

Do you ever find it difficult to find the artists you like on services such as Spotify, iTunes, Pandora, etc?

Do you usually buy merchandise at concerts?

Do you ever buy physical albums?

If an actual member/members of the band were at the merchandise table before/after the show, would you be more inclined to purchase something?

Would it be helpful to know exactly where you can find an artists music if it is not on a streaming service, etc.?

Would you be more inclined to make a purchase if it was advertised that the sales were going to directly into covering recording, traveling, etc. costs for the artist/group?

If you like the opening act, are you inclined to try and find their music to listen to after hearing them perform?

Short Answer Question (Participants wrote in answer)

Is there anything you don't typically see in a merchandise tent that you would like to be able to buy at a concert?

Multiple Choice Questions (Participants were given multiple choice options consisting of the options asked in the question)

What type of venue do you usually see live music in? Smaller Bars, medium sized halls, or larger arenas?

When you attend live music events, do you buy the tickets from a larger service such as Ticketmaster or an independent sales service?

If you were to buy merchandise, what would it be? Apparel (T-shirts, hats, etc.), accessories (stickers, key-chains, etc.), decorations (posters, pictures, etc.), or other?

If given the choice, would you rather buy a physical album or purchase an album on iTunes?

Do you prefer smaller, independent artists to larger, well-known acts?

Do you typically arrive at the advertised show time to see the opening act, or do you only come for the headliner?

Do you prefer there to be an opening act(s) or would you rather just one performance?

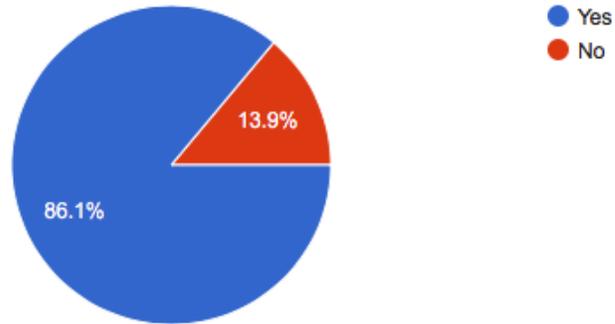
Linear-Scale Questions (Participants were given a linear scale from 0-10, with 0 being never and 10 being at least 10 times per year)

On average, how often do you attend live music events per year?

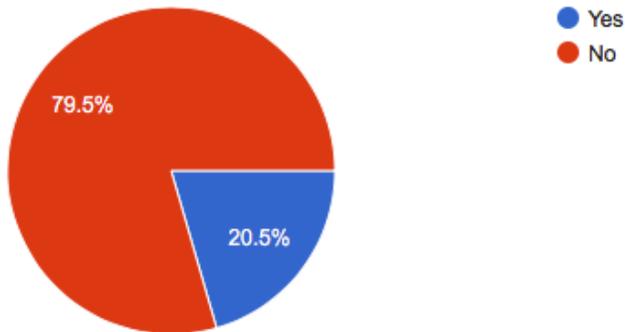
On average, how often do you see the same artist/group perform per year?

After collecting the responses to the survey, the results were compiled into the following response data for each question:

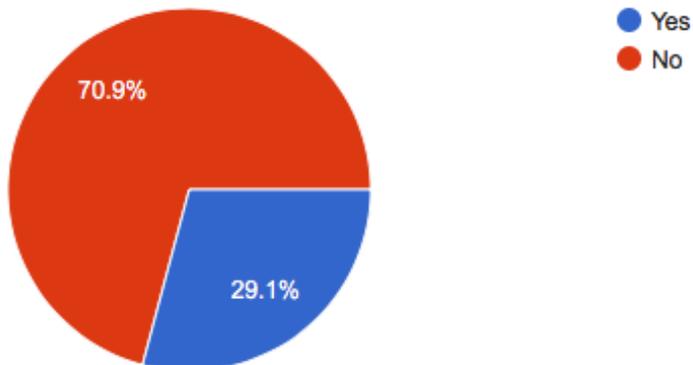
1.)



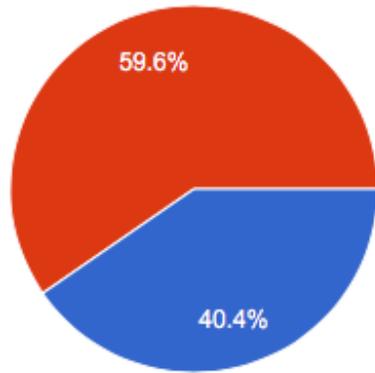
2.)



3.)

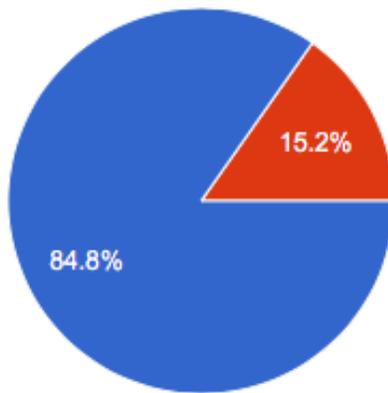


4.)



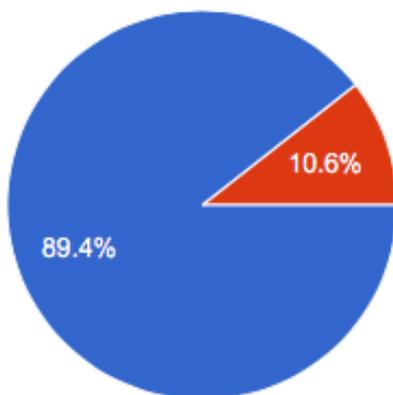
● Yes
● No

5.)



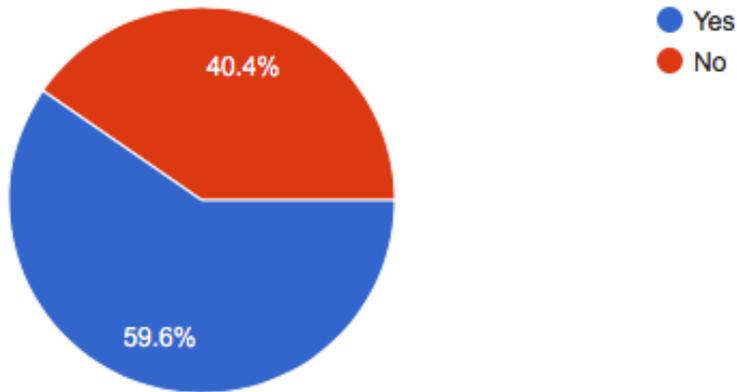
● Yes
● No

6.)

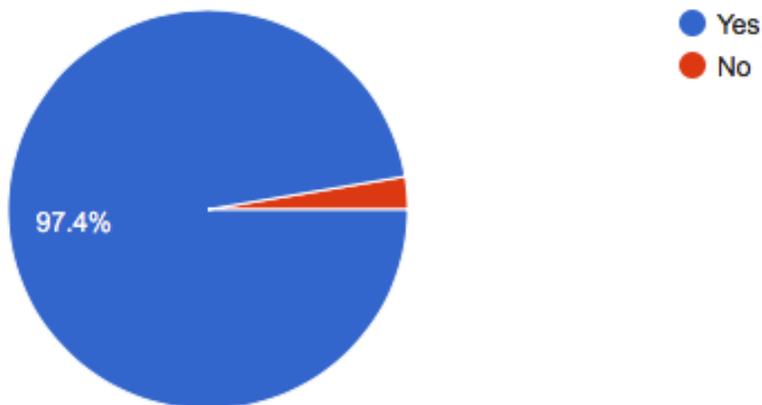


● Yes
● No

7.)

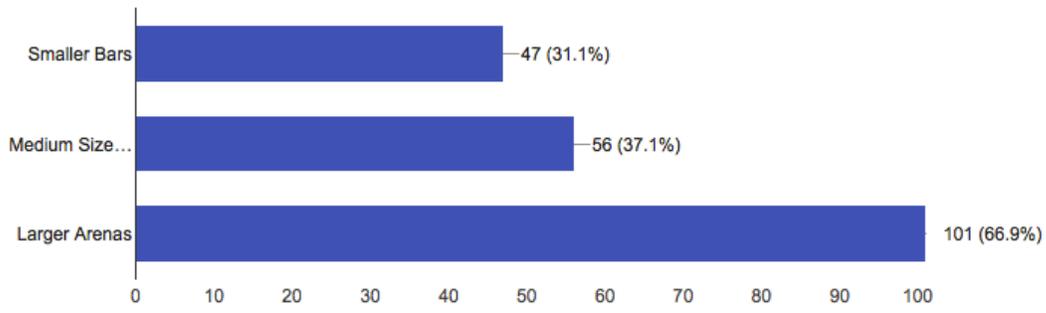


8.)

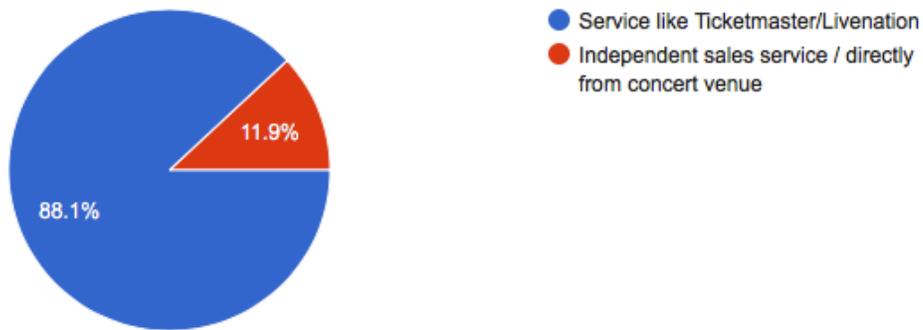


9.) This question required a short answer style response. Over half of the responses said there was nothing they don't usually see in a merchandise tent that they would like to be able to purchase. However, the other responses ranged from various types of accessories to apparel, signed physical albums, and higher quality merchandise in general.

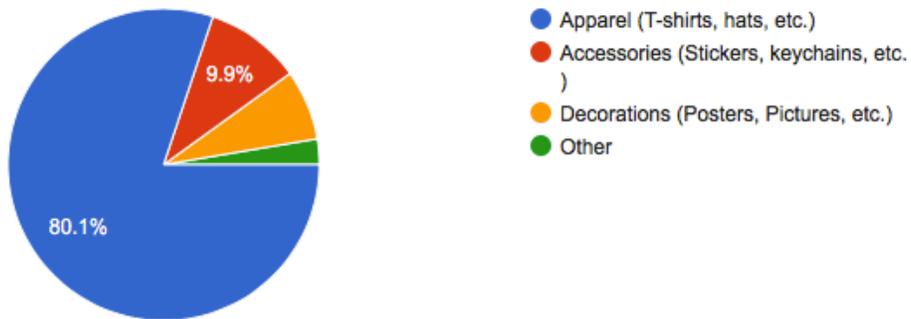
10.)



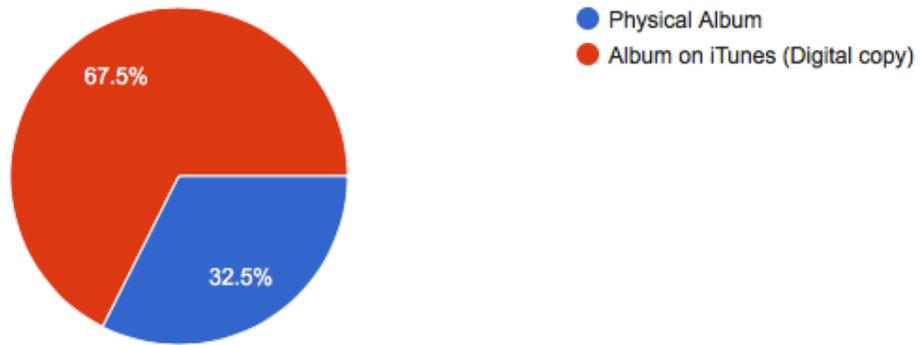
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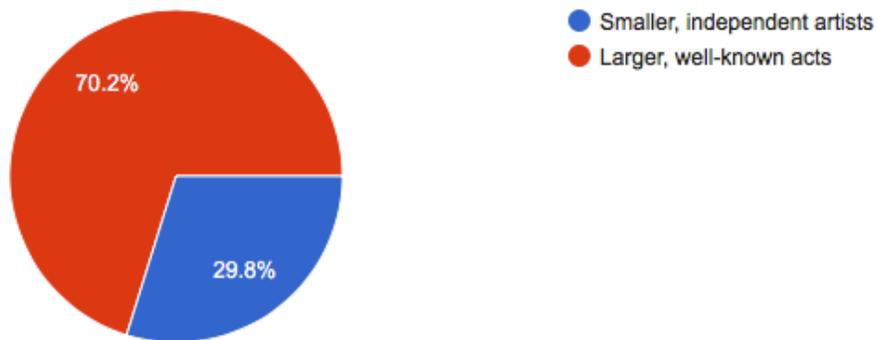
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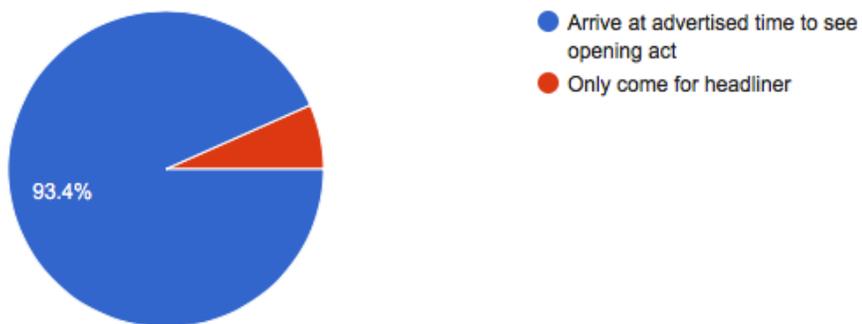
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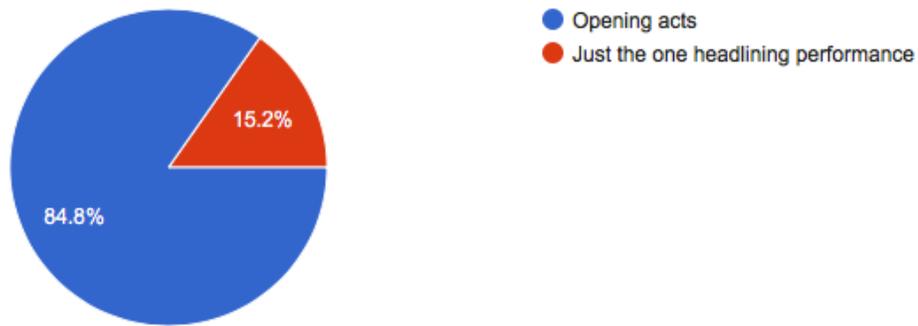
14.)



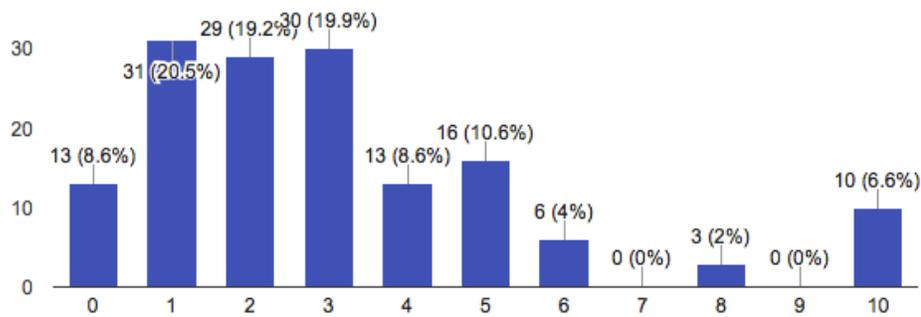
15.)



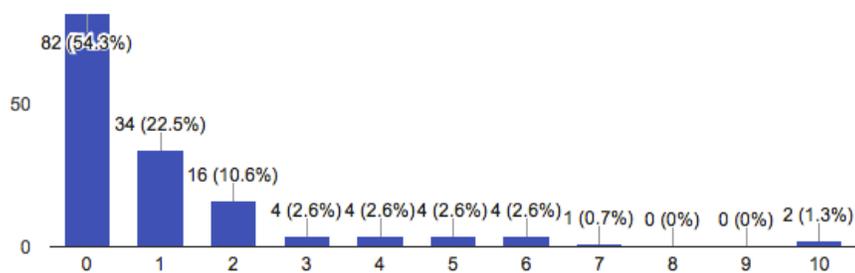
16.)



17.)



18.)



Areas of Interest:

After observing the collected responses, it was clear that there was some useful insight provided by administering the survey. A number of questions had responses that show potential areas of interest for a recommendation. The

responses can be utilized by understanding how different components of the survey play into each other.

First, most concertgoers only attend one to three concerts per year. This is a narrow window and there must be a well-executed strategy in place in order to increase the value added from a concertgoer in what could be the only concert they attend that year. On top of that, the majority of these attendees do not see the same artist more than once in a year.

A majority of the respondents answered that they prefer a larger, better known act to a smaller one, but they also prefer shows that include opening acts and always arrive in time to see the opener. Nearly all of these participants noted that if they liked the opening act, they would be inclined to try and find their music to listen to. This was interesting, because most opening acts are not well known acts, but the majority of respondents answered that the artists they listen to have a large following, and prefer these larger artists in general.

When these respondents attend concerts, most of them purchase their tickets from a large service such as Ticketmaster, and the concerts they are attending are primarily in large venues. This is a natural correlation, as these types of places typically have relationships with ticket services. Once they are at the concert, their purchasing habits are of note. If they are inclined to buy merchandise, the majority of them will purchase some type of apparel (shirts, hats, etc.). This was supported by the responses when asked if there is anything not included in a merchandise tent that should be. One of the more frequent answers was a broader range of apparel than the typical shirts and hats, as well as higher quality apparel in general. Another

frequent answer was that signed/autographed albums would be something that participants would purchase. This was interesting because most respondents answered that they would rather have a digital copy of an album than a physical one, and the majority of participants simply do not purchase physical albums at all. In addition to these responses, there were some items that were noteworthy because they don't usually appear in a merchandise tent, but fit the concert atmosphere, such as lighters with the band or artist logo, shot or pint glasses, or utilitarian items for a concert like glow sticks. Finally, the majority of participants said that they would be more inclined to make a purchase if the artist or members of the group were present at a merchandise table or tent before or after a show, and if it was advertised that proceeds were going directly into recording, traveling, etc. costs for the artist or group.

With participants showing an aversion to physical albums, they resort to digital means to access music. They answered that they typically have no issue finding the artists they like on streaming services, and this may be because these artists are larger with more exposure and have relationships with such services. However, as addressed in the background section, some small artists are not financially able to make their music available this way, and must find alternative ways of distributing their music digitally. Nearly all respondents answered that it would be helpful to know where to find an artist or group's music if not available through conventional digital means.

Recommendations:

After looking at these areas of interest from the collected data, it is apparent that there are opportunities for artists to increase their ability to make a profit from their music. The simplest way to take advantage of these opportunities is creating strategies that can be implemented at live music events to increase revenue. These strategies can be executed with very little additional cost to the musicians.

The first thing that artists can do is utilize every opportunity they can to perform as an opening act. Not only does this increase their exposure, it gives them the ability to perform in larger venues than they would if they were performing as a headlining act, and allows them access to an audience that according to the survey, will end up trying to find their music if the act is well received. In addition, this gives them the ability to reach the masses that purchase their concert tickets from a service such as Ticketmaster, where a small artist or group typically does not have their tickets posted.

Another strategy that can be implemented is re-thinking their merchandise offerings. Improving the quality of apparel may come at some cost, but it is a cost that can be recovered when apparel is looked upon in a new light and sales increase. If improving the quality is not an option, then expanding the merchandise offerings should be considered. Adding additional apparel items could be helpful, as some people want something more unique than a t-shirt to set them apart. Survey participants mentioned sweatshirts, socks, scarves, and accessories. Another expansion could be in small items that can be produced at a low cost, and fit with the concert experience in general. Drinking is an activity that often surrounds entertainment events, and offering shot or pint glasses would use this as an

advantage. A similar item could be a lighter, as there often concertgoers using tobacco products or using lighters to wave. One more area of expansion could be utilitarian items for a concert, such as light sticks or towels. Finally, an item typically included at a merchandise site is physical albums. An easy way to increase sales of these albums would be to offer a number of the albums that are autographed. If the artist or group prefers not to sell physical albums, or only provides a small number that are available, but instead makes its music available digitally, this can be addressed as well. Simply having materials at the tent with clear direction as to how to find their music online is a quick and easy way to ensure the digital mediums are being utilized.

The most important strategy is to play off of concertgoer's love for a personal touch and sympathy. Advertising that these merchandise sales and digital distribution of their music is what is directly being relied upon to cover all costs, out of pocket, gets the attention of an attendee and touches their emotions. The other way to do this is to make time before and after a concert for the artist or group members to be physically present at the merchandise site, available and accessible for the fans. This creates an air of both inclusivity and exclusivity at the same time. The consumer feels lucky they are able to make a purchase directly from an artist but realize the opportunity that few others have had, which is to meet the actual artists behind the music they listen to.

Conclusion:

All of these recommendations can be implemented at little to no costs, and with a few changes to an artist or group's live event strategy, they will have

increased their chances of making a profit from the art they may be struggling to create. My hope for this research project is that artists will be able to utilize my recommendations for financial gain, and that I have contributed to my intended fields of study through raising questions that provoke intelligent debate about the blending of an art and a business – and how that can affect the consumer, artist, and overall industry of the art.

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