Gender diversity in the entertainment industry has recently been a heavily discussed topic. As these issues are being brought to light, many are coming to a realization that gender diversity in the music industry is just as problematic, if not worse, than in Hollywood. While women’s difficulties breaking into the music business is no secret, a study from the USC Annenberg School for Communication and Journalism Division showed just how blatant the lack of diversity in today’s music industry is for women.

The Grammys

At the Grammy Awards, for example, the success of stars like Beyoncé, Taylor Swift and Adele may make headlines, but a vast majority of awards go to men. On Sunday, January 28th, 2018, The Recording Academy® presented the 60th Annual GRAMMY Awards®, hosted by James Corden at New York City’s Madison Square Garden. As a collection of musicians, songwriters, producers, engineers, and recording professionals, the Recording Academy is the only peer-presented award to honor artistic achievement, technical proficiency, and overall excellence in the recording industry without regard to album sales or chart position. The primary goal of the organization is “to positively impact the lives of musicians, industry members and our society at large.”

One of the most memorable moments of the 2018 GRAMMY Awards is the message of solidarity from Janelle Monáe as she introduced Kesha’s performance of “Praying:”

“It has to begin with...women who have the creativity in their hearts and souls, who want to be musicians, who want to be engineers, producers, and want to be a part of the industry on the executive level. [They need] to step up because I think they would be welcome. I don’t have personal experience of those kinds of brick walls that you face but I think it’s upon us - us as an industry - to make the welcome mat very obvious, breeding opportunities for all people who want to be creative and pay it forward and creating that next generation of artists.”

Following the 2018 GRAMMY Awards Ceremony and Portnow’s remark that women need to “step up,” the music industry experienced a rippling of conversations on equality and representation. Loudest among these responses is
EDITOR'S NOTE

We are pleased to produce this issue of the Music Business Journal. It comes during a time of unrest in the entertainment industry as we see the rise of the #MeToo movement, and a wave of activism around creating a more inclusive and diverse environment for people in this industry. We have two articles this issue that address the topic of diversity in the business and why it is important that we speak to the issues that are prevalent at this point in time.

We take a step into the world of blockchain technology and cryptocurrencies. Two articles explore some recent start-ups that are developing services for musicians and music fans using this technology. One in particular is the cryptocurrency Musicoin, which shows promise for change in the industry.

Airbnb and its efforts in integrating music into the Airbnb experience are studied with an article about their “Music Experiences” and how this model could potentially revolutionize the live music industry. It also looks at the start-up Sofar Sounds, which has also developed a product that could change the way we experience live music in the future.

We look at the international music business with an article exploring the modern K-Pop scene and its growth over the last few years. How it has reached western music markets and how it will continue to grow with the tools available today, such as social media. We also have an article on the moral rights act of Puerto Rico and how the Berne Convention plays into the rights of creators in Puerto Rico.

Finally, we have a report on Spotify’s recent IPO and future of the company in the public sector.

Thank you for reading!

Sincerely,
Alexander Stewart
Editor-In-Chief
The Urgency of Inclusion (Cont.)

a public letter from a collection of female executives. They call for Portnow’s resignation:

“Dear Mr. Neil Portnow,

The statement you made this week about women in music needing to ‘step up’ was spectacularly wrong and insulting and, at its core, oblivious to the vast body of work created by and with women. Your attempt to backpedal only emphasizes your refusal to recognize us and our achievements. Your most recent remarks do not constitute recognition of women’s achievements, but rather a call for men to take action to “welcome” women. We do not await your welcome into the fraternity. We do not have to sing louder, jump higher or be nicer to prove ourselves. We step up every single day and have been doing so for a long time. The fact that you don’t realize this means it’s time for you to step down. Today we are stepping up and stepping in to demand your resignation.”

The letter is closed with, “Time’s Up, Neil,” but not before including a long list of facts taken from a recent report on Inclusion in Popular Music from USC Annenberg School for Communications and Journalism division.

During the 25th Annual James G. Zafris Jr. Distinguished Lecture Series at Berklee College of Music, Natalia Nastaskin, head of US Music Operations at United Talent Agency and one of the twenty-one female executives to sign the letter to Neil Portnow, briefly commented on the conversation surrounding this year’s Grammy Awards as she spoke to students, the emerging industry professionals. Communicating that “any change takes work,” she advocates that the industry and industry executives need to be “proactive in driving change.”

Portnow issued a statement in response to the public outrage that acknowledged the hurt his word choice caused and pointed a finger at the bigger issues of gender bias and barriers at hand. While he did not apologize for his error, he did make an announcement:

“The Recording Academy is establishing an independent task force to review every aspect of what we do as an organization and identify where we can do more to overcome the explicit barriers and unconscious bias that impede female advancement in the music community.”

On March 6th, the Recording Academy named the new chair for the Inclusion and Diversity Task Force: Tina Tchen. This Chicago-based lawyer has been a leader of legal defense for Time’s Up, an initiative by some of Hollywood’s most powerful women that seeks to tackle sexual harassment inside and outside their industry. In their initial public letter published in Times Magazine on December 21st, 2017, they address “the struggle for women to break in, to rise up in the ranks, and to simply be heard and acknowledged in male-dominated workplaces,” Exclaiming that the “time’s up on this impenetrable monopoly,” the #TIMESUP initiative has become a unified strive for safe and equitable workplaces for women everywhere, from movie sets, to farm fields, to boardrooms.

Members of the music industry are still awaiting a mission statement from the Recording Academy’s Task Force.

Statistics

Recently, the media has been heavily focusing on female misrepresenta-
K-Pop made major headlines in the United States in 2017. After popular K-pop group Beyond the Scene, or BTS, won the Billboard’s Top Social Artist award, the group and K-Pop itself were once again brought into mainstream media in the US. Following previous success from K-pop star Psy, which brought the genre to the forefront with his 2012 hit “Gangnam Style,” the catchy beats and consistent production quality has garnered a worldwide following regardless of the language.

K-Pop is a relatively new genre, being first established in mainstream media in the 1980s. Lee Soo Man, the founder of major Korean label SM Entertainment, was inspired by MTV while in the US and returned to South Korea to found his company. Launching K-Pop groups such as H.O.T., Super Junior, and many more, the establishment and success of these acts led to a movement of several Korean companies investing in music.

Since then, K-pop has hatched an entire industry including music production houses, music distributors, event management companies, and other merchandise and service providers. The three largest record labels in the Korean music industry are SM Entertainment, YG Entertainment and JYP Entertainment, often referred to as the “Big Three.” These labels also function as representative agencies for their artists. They are often involved in the recruiting, financing, training, and marketing of new artists, as well as managing their musical activities and public relations.

Global Audience

With huge fan bases globally, but particularly in Japan and China, K-Pop artists reached beyond South Korea at the turn of the century. Recently, China ended its ban on Korean entertainment, which had begun due to a dispute of US defense systems deployed in South Korea. The ban was a hurdle for many of the Korean entertainment companies, including many K-Pop companies, since it began in 2016; however, global interest in K-Pop still continued to grow over the years. For example, KCON, an annual Korean music convention organized by CJ E&M, Mnet Media, and Koreaboo, has expanded into eight countries around the world as of 2018.

SM Entertainment is the largest of the Big Three, and they have been strong throughout many years since the success of H.O.T. and S.E.S. from the mid 1990s. They have been successful in adapting their artists to a global audience rather than just focusing on the Korean fans. Over 90% of the subscribers on SM Entertainment’s YouTube Channel are not from South Korea.

Korean music companies often prefer to develop their artists from the ground up, investing in them from the early stages. They look for applicants who are trainable and marketable, even starting with kids as young as nine years old. Once scouted, these artists are put through various programs involving singing and dancing lessons, performance techniques, interview skills, and foreign language lessons. The market for talent is highly competitive and, in a given year, more than thirty new K-Pop groups may debut; however, only a handful of groups tend to survive the initial year.

Social Media

Utilizing social media such as YouTube, Twitter, and Instagram, K-Pop stars have made huge strides in connecting to their listeners from all over the world. As sales of physical recordings continued to decline, the K-Pop industry focused more on touring and streaming as their main sources of revenue. Social media has played a big part in promoting these ventures. These large K-pop companies have dedicated vast amounts of time and effort into perfecting social media promotion and activity for their artists, all in turn to promote their key assets of revenue.
It is known that SM Entertainment’s Lee Soo Man used YouTube as a marketing tool in the 2000s to promote SM artists globally, which is shown through the success of K-pop group Girls’ Generation (2007-present). The popular Korean band garnered global recognition from YouTube, which led to its enormous success. In the states, their music debuted on David Letterman’s Late Show, and the group briefly signed with Interscope Records to release their album.

An even more notable example of Korean music’s utilization of social media is the group BTS. In 2017, BTS of Big Hit Entertainment received several honors that included “Most Engagements for a Music Act” and was named the year’s most retweeted artist, winning the “Top Social Artist” award at the 2017 Billboard Music Awards. BTS’ label allowed the band to reveal more of their personalities on social media compared to other K-Pop groups and, because of this, BTS gained huge popularity in the western markets as well as the Asian music industry. BTS’s agency, Big Hit Entertainment, is a smaller company compared to the Big Three with comparatively fewer resources on hand, although they have proved that a good social media strategy can be immensely successful no matter the resources.

Fandom and Popular Culture

K-Pop artists have extremely devoted fans throughout different parts of the world. In turn, these artists work closely with their labels to foster direct-to-fan relationships and place much emphasis on cultivating devoted followings. The mindset of working to serve the fans in K-Pop is an extremely important cultural trend to both artists and their agencies, especially because K-Pop fan culture tends to be very active. In practice, fans get their own name, such as BTS’s ARMY and are generally very loyal, voting for their artist for awards, music shows, polls, and purchasing goods. Music sites covering K-Pop in English have popped up as well, aiding in getting the word out about K-Pop to non-Korean speakers.

SM has SMtown Coexartium where fans can go and experience fandom in all sorts of creative ways. They have celebrity shops with artist related goods, various photos, recordings, dances, dresses, and even cafés. They also offer music and special goods, SMtown Theater, Hologram Theater, and provide interactive amusement as well as 3D. Beyond the music, the company places considerable emphasis on immersive experiences to harness lifetime fan-to-artist relationships.

K-Pop companies have long been trying to take these same connections and expand them internationally to adjacent markets. Some companies openly recruit artists from other countries and put effort into tailoring these groups towards particular areas of the globe, taking popular musical acts from one country and translating them into applicable acts in another. An example of this is SM Entertainment’s boy group EXO. There are two versions of the group: EXO-K (‘K’ for Korean) and EXO-M (‘M’ for Mandarin). Each sub-group has members from each country, and EXO-K sings in Korean while EXO-M sings in Mandarin.

Conclusion

K-Pop has reached levels that seemed unreachable in previous years due to management style, social media presence, development of music and video production skills over the years and notable artist-to-fan relationship emphasis. Without these qualities, K-Pop would not be the phenomenon we know today.

Many K-Pop acts, such as Girls’ Generation, have taken steps to expand internationally through collaboration with American musicians and producers. Writing for K-Pop has turned into a growingly competitive field. Artists such as Steve Aoki, Teddy Riley, and Bruno Mars have worked with popular K-Pop acts, and we are now seeing US based artists trying to break into the Korean music market as well.

With new economic growth opportunities and the business of entertainment growing in Asia, new markets are being developed. The emergence of K-Pop shows that the global music market is vibrant and growing significantly.

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(Continued on Page 16)
The Urgency of Inclusion (Cont.)

Going Forward

Today’s successful music companies are also tech companies. This renders the music industry susceptible to similar diversity and bias issues that arise in the technology and venture capital spheres. But regardless, it seems the necessity for better diversity and inclusion in the music industry is fairly urgent, especially in today’s political climate. It also seems likely that we will see a growth in music creators pushing for equality and justice, which will be yet another persuasive force for the music industry to start working towards a more equal environment.

Bibliography


MUSICOMIN: A STEP FOR CRYPTOCURRENCY AND MUSIC

By Hyungmin Lee

The story of the global record music industry, estimated to be worth $15.6 billion (USD) in 2016, has always been grim reading for musicians. The Digital era introduced P2P sharing services like Napster, the iTunes Music store, and then streaming platforms like Spotify and Apple Music, none of which really benefit musicians financially. Today, the revenue from each streamed song often goes through several intermediaries like record labels, performing rights organizations, and publishers before a fraction of it gets to the artist. As for listeners, with affordable access to these large, global music catalogs, it is clear that they receive the better end of the stick. However, they are forced to either be locked-in to one app and the music included on its catalogue, or manage multiple apps, which is a much more tedious and expensive option. Further, the nature of streaming apps means that users have no file ownership, thus losing libraries and playlists.

Musicoin

Musicoin, launched in February 2017, is a music sharing platform based on the blockchain. Employing the blockchain (the technology behind cryptocurrencies), Musicoin is reestablishing the relationship between artists, record labels and listeners to create a more equitable and sustainable method of consuming music. Musicoin has no fee, is fully open source and offers full transparency on all contracts and transactions similar to Wikipedia. To distill Musicoin in the simplest terms, musicians can upload their songs coupled with a copyright license in the form of a ‘smart contract’ built using blockchain. The contract tracks playback, and triggers payments directly from listeners to artists, instantaneously and without intermediaries, in the form of a digital currency.

Because there are no intermediaries in the platform, musicians can be ensured to receive the best compensation in the music industry, instantly and automatically. Musicians do not have to worry about infringement because the blockchain-based system reports content rights publicly and also provides equitable and transparent licenses with the Smart Contracts.

Listeners enjoy the streaming service without ads and are able to communicate with musicians directly via sharing thoughts and songs, making playlists, and even tipping artists. The platform also offers various value-added goods and services, allowing listeners to download songs, purchase merchandise, book tickets for live performances, and subscribe to music magazines with its cryptocurrency, $MUSIC.

SMUSIC

The digital currency that flows through the system is called Musicoin, traded as $MUSIC, designed by Musicoin to support cre-
Musicoin is a cryptocurrency specifically designed for the music industry, allowing artists to be compensated fairly and transparently for their creations.

**Universal Basic Income**

Most of the existing music streaming services pay out less than a penny for unsigned artists per play. As of June 2017, Spotify and Pandora paid out $0.0038 and $0.0011 each while Napster paid out $0.0167 per play. Musicoin pays out $0.0200 per play, and it is more than 18 times the amount of Pandora’s per-stream rates.

The highest per stream rates is practicable because of Musicoin’s revolutionary concept in cryptocurrency, Universal Basic Income (UBI) pool. UBI is an economic model that allows each contributor to receive fair compensation based on the level of contribution to the platform. The $MUSIC rewarded by mining will go to the UBI pool, and it will be withdrawn for miners, musicians, and project R&D. 79.6% of $MUSIC in UBI pool will go to miners, 15.9% to musicians as the PPP for streaming, and 4.5% to project R&D. The revenue from the PPP for the musicians is unaffected by the changing market value of $MUSIC because the system adjusts the amount of $MUSIC per streaming based on the current market value of $MUSIC. This system ensures fair and higher rates for the musicians.

By the implementation of UBI, listeners use $MUSIC for tipping their favorite artists on the platform. According to Musicoin’s empirical data, the tipping income is five times higher than PPP revenue for musicians. Free streaming service without ads encourages listeners to tip musicians, and it will lead encouraging musicians to create quality contents to grow their fan-base.

**Conclusion**

Some similar platforms based on blockchain technology, such as Musiconomi, Voise, and Audiocoin, that also have fair and transparent compensation are gaining traction as well. However, Musicoin stands out because of its unique philosophy.

They believe that content creators, musicians, should be compensated the most for creation and distribution of their music. In this model, an exchange is made between the musician and the listener by each playback. The listener pays for the musician, and the musician grants the access to his or her music. The chief architect of the Musicoin blockchain, Isaac Mao, mentioned his philosophy as simply, “The more you share, the more you receive. The more you share, the more you are shared. The more you share, the more you are. The more you share, the more others receive.”

**Bibliography**

In the United States, copyright is defined as “...the set of rights in which the law recognizes the author on works that they have produced with their own mind, especially those in which their paternity is recognized and respected, which they are allowed to disseminate, authorizing or denying, where appropriate, its reproduction.”

In Puerto Rico, intellectual property includes copyright, which is composed of two separate rights: patrimonial, which consists of the exploitation of the work; and moral, which protects the relationship between the author and their work. Moral rights and copyright have two different views on literary and artistic property. The moral right emanates from the author themselves: it recognizes that the work is an expression of the person or author and so it is protected. On the other hand, copyright is strictly limited to the work, without considering the moral attributes of the author in relation to his work.

**Moral Rights**

The term “moral rights” comes from the French term “droit moral” and refers to the ability of an author to be able to control the use of his work. It stems from the existing bond between the author and his creation, independent of its monetary value. The work is treated as an extension of the author, in such a way that they can never be truly separate. Even if the author gives up his copyright, his moral rights remain, to a certain extent, under his dependency. Intellectual properties are linked to both the author’s personal rights and their labor rights, both directly affecting the author’s dignity.

In civil law, the moral rights of an author are classified as personal rights, such as the right to life, freedom and physical integrity, the right of honor, etc. Other countries, such as the US, Canada, and England, have adopted legislation on moral rights that allow the author to prevent the distortion or alteration of their work, regardless of who the current owner is, whether it is the object itself or its copyright.

The Copyright Act of 1976 applies in Puerto Rico, which covers reproduction rights of literary and artistic works, derivative works, distribution, digital performance right, sound recording and public performance. On the other hand, the moral rights that were not contemplated by the Federal Law were recognized by the Spanish Intellectual Property Law of 1879, which was never expressly revoked. With the approval of Act No. 96 of July 15th, 1988, as amended, known as the “Intellectual Property Law,” Puerto Rico adopted its own statute to regulate the so-called moral rights, based on Spanish legislation.

At the international level, there is the Berne Convention for the Protection of Literary and Artistic Works, which is an international treaty on the protection of copyright in literary and artistic works. The Convention, approved in 1886, establishes the moral right of attribution and integrity, as well as certain exclusive economic rights to the translation, reproduction, execution and adaptation of a work. (see “An Introduction to the Berne Convention”, December 2017).

**The Berne Convention**

After the United States acceded to the Berne Convention in 1989, Congress approved the “Visual Artists Rights Act” on December 1, 1990. This statute embraces the basic civilian principle that the moral right of the author must be protected. Said federal legislation is applicable only to works of two hundred copies or less. It should be clarified that this federal legislation is not preemptive, allowing states, or in this case Puerto Rico, to legislate in favor of the moral rights of their authors, when federal legislation does not protect these rights.

It should be noted that, like copyright, moral rights also promote the creation of new works. Puerto Rican artists play an important role in capturing the essence of the island’s culture and protecting it for future generations. There is an interest in the law to clearly define the rights of artists, both for the benefit of the artist and the general public. Access to artistic works is a priority for their society. The government focuses its efforts on promoting the arts and attempting to find a balance between author’s rights and user’s rights.

The law includes several important aspects, including:

- **Attribution** - The right to be recognized as the author, whenever that is the case, as well as to prevent the attribution thereto of works that are not theirs.
- **Withdrawal** - The right to waive authorship whenever the work no longer conforms to his intellectual or moral convictions.
- **Integrity** – To prevent the mutilation, deformation, or alteration of the work so that it undermines the legitimate interests or reputation of the author;
- **Access** - The right to demand reasonable access to the original or sole copy of a work whenever it is in the hands of another, so as to be able to exercise copyright.

One can observe how several elements of the Moral Rights Act of Puerto Rico are the same as if one were to apply them to U.S. copyright law. For example, moral rights cannot be enforced on works that have entered the public domain. Also following copyright law, the duration of moral rights extends to life of the author, plus 70 years after their death or until their work enters the public domain, whichever comes

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Business Articles

Can Airbnb Concerts and Sofar Sounds Revolutionize the Live Concert Industry?

By Chi Zhan

Airbnb Concerts

Founded in 2008 in San Francisco, Airbnb has gone from three air mattresses and broke roommates to a company valued at more than $30 billion. Having changed the way people travel, which led to a massive revolution in the hospitality industry, Airbnb is now trying to make its move to enter the live music space.

In November 2016, Airbnb launched a new offering called “Trips” as an offshoot alongside its home rental service. Trips allows consumers to not only rent a place to stay, but also sign up for local activities including city tours, surfing lessons, and music events.

Later in March 2017, it seemed that Airbnb had bigger plans for the live music industry when it unveiled what it calls “Music Experiences” under its global Trips platform. Music Experiences was launched with the intention to grant access to exclusive and immersive music events, including intimate live performances, special pop-up gigs, underground music sessions, and meeting local artists and performers. After the launch of Music Experiences, music quickly became one of Airbnb’s most popular booking categories with around 100 concerts held worldwide every month. Many of these are even held in unconventional venues such as cathedrals and wine cellars, all with deliberately small audiences of around 50-100 people per show.

Following the success of Music Experiences, Airbnb continued to show interest in the live music industry this February with the launch of “Airbnb Concerts,” a platform that specifically focuses on staging concerts around the world. James Beshara, Airbnb’s Head of Music, expects the number of venues to skyrocket from the current 100 concerts per month to 20,000 per month at the end of 2018. Airbnb Concerts is now available in 25 major cities across the globe, including San Francisco, Los Angeles, New York City, Tokyo, London, Amsterdam, Paris, and Sydney, among other locations. Moreover, according to Airbnb’s Vice President of Trips Joe Zadeh, this year Airbnb is “going to expand [Trips] to 1,000 cities... we’re going to put our foot on the gas,” said the executive at an event in San Francisco.

The success of this model has sparked interest in new ways concerts can be experienced and how technology can create new opportunities for artists, organizers, and concertgoers. Startups exploring this concept are emerging all over the world, one of the most interesting being London based startup, Sofar Sounds.

Sofar Sounds

Sofar Sounds is a startup company that focuses on music events and has an offering similar to Airbnb Concerts: intimate concerts at unconventional venues. Initially, in March 2017, Airbnb had even launched “Music Experiences” in collaboration with Sofar Sounds.

Started in 2009, Sofar Sounds calls itself a global community where guests and artists come together to experience music in an intimate and respectful setting at a secret concert. Currently operating in eight...
cities around the world, the site allows their concert artists to receive 
a compensation of $100, plus 100% of merch sales and a high-quality 
video of the performance. Guests can purchase a ticket to the concert 
at the price of $15 to $20. Sofar concerts happen in a wide range of 
venues, from homes and apartments to rooftops, breweries and galler 
ies, all provided by Sofar hosts. In addition to its eight full-time cities, 
there are more than 300 Sofar cities around the world that are run by 
volunteers. In early 2017, Sofar Sounds claimed that they are putting on 
approximately 500 gigs per month.

Although the two share the basic idea of building a global community 
where people can enjoy more intimate and interpersonal live music 
experiences, the cooperation between Airbnb’s “Music Experience” and 
Sofar Sounds was not long-lived, and Sofar hosts have not been seen 
on Airbnb’s website since. It is apparent that Airbnb has greater ambition 
in the intimate concert business, considering its goals of expanding 
Airbnb Concerts between 50 and 100 cities, launching its Trips project 
in over 1,000 cities, and holding over 20,000 concerts per month by the 
end of this year.

How Profitable are These Intimate Concerts?

While such small and intimate concerts can be used as effective marketing 
tactics, they do not however appear to be very profitable for artists. 
After all, Airbnb just stepped into the live music business and started 
building the project less than two years ago, and despite Sofar Sounds 
having a history of nearly ten years, it seems that the company has been 
facing challenges in its development, most likely due to a lack of capital 
and little growth incentive.

In the case of Airbnb Concerts, tickets for gigs cost around $20 to $35. 
The company explained that artists could earn between $150 and $1,000 
per show, and Airbnb only charges a 20% fee for each booking. There 
is certainly potential for flourishing profits here, but for the revenue to 
grow and become sustainable, the intimate concerts that Airbnb holds 
have to grow both in quantity and in quality.

Speaking with Billboard, James Beshara stated, “five years from now, 
I think more people will experience music in intimate settings like this 
than they are experiencing in arenas, stadiums, and festivals. That’s how big of an opportunity I think this is and hopefully, we’re a substantial 
part of that.”

In the case of Sofar Sounds, the ticket price for Sofar concerts is around 
$15 to $20, which is a relatively low price compared to Airbnb’s. The venues 
that Sofar concerts take place in are voluntarily offered by Sofar 
hosts, who can submit their host applications through the Sofar Sounds 
website. Despite the fact that there is no cost for venues and the fee for 
artists is very low, Sofar Sounds reveals on its website that “currently, 
Sofar does not make a profit, and we are backed by a group of 
worthy and supportive instructors who believe in our goal of connecting 
people through intimate, live events.”

Will These Intimate Concerts Benefit Artists?

The intimate concert idea, although innovative for the live music sector, 
may not be game changing in terms of revenue for artists. For artists 
looking to play gigs, Airbnb Concerts would be better utilized as a mar 
ket ing tool to access a certain pool of listeners, or to improve listener 
experience through reviews. However, booking with Airbnb Concerts 

Nevertheless, Airbnb Concerts and Sofar Sounds might be a good tool 
for artists to market their music. Because artists are putting themselves 
on an interactive platform actively looking for guests to attend their 
gigs, and consumers, at the same time, are actively looking for a live 
music experience. Guests can also leave comments under the gigs they 
tended, giving future guests an overall idea of what to expect, and 
motivating the artists through constructive criticism. “Through the plat 
form, we’re able to support up-and-coming and local artists by connect 
ing people to their events and bringing their music to even more fans 
around the world,” said Chesky.

In conclusion, the intimate concert idea brings a whole different live 
music experience to concert guests, especially music lovers. Instead of 
standing 5,000 feet back, staring at a big screen, music lovers are now 
more easily connected to intimate settings and can interact with artists 
via digital platforms like never before. This is also a great opportunity 
for local and startup musicians to connect with their fans and build up a 
fan base, which contains both locals and travelers from other cities and 
even other countries. By utilizing Airbnb Concerts and Sofar Sounds 
as marketing tools, independent artists will greatly benefit from these 
platforms as the live music industry continues to drive the music busi 
ness forward.

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Introduction:

Snapchat released an update in February of 2018 that changed their user interface to feature more advertisements on the page where one would typically view their friends’ “Story,” a move that prompted a petition on Change.org to revert this newest edition “back to the basics” before the newest update of this year. This problem resulted in Snapchat experiencing a fall of 8% in the price of their shares as well as a drop of $1.7 billion in market capitalization after one Kylie Jenner tweet about the app seemed to resonate with her followers. YouTube, the monoply of video content distribution, suffered bad press just under a year ago when their advertising algorithm placed a UK government ad before hateful videos of white nationalists and terrorists. Their parent company, Alphabet, saw the value of their stock fall $26 billion after big companies such as Starbucks, McDonalds and Wal-Mart pulled their own advertisements off of the site to avoid the same situation. YouTube now makes a point of being ‘advertiser-friendly’, and controversially de-monetized some content creators for fear of losing the advertising of big companies again, a move that rallied popular YouTubers and their audiences.

This disconnection between company and consumer appears on every social media platform and attracts complaints from advertising and the algorithms to the user experience. There is no doubt these companies are still the top players. YouTube alone reaches over a billion people and has a larger reach than any TV network but several startups are working to create a more wholesome economy for social interaction online, and many of them are integrating blockchain technology.

Lino

Lino, a startup out of Silicon Valley, describes itself as a “decentralized autonomous video content economy.” They aim to promote great content by incentivizing the contributors through their cryptocurrency called ‘LNO tokens’, distributed as blockchain-based micro payments. To generate these tokens, users create content to share among the community and viewers are rewarded for curating content. As a result, there is no middleman acting as the distribution network, it is peer-to-peer, making Lino a self-sustaining platform that does not require advertisement to generate income. They received $20 million from a private token sale, of which Zhenfund was the prominent investor, giving this project life and making it a reality.

Lino outlines six main features on their website to help them achieve autonomy: There will be free transactions between users and Lino does not take a cut from purchases or micro-tipping. They have an Inflationary Currency System to incentivize all content creation and redistribution. They will strive to ensure that bots do not exploit the reward distribution or stage a Sybil attack by identifying proof of human engagement. They also emphasize proof of content value by taking the generated revenue for content as its market value. Finally, there will be a decentralized content distribution network and decentralized storage achieved through auction, where users can propose any storage solution that meets their criteria.

But what does this have to do with the music industry? Streaming services like Spotify are attracting similar criticism from artists, who are discontent with the distribution of royalties. Spotify has been in hot water regarding the use of unlicensed songs on their platform, with David Lowery and Melissa Ferrick suing them in 2016 for $150 and $200 million respectively, and most recently a $1.5 billion lawsuit filed against them by Wixen Music Publishing for having these songs available without the correct license. And, like Lino, several start-ups are aiming to solve these issues through blockchain and peer-to-peer relationships. Two such start-ups trying to make this happen are Choon and Voise.

Choon

Choon is a streaming service created by music producer and DJ, Gareth Emery. It runs on an open-source, blockchain platform called Ethereum that allows consumers to use their ‘NOTES’ tokens to listen to their favorite artists. One of the most important features of this new streaming service is that artists are paid almost immediately after their song gets streamed through the use of ‘Smart Record Contracts’: Payment slips for pieces of music that allow for an instant deposit of NOTES into ‘Smart Wallets’ as well as a transparent and honest record of the transactions in an open ledger. They claim to give 80% of the proceeds back to the artists, keeping 20% for ‘operational costs’, as well as to compensate listeners for curating playlists or listened to sponsored songs.

“‘The Challenge’ as described on their website, is to overcome the current music industry that “no longer represents the most important people: Artists and Listeners.” Emery is trying to push the distribution of music forward, and by doing so, he will potentially be disrupting the ecosystem of the incumbents by making the intermediary stage of the music industry less significant by promoting a direct consumer-to-artist relationship. Speaking in an interview with Billboard, he said that Choon was not looking to ‘stream The Beatles, or indeed any music that’s signed into the old legacy system of major labels and publishers’ for fear that working with these entities would force their business back into the old model.

In order for them to achieve this, they have implemented several features to make themselves much more user friendly and transparent. For example, their cryptocurrency, NOTES are not required to purchase streaming packages because these are initially being tethered to US dollars, making it easier for everyone to purchase them. Artists also have the ability to set their own prices for downloads, allowing for more flexible marketing strategies (In their whitepaper, Choon gives the example of a niche artist that might want the option to charge more for her downloads because her fans are willing to pay that amount.) The Smart Remix Contracts provided by Ethereum allows artists to remix another’s work as well as determine the royalty splits for such remix. This is a new way of navigating the exclusive right of derivative works held by the copyright owner, as it makes the process much less convoluted and ensures the artist knows exactly who is using their work and how much they are getting from each stream.

Voise

Voise is another platform based off the same open source blockchain, Ethereum, and works in a similar way. Like Choon, it is a is peer-to-peer network and it uses smart contracts to efficiently allocate the royalty revenues and they work to favor the artist in their decentralized economy. However, Voise aims to give the artists 100% of their revenues once they are verified and set their own price for their content. They have other features that make them unique, such as the development of a Decentralized Autonomous Organization (DAO) smart con-
tract to control their Radio DAO playlist, where users can stake their tokens to rank songs and determine the “priority in which it will be played on the platform.

They outline their long-term goals in their whitepaper, such as implementing themselves with other cryptocurrencies to be used as payment, organizing events around the world and to expand to other forms of digital media.

However, start-ups such as these may not be the only foreseeable solution to ‘the’ problem encountered by streaming services: the use of unlicensed songs and the inability to efficiently and adequately pay mechanical royalties. The Music Modernization Act aims to combat this as well, creating the Mechanical Licensing Collective to distribute mechanical royalties under a blanket license. This allows streaming services to only provide the reports to the database, making the process much less reliant on the companies hosting these songs and will hopefully remedy this issue. The MMA could see these problems dissipate, pushing current streaming platforms into a more sustainable future. Spotify already has made steps to combat this such as the acquisition of blockchain start-up MediaChain in April of 2018 to “develop better technology for connecting artists and other rights holders with the tracks hosted on Spotify’s service.” but the Wixen lawsuit in early 2018 shows that this may not have been as effective as intended.

With regard to the growth and sustainability of blockchain, the increased attention attracted by this new technology also highlights some of the negative impacts and potential flaws in its design. In a Forbes article by Saeed Elnaj, he discusses how Bitcoin and Cryptocurrencies are somewhat cumbersome to blockchains, using the comparative analogy of the engines in planes and cars to the first Ford Model T car. He highlights problems such as environmental impact, citing the Bitcoin Energy Consumption Index that estimates its annual electricity consumption at 61.56 TWh, a usage similar to that of Switzerland, that has risen from approximately 11TWh in a year. CEO of Guardtime, Mike Gault, points out that financial institutions such as banks would and could not adopt blockchain, as they are already incredibly integrated entities and their processing systems that interact internationally could not, even briefly, be disrupted without severe consequences.

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After many years of uncertainty through the digital era, the major labels are finally in a position to prosper, thanks to Spotify’s move to go public. The online music-streaming giant, which has 159 million monthly listeners and 73 million paid subscribers, is now listed on the New York Stock Exchange and has been somewhat successful with its transition to being a public entity thus far.

Spotify’s debut on the stock exchange was generally a success, opening at a price of $165.90 per share giving the streaming service a market cap just under $30 billion, nearly four times the company’s valuation as of its last round of funding. The IPO had the fortunes of Spotify’s founders and investors skyrocketing, however it is unclear whether Spotify customers and artists who have supported the service for all these years will see any kind of payoff.

The IPO

Remarkably, rather than selling new shares to institutional investors just before the stock can be purchased by the public, Spotify instead chose to list its existing shares directly on the New York Stock Exchange. This move to sell directly to the market also means that rather than selling shares to institutional investors in advance of the first day of trading (which is what normally happens in an IPO), Spotify didn’t sell any new shares. It instead allowed its existing shareholders to directly offer their holdings to the market. This meant that company insiders are not required to hold onto their shares for an extended period of time in the way that they would normally be required. So, someone like, for example, CEO Daniel Ek could sell his shares at any time.

Furthermore, Spotify’s public offering is not only notable because of this unusual decision, but also because the stock ranked among the most valuable internet companies to list in the US. Spotify is also the most valuable tech IPO since Snap went public last year, closing its first day at nearly $29 billion. Its closing market value after the first day was approximately $27 billion, putting it ahead of Twitter and Groupon, but behind Alibaba, Facebook, Snap and Google following their first trading days.

Along with the major labels, big holders of Spotify stock include the investing firms Tiger Global, TCV and the Chinese conglomerate Tencent. Each of these companies control between five and ten percent of the stock. However, it is particularly hard to tell how much money some investors made as Spotify grew because it has had such a broad history of private stock sales between shareholders. It is difficult to tell if a certain firm sold or bought shares secretly many years ago, so it is challenging to track the winners and losers in this IPO.

How Does This Effect the Artists?

Last year, Spotify struck a series of licensing deals specifically in preparation for going public, and in a major concession, it announced that it would allow some artists to restrict new albums to paying subscribers for the first two weeks of release. Major labels and big-name artists have been pushing to restrict the release of new albums from being played on Spotify’s free tier for a long time.

This idea comes from the simple concept that music should be paid for, given that most of the record industry’s streaming revenues come from subscriptions. The inability to limit music to paid tiers was the deal breaker between Taylor Swift and Spotify in 2014, who along with other big names like Adele and Coldplay have kept new music back from all of Spotify for various lengths of time as well.

Now with new pressure to meet shareholders’ and investors’ demands, Spotify will likely begin to explore other methods of generating revenue. One proposal is selling their data to live concert companies, which would likely bring privacy concerns to attention. Another idea is offering more services to labels and musicians, such as expanding on its existing “Spotify for Artists” app.

Also notable are Spotify’s steps into other fan-facing business areas. A partnership with a band merchandise provider called Merchbar already allows artists to sell merch through their pages on the Spotify app. Spotify has also moved into podcasts and video, and more recently, audiobooks. There could potentially be a step into hardware with Spotify-branded smart speakers, similar to the Amazon Echo. Whatever notable changes the streaming service makes it will hopefully enhance the Spotify users experience and also benefit artists.

How Does This Effect the Listeners?

In its beginning stages, Spotify was able to get funding from the three major record labels, but since going public, Warner Music Group has sold 75 percent of its Spotify shares for about $400 million. Warner CEO Steve Cooper announced this during the company’s earnings call and made it clear that the sale doesn’t reflect any doubt about Spotify’s potential. Cooper has recently expressed that Warner’s primary focus is on music and not publicly traded equity, but it is still not clear what Warner plans on doing with the $400 million. Warner emphasized that it was the first major music company to announce that it would share proceeds with artists from the sale of equity in digital services.

Conclusion

No matter the path Spotify takes, the future looks to be more in the direction of the online video-streaming services like Netflix and Hulu. Something that has become common place with these services is producing much of their own content thereby lowering licensing payments. This would be a difficult path for Spotify to take because it risks distancing record labels by acting too much like one itself. But it seems that we could very possibly see Spotify taking steps towards this in the future.

Furthermore, going public and filing quarterly earnings reports will shine a light on how much Spotify executives and shareholders actually earn compared to the company’s long-criticized payouts to artists. With the added financial transparency, underpaid artists should have more reasons to object, and perhaps quietly seek out alternatives. But they’ll be going up against the new establishment. Increased tensions between creator and seller seem like a minor side effect, but
A Force Not A Face:
Redefining the Role of Women in the Music Business in the Aftermath of #MeToo, Ke$ha and Taylor Swift

By Alissa Musto

All eyes were on Ke$ha at the 2018 Grammy Awards. Joined on stage by a slew of pop music’s female A-listers donned in all-white—the preferred uniform of 20th century suffragettes, Ke$ha delivered an emotional rendition of her piano-centric ballad, “Praying”. Her performance, the first single she released in over four years, was touted as an anthem for strength, support and empowerment, marking the closing scene in her lengthy and tumultuous legal battle with producer, Dr. Luke. The highly-publicized saga of lawsuits, accusations, counter-suits, amendments, injunction requests and subsequent denials, ultimately resulted in the dismissal of all claims against Dr. Luke, a name now more infamously associated with years of alleged sexual, physical, verbal and mental abuse over an impressive discography.

A few months after Ke$ha’s final counterclaim was overturned, another lengthy sexual misconduct trial surrounding a high-profile female artist began resurfacing in the headlines. Dubbed a “symbolic lawsuit” due to the $1 in damages sought, Taylor Swift was determined to make an example out of David Mueller, the radio DJ she claimed groped her at a 2013 meet-and-greet. Shortly following the incident, Muller was fired and sued Swift, claiming false allegations and subsequent defamation. Swift shot back with a countersuit for assault and battery, assuming the role of a self-appointed crusader for “other women who may resist publicly reliving similar outrageous and humiliating acts.” When a jury unanimously agreed that Mueller had inappropriately touched Swift, it marked a win for women, validation for Swift and a preview of the impending storm on the verge of shaking Hollywood with an influx of sexual misconduct allegations against high-profile actors, media personalities and executives. The movement, coined #MeToo, spiraled into an international conversation and quickly became synonymous with sexual harassment and assault awareness in the workplace.

Ke$ha’s “Praying” performance at the Grammy Awards, as well as Taylor Swift’s timely inclusion as a “silence breaker” on the cover of Time Magazine’s Person of the Year issue, symbolize both women’s personal empowerment and experiences, but are also a nod to the greater #MeToo movement. Still, though media outlets were eager to designate “Praying” as the Grammy’s “Me Too moment”, the music industry had remained relatively quiet in the revolution ravaging through the neighboring TV and movie world. As dozens of allegations began to unravel in the height of the #MeToo, music industry executives notably only comprised a small percentage of those accused. Simultaneously, accusations made by actresses far outnumbered those by female musical artists. Experts cite a number of factors to explain the omission, but it was certainly not the result of immunity or innocence to misconduct.

The music industry has historically been regarded as, and arguably still is, a “boy’s club”, both culturally and statistically. Despite the inescapable empires of female icons like Rihanna, Adele and Beyoncè, 83.2% of artists in 2017 were men while only 16.8% were women—a six year low. Behind the scenes, the gap widens: in a study conducted by the Annenberg Inclusion Initiative at USC analyzing the top 600 performing songs from 2012 to 2017, only 12.3% of the 2,767 credited songwriters were female and women accounted for only 2% of all producers. Given these numbers, it is not surprising that women also receive less opportunities and recognition compared to their male counterparts; 73.8% of female songwriters only worked once in 6 years and of the 899 individuals nominated for a Grammy Award between 2013 and 2018, 90.7% were men. Of the 20 executives serving on the board of the Recording Industry Association of America, only four are women. Additionally, the Power 100, Billboard’s annual list of leaders in live, tech, management and recorded music, included 17% women in 2018, up from the previous year’s 10%. Overall, “the voices of women are missing from popular music”, concludes Dr. Stacy Smith, a professor at the USC Annenberg School for Communication and Journalism and lead researcher behind the Annenberg Inclusion Initiative.

In a 2016 report, the US Equal Employment Opportunity Commission Task Force outlined several risk factors associated with heightened workplace harassment including lack of diversity, significant power disparities and and workplace cultures that encourage alcohol consumption. The blatant minority status of women coupled with the industry’s casual “sex, drugs and rock ‘n’ roll” attitude, forges new challenges for the women that make up 28% of the sound recording industry’s workforce, in addition to the business’s already competitive nature. The anonymous accounts of several women, silenced by non-disclosure agreements and fear over losing their jobs, consistently
identify risk factors and create a similar picture: an environment where “deals are sealed over late-night drinks and at backstage parties” and the role of “one of the guys” is often assumed in order to flourish. For many of these women, accepting, tolerating, and downplaying harassment is the acceptable response to ensure job security. Because women are often working closely alongside men with control over their careers, a situation some men take advantage of, ignoring these advances or discontinuing to work with them may not be an option. One woman feared earning a reputation as “sexual harassment girl” at the record label where she worked. “I thought people wouldn’t want to hire me because they wouldn’t understand, and think I’m being over-sensitive to something that was just normal in the music industry”, she elaborated. In another accounts, women come to terms with the inappropriate behavior as a necessary evil; “It is a male dominated industry...I do remember the days where I was collaborating with a group of guys who would say really gross jokes....I was just going to let it happen because I wanted to play my songs.” An industry built and thriving on this model, despite blatant sexism and complete desensitization to harassment, does not have much of an incentive to systematically change. Of course, underrepresentation and discrimination of women in business is not exclusive to the music industry. However, within an industry that has thrived by exploiting musicians for over a century accompanied by an often all-consuming lifestyle of business and pleasure, the risk of misconduct is heightened. According to Ginger Clark, a psychology professor at USC’s Rossier School of Education who specializes in women’s issues and trauma, “it creates the perfect environment for this sort of thing to take place”.

Unsurprisingly, the hostility and barriers facing professional women in the music business inevitably induces a shortage of females leaders, mentors and role models in the industry, continuing the cycle of female underrepresentation and a boys’ club mentality. Melissa Woods, Head of Creative Services and A&R at Los Angeles and Montreal-based Third Side Music recommends offering girls an opportunity to explore fields such as music composition or engineering at a young age. She, like countless others, credits her own success to working alongside many strong females in music, confidently concluding that “the more women there are to mentor and support one another, the better off the industry will be”. Recently, a great deal of focus has been put on female-to-female mentorship to bridge gaps for women in the entertainment industry. Voices in Entertainment, a grassroots anti-harassment effort founded by a pair of female music executives, recommends three tangible steps for amending a wide range of the industry’s gender and equality issues: mentorship, getting more women in executive positions and educating the current group of young women working in the music industry “so they can understand their worth, what their paths can be and having more women represented across the board”.

Regardless of the music business’s role, or perhaps lack of, in the #MeToo movement, an unspoken culture still casts a shadow across women in entertainment, regardless of age, stage or popularity—both in front of and behind the scenes. I am hopeful that the conversation and awareness stemming from the aftermath of Taylor Swift’s sexual assault trial, Ke$ha’s legal battle with Dr. Luke and #MeToo begins to uproot the convenient dismissal of harassment and misconduct as “just the way things are” or “part of the business”—in Hollywood, on Broadway and in small concert venues across the country. Still, celebrating these instances as progress is generous; Muller, the radio DJ found guilty of groping Taylor Swift, just started a new job at a radio station in Mississippi and Ke$ha’s final attempt to exit her contract with Dr. Luke was dismissed under the premise that his “allegedly abusive behavior was foreseeable”. Despite these outcomes, the conversation has been started, problems have been identified and solutions have been prescribed. Perhaps the music industry is approaching the eve of its own #MeToo-inspired movement. Perhaps scandal will be dodged completely and changes will rapidly and anxiously ensue to avoid a Weinstein-esque degradation of the music industry. Regardless, women in music deserve to be recognized as a force and not just a face; “women in music deserve more than a forgettable #MeToo moment at the Grammys”. I am optimistic that the conversation will evolve beyond sexual misconduct and eventually address other crucial, yet less urgent, roadblocks hindering women in music—underrepresentation, pay gaps, lack of opportunities and a shortage of female role models. The ultimate goal? “Eradicating inequality in entertainment.”

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Spotify’s Move (Cont.)

(From Page 13)

musicians who aren’t part of the industry’s commercial elite already have enough reasons to feel rejected by Spotify. In its early stages of being a public company, Spotify executives have made little clear about what they plan on doing forward, but it will be curious to see Spotify develop in the public market.

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