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# CROWDFUNDING IN THE MUSIC INDUSTRY AND ITS IMPACT ON THE BUSINESS MODELS OF INDUSTRY STAKEHOLDERS

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# CROWDFUNDING IN THE MUSIC INDUSTRY AND ITS IMPACT ON THE BUSINESS MODELS OF INDUSTRY STAKEHOLDERS

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# Abstract

Challenges currently facing the music industry have led many key players to reevaluate their business models in order to survive the changing environment. Crowdfunding has become a popular way among musicians and artists to finance creative projects and/or careers. Crowdfunding works by collecting investments from a pool of people in order to raise funds for a venture, idea, or project. In recent years, crowdfunding has gained significant traction in the music industry, especially among independent artists. The introduction of crowdfunding into the mix of business models has not only impacted artists but record labels and live sector companies as well. As it grows, more industry stakeholders will be impacted by its presence. It is argued in this paper that artist management companies stand to benefit from incorporating crowdfunding into their business models and proposes how they might partner with existing platforms in order to incorporate crowdfunding.

KEY WORDS: Crowdfunding, Business model, Music Industry, Management

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## Introduction

Waves of change have swept the music industry over the last 40 years, leaving no group or individual within the industry unaffected. Technological change has reinvented the way in which consumers purchase music, how studios record music, how artists write music, how record labels market music, and how these businesses capture profits. The compact disc (CD) was the first to revamp the industry's revenue streams in 1984, replacing tapes and vinyl (Pikas, Pikas, & Lymburner, 2011). Digital downloads (iTunes, etc.) and streaming services (Spotify, Apple Music, etc.) have since replaced CDs as cheaper alternatives. Technological advancements have benefited consumers as well as artists, but as with any type of change there are drawbacks to be experienced.

Making music available in digital formats, in general, has had a negative impact on revenues for artists. In regard to royalties paid to artists from streaming services, Todd Interland, CEO of Rocket Music Group, states, "I do think it could be improved on behalf of the artists… We're dealing with new media and the new ways that music is disseminated to the consumer. You cannot use old formulas to quantify [royalties]" (Jones, 2014, p. 17). In light of new streaming services, royalties for artists have suffered because the industry has not developed a way for artists to capture as much revenue from streamed music. Unbundling and piracy are also major threats to the recorded music market. Unbundling involves making individual tracks on an album available for download so that consumers can pick and choose the songs they want, without purchasing the entire album (Elberse, 2010). Piracy is the illegal distribution of copyrighted materials, in which people distribute music for little or no cost, robbing artists of revenue from recorded music. Both developments have devalued recorded music which has impacted stakeholders across the music industry. Martin (2008) states, "Record sales have plummeted in recent years, and there is little hope that sales will return to what they once were." Despite the loss of revenue across the board, Papies and van Heerde (2017) observe that record sales of famous artists have a positive impact on their tickets sales for concerts. In other words, revenue is still being lost but with music being more accessible and affordable, consumers demand more live performances and are willing to pay more to see their favorite artists perform (Papies & van Heerde, 2017).

Demand for concerts may be higher, but record labels still receive the majority cut of what an artist makes. About 70 percent of music is distributed from a few major labels and the rest from independent labels and musicians (Galuska & Bystrov, 2014, p.235). The music industry is dominated by a powerful few that make market entry difficult for smaller firms and artists. Contracts, required by these major labels, limit what artists can release and require that a percentage of all profits be given to the label. These deals are often called "360 deals" and give the record label rights to tours, records, marketing, licensing, and sponsorships (Martin, 2008, p. 18). Labels have control over all aspects of an artist's brand. Many artists disagree with this mode of business operation and have left their labels because they felt both restricted in their creativity and deprived of the money that their work generates (Kubacki & Croft, 2005). Those who turn to their own resources must find a way to survive in this competitive and volatile industry.

The rise of independent music production has led these entrepreneurs to search for new ways of conducting and financing their businesses. One popular alternative is crowdfunding. According to Galuska and Bystrov (2014), crowdfunding is "an initiative undertaken to raise money for a new project proposed by someone, by collecting small to medium-size investments from several other people" (p.234). Crowdfunding gives musicians the freedom to create what they want, maintain their artistic individuality, and finance their creative projects. They rely on fans and investors on intermediary sites (Kickstarter, Patreon, PledgeMusic, etc.) to supply the funds necessary to record their music, distribute it, perform it, and ultimately earn some income. These websites facilitate a medium through which fans and investors can contribute to an artist or band. There are several types of crowdfunding that offer different rewards to investors (monetary returns, extra promotions, part ownership, etc.), but they all follow the same basic principle of acquiring funds through donations.

Crowdfunding has become a viable alternative to traditional funding in the music industry, but it does not remain in isolation. Stakeholders within the industry have had to reckon with this new business model, by either ignoring it, adapting certain aspects of crowdfunding into their current business models, or even replacing their current business models entirely with crowdfunding. As a result, the following questions ought to be considered: which businesses are affected by the presence of crowdfunding in the music industry and to what degree does crowdfunding affect their business models? Elkabas (2012) states, "Major record companies are losing touch with reality, operating within the realms of out-of-date business models that are threatening their future and the richness of our music culture" (p. 16). He further explains that major labels and management companies have become too profit-minded and historically have been in control of all aspects of artists' careers, but that model is becoming obsolete in light of the technological advances in the last decade. He stresses that these companies need to adapt their models to be more artist and consumer-friendly or risk their future survival. Thus, there is a serious need for companies in the music industry to adjust their current models to fit the current climate of production and consumption. Crowdfunding is one viable alternative that companies ought to consider.

Crowdfunding is such a recent development that there is not a large body of research that has been done to assess the impact of crowdfunding on the business models of stakeholders in the music industry. One stakeholder group that has yet be researched, but stands to benefit from crowdfunding, is artist management companies. Managers are directly dependent on the revenue their artists generate (through performing, record sales, etc.) and thus the success of the artist is crucial to the success of the management company. In the current climate of the music industry, making money has become more difficult than ever. If management companies were to adopt crowdfunding into their current business models, either by starting their own platforms or partnering with existing platforms, they could potentially see an increase in revenues across the board. The artists they help would be generating extra revenue from the people supporting them via crowdfunding, thus the managers would get extra revenue. Incorporating crowdfunding would also attract more independent artists and starting artists because they are more likely to use crowdfunding to fund their careers than those who are already signed with a label.

There is a lot that has yet to be considered with crowdfunding in the music industry. As crowdfunding becomes even more prevalent, more research will need to be conducted to assess its effects on the music industry. This document will analyze elements of the business model concept, identify changes and challenges currently facing the music industry, and examine how crowdfunding has affected stakeholders in the industry. In addition, this paper will argue that artist management companies could directly benefit by adapting their business models to include crowdfunding for the artists they work with and suggest possible ways of implementing it.

# Literature Review

## The Business Model Concept Defined

The concept of a business model is a relatively recent development. Little discussion of the concept exists in academic literature prior to the early 2000s (George & Bock, 2011, p. 84). Since then, the concept has been used in many industries and has become a foundational structure within individual businesses. Though the concept is widely used by professionals, scholars have had difficulty describing it in definite terms because of a lack of unified research. According to Al-Debei and Avison (2010), the term is so widely used that researchers often study business models in the context of a particular industry without comparing them to those in other industries. Al-Debei and Avison compile research from several industries to more accurately develop a framework of what a business model really entails. They define a business model as follows:

> This paper defines the [business model] as an abstract representation of an organization, be it conceptual, textual, and/or graphical, of all core interrelated architectural, co-operational, and financial arrangements designed and developed by an organization presently and in the future, as well all core products and/or services the organization offers, or will offer, based on these arrangements that are needed to achieve its strategic goals and objectives. (Al-Debei & Avison, 2010, p. 372)

In other words, a business model is a framework that describes the core activities of a business and how different aspects within a business fit together to accomplish organizational goals. George and Bock (2011) state that business models explain how businesses work. It describes the flow of a business's products from creation to consumption and how value is exchanged between producers and consumers (Teece, 2010; Morris, Schindehutte, & Allen, 2005). Al-Debei and Avison (2010), argue that a business model aligns a company's strategies with their activities. Most agree that a business model is a multifaceted concept that is central to a business's strategies and operations to achieve goals and objectives, both short-term and long-term.

Scholars differ in what terms they use to describe elements of business models, but they usually include the same core concepts. Osterwalder and Pigneur (2005) examine literature concerning business models from multiple disciplines and they summarize the components of a business model under the following categories: product, customer interface, infrastructure management, and financial aspects (p. 10). The product includes all of the company's offerings, goods, services, or both. The customer interface deals with the type of relationship a firm has with its customers, how and where products are distributed, and which customers would be most likely to purchase a company's products. Infrastructure deals with the logistics (core competencies, activities, resources, etc.) of making a business model work and networks with other companies that supply, manufacture, or contribute to the main functions of a business. Financial aspects include costs and revenues generated by the various activities a business performs. Together these elements create a holistic view of a business.

Shafer et al. (2005) use slightly different terminology to describe core aspects of business models. They categorize the components of a business model as follows: strategic choices, creation of value, value network, and capturing value (Shafer, Smith, & Linder, 2005, p. 202). Strategic choices encompass all key focal points of doing business such as whom to sell to, pricing of products, marketing strategy, and competitive climate. The creation of value includes assets and resources used to create and give value to a product or service. The value network involves firm's relationships with customers and business partners (vendors, etc) where value is exchanged. Value capture involves the financial aspects of a business in determining costs and profit margins.

Business models have often been confused with business strategy. Many consider the two interrelated, but distinctly different in essence. Osterwalder and Pigneur (2005) state that the difference between a business model and business strategy is that a business model represents an individual company, while strategy is competitively focused plan of action (p. 7). Casadesus-Masanell and Ricart (2010) agree, stating "Strategy is often defined as a contingent plan of action deigned to achieve a specific goal… that has profound implications on competitive outcomes" (p. 203). A strategic action would be to choose one business model to implement over another, but the business model itself is not a strategy; rather, it is more of a description of a company (Novak, 2013). Both the business model and strategy play a key role in how a business operates, but a business model looks more at the activities of a business and how they fit together in the creation of value.

A key aspect of business models is the relationship between a firm's activities and how those activities create and capture value. Value is ultimately realized in what a product or services offers the end consumer. Business models include all activities that create value, which all parties concerned both give and receive (customers, vendors, partners, investors, etc.) (Zott & Amit, 2010). Value can either be subjective or objective and begins with how a particular product meets the needs of consumers. Lecours (2017) proposes four categories of how a product or service delivers value: social impact, life changing, emotional, and functional (p. 24). Social impact carries the idea of a product moving beyond the needs of the individual to satisfy a societal need. Value that is life changing speaks to higher-order needs of the individual, such as hope or self-esteem. Some products deliver value in the emotional benefit it provides for consumers like music. Lastly, value can be found in the functionality of a product in that it makes life easier, does something that saves time, or is of high quality. In order for a business model to be successful, there must be a mechanism for capturing this value that yields a monetary profit (Shafer, Smith, & Linder, 2005). The purpose of the business model is to provide a large, systemic picture of how a company works to make a profit.

Business models may be conceptual in nature, but they have practical implications for the actions of businesses and individuals within businesses. Mason and Spring (2011) state, “Business models can be understood as a framing device for influencing and shaping collective and individual action” (p. 1038). Business models developed by managerial staff to steer companies in a definitive direction are disseminated to subordinates within the business, ascribing purpose to individual tasks. Employees can then see their part in the organization and understand how their work contributes to the company’s mission. Doganova and Eyquem-Renault (2009) take a similar position and state that a business model is more than a description, but is a “scale model” of a business (p. 1568). It is through this model that entrepreneurs are able to envision the realization of a future venture presently, allowing them to have objective measurements of progress toward the eventual goal of the business. The business model, therefore, operates as both a strategic tool and a motivational tool.

**The Adaptable Nature of Business Models**

Business models are crucial to the operations and overall structure of a company, but in order to be effective, business models must be adapted and rewritten as business environments change. Environmental factors like competition, legal and regulatory policy, technological innovations, and the national or global economy all have an effect on how businesses currently operate (Upward & Jones, 2016). Many businesses in the music industry exemplify this reality. The music industry has been swept with changes in technology, copyright laws, revenue sources, and methods of distribution that have left companies with no other option but to adapt. Technological innovations have made distribution easier and more cost effective, but have given way to illegal file sharing, resulting in loss of revenue from recorded music. Thus, an adaptation is necessary.

A level of uncertainty intrinsically comes with these modifications to any given business model. Managers face the dilemma of whether their companies can remain profitable in light of environmental changes and are unsure of how to adapt their business models to address those changes. McGrath (2012) proposes a solution to this dilemma, arguing that experimentation is the best way to modify a business model. His observation is that many companies hire analysts to evaluate the market, collecting data and running numbers, while others take an experimental approach and just try new models. He finds that often the companies that are the most successful in adapting to changes are the ones that dedicate a portion of their resources to trying new business models. These companies are able to gain a competitive advantage as a result of their willingness to experiment. Bourreau, Gensollen, and Moreau (2012) take note that the end result is unpredictable, but investing in experimentation with business models is worth doing because there is the chance of finding the right one that could further the survival of a business.

Many companies struggle with experimentation in their business models because testing new models can involve deviating from the current business model. Chesbrough (2010) notes that many companies will conduct experiments, but only implement those that fit within their current business models and discard those that do not. This logically makes sense, but it hinders innovation. The only way to overcome this barrier is to be willing to try a new model. If companies map out possible alternative business models and conduct experiments that are carefully planned so that they are cost effective and experiment with realistic variables, then there is less risk involved and the results will be more representative of the actual market (Chesbrough, 2010; Mitchell & Coles, 2004). The worst that can happen in this case is that a test fails, but failure does not equate a total loss. Failure is an opportunity to learn and revise future endeavors. If the experiment succeeds, then the company can take appropriate steps to implement the new model to replace their current one. The benefits of experimenting with new models far outweigh the risks of remaining stagnant.

Demil and Lecocq (2010) suggest two approaches firms can have toward their business models: a static approach or a transformational approach. The static approach is a conceptual map used to describe the core components of a business. On the other hand, the transformational approach views the business model as a tool for change and innovation. They argue that a blend of these two approaches yields, what they coin, “dynamic consistency” (Demil & Lecocq, 2010, p. 230). With dynamic consistency in view, businesses can focus on change and innovation while maintaining their stability. This is what the music industry needs. Their models, which have been sustainable for years, have come under threat because of environmental changes in the industry. Thus they need to find a way to maintain a level of sustainable performance while innovation can take place and eventually replace the older business models.

**Methods of Business Model Modification**

Not all changes that companies make affect their business models. Cavalcante, Kesting, and Ulhoi (2011) argue only changes to the core activities of a business change its business model (p. 1330). They propose four possible changes that can be made to a business model: creation, extension, revision, and termination (Cavalcante, Kesting, & Ulhoi, 2011, p. 1327). Creation of a business model is implemented at the start of a new business venture, whereas the other types of change are done to existing models. Extension involves the addition of new elements to a current model; revision is the removal of an element to replace it with a new one; and termination is the abandonment of a current model altogether for a new one. Cavalcante, Kesting, and Ulhoi (2011) reaffirm that there is not a definite way to ensure success by any of these types of changes, but that managers must constantly refine models until they find the right combination of core activities that yield the best results.

Johnson, Christensen, and Kagermann (2008) propose a three-step method to reinventing a company's business model. First, find a way to deliver a product that has value to consumers. Once again, if a model cannot produce and capture value, it is not viable. It is a necessary step that businesses overlook and thus they fail when attempting to change their business models because the product or service they are seeking to offer does not satisfy customers' needs. If consumers do not want to purchase a company's goods or services, then the idea or venture will inevitably fail. Second, make a detailed plan of how to compile resources and make a profit off of the idea. They propose four components to this plan: customer value proposition, profit formula, key resources, and key processes (Johnson, Christensen, & Kagermann, 2008, p. 52-53). The plan begins with the specific product offering that is valuable to customers followed by the calculation of expected quantities of a product sold, costs, profit margins, and turnover rates. Then key resources and processes identify the logistics of making the new model work. Lastly, compare the new model to the existing model and then evaluate how much change needs to happen to make the new model work.

Euchner and Ganguly (2014), like Johnson et al., propose steps for business model innovation starting with a value proposition and developing alternate business models to capitalize on an opportunity. Their proposition is unique in that they emphasize taking measures to identify and mitigate risks. Every venture has associated risks, but in the innovation of a model Euchner and Ganguly see risk management as a crucial step. They argue that experimentation is the only way to identify and discover solutions to problems in a new model. It is only after risks have been dealt with that a small scale version of a model can be launched into the market.

Not all changes need to reinvent a company's business model. Some changes can happen just by adding extra dimensions to a company's current model without changing the model entirely. Rarely are such large changes necessary that an entire business model needs to be modified. Though this is true, some companies have benefited and grown to larger proportions than ever thought possible because of a drastic change to its business model. For example, Apple introduced its iPod in 2003 and reshaped market of portable music players (Johnson, Christensen, & Kagermann, 2008, p.50). There were other portable music players available at the time, but Apple had the superior business model to make it work. They offered a technology (the iPod), software (iOS), and the service (iTunes) to provide an all in one package to meet consumers' need for an easy to use music player. Other companies just made a device that could play music and did not provide the necessary resources to download music. Because of Apple's innovative thinking and large-scale change, it has been launched to the forefront of the technology market.

**Change in the Music Industry**

Business models in the music industry are at a crossroads. The age-old business model of selling recorded music has been weakened by the presence of the Internet and has left stakeholders searching for other viable models (Spotts, 2008). The lack of sufficient revenue from digital downloads and the decline of the sale of CDs, makes it more difficult for stakeholders to capture value from recorded music. Pirating is largely to blame for this phenomenon. Sales of approximately $4.6 billion were lost to pirating activities in 2004 alone (Pikas, Pikas, & Lymburner, 2011). Arewa (2010) states that the largest source of revenue for the music industry currently, is in live productions (p. 459). Therefore, tickets to see an artist perform cost more than previously because ticket sales are supporting the revenues of many stakeholders.

Warr and Goode (2011) assess the condition of the record industry. They acknowledge the damage that piracy, illegal file sharing, and digital downloads have done to revenues from recorded music, but they also see the Internet as an opportunity to further the survival of the industry. The opportunity that the Internet presents is community (Warr & Goode, 2011). Social networks can bring people together around a brand and in the case of the music industry, artist brands. Brand communities exhibit a moral responsibility in that individuals in these communities are less likely to act in a way so as to damage or harm the brand. This type of behavior, Warr and Goode (2011) argue, may decrease the pirating of music. In these brand communities, artists and fans are brought together under one mutual goal, supporting the artists career. Thus, for a fan to illegally download or share a particular artist's music, would go against the group effort to support the artist. Finding ways to monetize music online is the key to the industry's recovery (Shearer, 2007).

Power has shifted from the major record labels that used to control the production and distribution of music. Due to piracy and lost revenues, major labels cut artists that were not big successes in favor of keeping the select few that produced hits (Hracs, 2012). Major labels are trying to reduce the risk of losing on their investments by being more selective in who they sign. Now an artist must have a somewhat established career before they can gain the support of a label. As a result, independent music production has been on the rise. These independent artists have become entrepreneurs in their own right because they must perform all of the tasks that a label would have done for them. They have taken on the roles of producers, booking agents, managers, publishers, and marketers to be able to record, distribute, promote, and perform the music they create.

Walzer (2017) researches the rise of independent music production and its effects on the industry. Professional quality recording equipment has become so affordable in recent years that it allows many artists to produce their music from the comfort of their own homes. The affordability of equipment and software allows artists to create and distribute music without the backing of a major label. This spells trouble for both labels and recording studios. Large-scale professional studios suffer because artists that would have come to them can now produce high-quality recordings without the expense of booking studio time. Labels also are not necessarily needed for an artist to make it in the industry. With modern technology, artists can promote, sell, and distribute their music through online mediums without the restrictions of a label.

Independent musicians have formed online communities through which they collaborate and release music to their fans.

One of the more recent developments in the music industry is streaming. Services like Spotify and Apple Music, provide consumers with the ability to listen to all the music they want for a monthly fee or for free but with advertisements. Wlömert and Papies (2016) examine the effects of this new business model on the revenues from recorded music. They find that streaming services overall have a positive impact on revenues for the industry (Wlömert & Papies, 2016, p. 325). Paid streaming services have a positive effect on revenues, while free services have a negative effect, but the income generated by paid services is enough to offset the negative effects of free streaming. Walker (2018) states that streaming has rescued the music industry in that now there is a legal and cost effective medium through which consumers can listen to music. Streaming revenues grew 67% between 2014 and 2015 in the UK alone (Sutherland, 2017). Streaming is an attractive alternative to paid downloads so it has taken revenues from other distribution channels like retailers and pay-to-download services.

Capturing value from streaming services has been the main struggle for many industry players (Lakhani & Iansiti, 2014). Labels and artists will have to reevaluate contracts with streaming services so that they can capture more revenues. Spotify, though the most popular streaming service, pays the least to artists ($0.0038 per play), while Tidal pays more ($0.011 per play), but the visibility of the artists using it is fairly low (Picasse, 2018). Regardless of the platform it requires millions of streams for the artist to receive any significant revenue. Streaming is a new territory for the music industry and is promising, but as it is currently, artists are not seeing adequate revenue from their recorded music.

In summation, the music industry is at a pivotal point in history. There are many threats challenging older business models, causing even the largest companies to have to reconsider how they do business and make a profit. As they seek for a viable alternative that could replace or supplement their current models, they should experiment with new ways to capture value from the music artists produce.

**Crowdfunding as an Alternative Business Model**

Crowdfunding is a newer way many independent and beginning artists fund their creative projects. It is an alternative to the traditional record label funded productions, giving artists more creative license to make the music they want. With crowdfunding, the artist's role is significantly different. Galuska and Brzozowska (2015), in their study the of the crowdfunding platform MegaTotal, examine the relationships between project initiators (artists) and project investors (fans and other users of the site). Artists must remain in constant communication with those who support their work (Galuska & Brzozowska, 2015, p. 95). In this sense, they become their own public relations department. They initiate and maintain the relationships they have with investors so that they can reach a target financial goal. Belleflamme and Schweinbacher (2013) state that one positive side effect of crowdfunding is that it catches the attention of consumers, which can increase the number of people who support a given project. Fans also get to take on a different role. To some degree, fans can give direct feedback, which has a bearing on the creative process of the person they support (Galuska & Brzozowska, 2015, p. 95). They take on the role of an advisory board, giving artists suggestions both on content of the music and how to better satisfy fans. Both parties stand to benefit from the relationships that crowdfunding facilitates.

This relational aspect is key to crowdfunding's viability as an alternative business model. There is an exchange of value that occurs in these relationships (Chaney, 2012; Choi & Burnes, 2013; Assenova et al., 2016). Artists are able to receive the funds they need to finance their projects, while fans can receive exclusive offers not made to the general public and, in some cases, monetary returns on their investments. It is a very personable way of doing business, which appeals to consumers. In many industries, there can be a great divide between producers and consumers, but crowdfunding breaches that gap. These ongoing relationships make it possible for project initiators to continue to do what they do. As long as an artist has fans who are willing to contribute, then investments can be sustained for the long-term.

Younkin and Kashkooli (2016) research the problems that are solved by crowdfunding platforms by examining 64 crowdfunding websites based in the United States. They argue that crowdfunding remedies problems of patronage, inexperience, gatekeeping, and coordination (Younkin & Kashkooli, 2016, p. 22). Crowdfunding addresses the issue of patronage in that it can be a revenue stream that can support a project or venture for an extended period of time. It also helps inexperienced entrepreneurs acquire the funds needed to pursue a business idea that would be more difficult to acquire through a venture capital firm or bank loan (opening the "gate"). Experience is not necessary when acquiring funding through crowdfunding as where venture capital firms and banks look at the experience of entrepreneurs when making loan/investment decisions. Crowdfunding helps coordinate key relationships, matching investors with the right entrepreneurs, which is often one of the greatest challenges in investing. Based on their research, crowdfunding has applications in many industries. The logistics of where and how to use it are industry specific and so the problems that it can fix are also dependent upon the industry using it. At the very least crowdfunding can supplement existing revenue streams.

In order for these revenue streams to be effective, they must achieve a level of sustainability. The one problem many crowdfunders face is offering attractive rewards in exchange for investments. Younkin and Kashkooli (2016) cite this as the reason why platforms focused on patronage sometimes fail. If rewards merely include a psychological feeling of doing good, then the incentive to continue giving is low. Wei Shi (2018) states that consumers value tangible rewards over sentimental ones (p. 298). She also acknowledges that sometimes crowdfunders over promise rewards and so investors are disappointed when their investments yield no return. Thies, Wessel, and Benlian (2018) observe a similar phenomenon where the relationship between investors and entrepreneurs is not always reciprocal. There is a necessary balance of offering an attractive, material reward, but at the same time remaining realistic in what is practical given the size and/or goal of the campaign.

The positive relationships that are facilitated by crowdfunding help overcome the pitfalls of the current business models in the music industry. Research shows that crowdfunding restores an element of value to those who invest in an artist or group (Kappel, 2009). This impact of this value is twofold. Consumers gain the opportunity to become actively involved in the creative process through their investment, receiving rewards for their loyalty in the form of merchandise or, in some cases, a monetary return on their investment (Ordanini, Miceli, Pizzetti, & Parasuraman, 2011). It also discourages the devaluation of recorded music as a result of pirating. It would be illogical for an investor to essentially steal profits from the artist he or she supports and risk losing returns on their investment.

**The Effects of Crowdfunding on Stakeholders' Business Models**

Gamble, Brennan, and McAdam (2017) are the first to do in-depth empirical research by interviewing professionals in the music industry as to how crowdfunding is affecting the business models of key stakeholder groups. Through literary research they ascertain that the candidates that would benefit the most from adopting crowdfunding into their business models are independent artists, major record labels, and live sector firms. They then interviewed mangers, executives, and others from these stakeholder groups. The remainder of this section will discuss their findings.

**Independent Artists.** Independent artists have been the most receptive to the model. Many were dissatisfied with restrictions which their labels imposed on them so they turned to crowdfunding as an alternative source of funding. Crowdfunding has specifically enabled these artists to develop their careers apart from the support of a label. This independence allows artists to allocate more funds to creative projects rather than toward label commissions (Gamble, Brennan, & McAdam, 2017, p. 30). This freedom for artists to use the funding they receive through crowdfunding as needed results in a superior end product for consumers. Several interviewees expressed that crowdfunding has enabled many beginning artists to do far more at earlier stages in their careers than those who do not use crowdfunding (Gamble, Brennan, & McAdam, 2017, p. 30). They were able to produce quality recordings, experienced closer interactions with fans, and were able to go on tour. Galuska and Brzozowska (2017) observed a similar phenomenon in their study of the crowdfunding platform MegaTotal. The platform made it easier for beginning artists to enter the market, in that it provided opportunities that would not have been afforded by a major label. Overall, artists experienced both financial and creative freedom. Crowdfunding has enabled them to create whatever they want and not have to share a portion of profits with a label

Crowdfunding has also had positive results for artists in the area of marketing. Every artist must develop his or her brand in order to gain a fan base that supports the music he or she produces. As artists gain more supporters via crowdfunding, their fan base and support network expand as well. Therefore, the growth of artists' target markets is positively impacted by crowdfunding. One interviewee stated that "crowdfunding, if executed correctly, can transcend into an interpersonal relationship with associated positive perceptions of both interaction and sharing gestures, as opposed to the negative perceptions of financial demands" (Gamble, Brennan, & McAdam, 2017, p. 30). Crowdfunding facilitates the opportunity for fans and artists to come together and develop closer knit relationships that are beneficial to both parties. These close relationships make the financial transactions seem less of a burden because of the exclusive offers and interactions that donors receive from the artists they support.

**Record Labels.** Major record labels have seen many of their artists leave and adopt crowdfunding because of negative artist-label relations. This phenomenon has caused labels to consider the possibilities that crowdfunding offers (Gamble, Brennan, & McAdam, 2017, p. 31). Since major labels already have sustainable financial models, they do not need to adopt crowdfunding to fund their operations, but rather crowdfunding has influenced their marketing strategies and their contracts with artists. Some labels have adopted crowdfunding as a way of promoting artists' upcoming album releases (Gamble, Brennan, & McAdam, 2017, p.32). People pay in advance for the new album or project while it is still being produced and when it is released they receive the final product along with exclusive offers.

Artists' dissatisfaction has also caused labels to consider more artist-friendly approaches in their contractual agreements. One respondent stated that "crowdfunding is having disruptive ramifications on major label marketing models" (Gamble, Brennan, & McAdam, 2017, p. 31). Another respondent stated, "...the major labels are having to re-think their relationships with artists on account of the rising instances of 'bands crowdfunding just to get away from the label'" (Gamble, Brennan, & McAdam, 2017, p. 31). Though crowdfunding does not directly threaten the financial stability of major labels, it challenges their relationships with artists and how they market them.

On a positive note, the emergence of crowdfunding has caused labels to consider how they might incorporate crowdfunding into their own business models. As mentioned previously, some labels are using crowdfunding as a marketing tool to anticipate the release of albums. Other interviewees expressed that record labels could use crowdfunding as a risk mitigation strategy (Gamble, Brennan, & McAdam, 2017, p. 32). Rather than the label paying for all of the services and activities that surround an artist, using crowdfunding would generate extra funds that could be used toward artists' careers, thus reducing the amount that a labels must invest into individual artists. One respondent noted a recent collaboration between the crowdfunding platform PledgeMusic and several record labels. The person interviewed saw this as a potential shift toward a record label powered by crowdfunding (Gamble, Brennan, & McAdam, 2017, p. 32).

Labels have also used crowdfunding to find artists to sign. By viewing financial achievements and the number of followers, labels are able to see an artist's potential in more quantitative terms (Gamble, Brennan, & McAdam, 2017, p. 63). Those that have successfully crowdfunded in the past and have a large following have more potential to succeed in the long-term so labels are more willing to sign these artists. In the end, labels have no direct need for crowdfunding so many do not consider crowdfunding a potential threat, while others are developing ways to adopt aspects of crowdfunding into their business models to better their marketing and artist-relations.

**Live Productions.** Live sector firms have also been indirectly impacted by crowdfunding. From their research, Gamble, Brennan, and McAdam (2017) were unable to find any instances of live sector firms using crowdfunding in their business models, but some interviewees stated that they had done shows and tours for artists who used crowdfunding (p. 33). One respondent said that live sector firms are resisting consumer involvement in their business (Gamble, Brennan, & McAdam, 2017, p.33). Historically, these firms have operated on a business-to-business basis, drawing revenue from labels to fund artists' live productions. Gamble et al. see this type of thinking a hindrance to the incorporation of crowdfunding into the business models of live sector firms.

Some of the professionals who were interviewed considered the possibility of promoters incorporating crowdfunding into their models, but acknowledged the logistical challenges of crowdfunding large-scale shows. Though some interviewees stated that there are limitations to what crowdfunding can do for large events, there is still potential for these firms to adopt crowdfunding into their business models. More intimate performances are gaining popularity and traction among consumers, for which crowdfunding would be effective. As crowdfunding for live events increases, live sector firms will have to decide whether they will incorporate it or continue as they are.

# Opportunity and Implementation

## Opportunity to Incorporate Crowdfunding

One stakeholder group that Gamble et al. did not consider in their research is artist management. Artist managers are responsible for handling the day-to-day aspects of an artist's career. They plan, network, advise, book travel itineraries, set up tour schedules, reserve studio time, coordinate music videos and photo shoots, and negotiate agreements with record labels. Creating opportunities that advance the artist's career is the goal of the artist manager. They handle everything so that an artist can focus on the creative side of making music and concentrate less on logistics of making it all happen. Though they have great responsibility, artist managers are directly dependent on the success of their artists. A typical agreement between a manager and artist not only outlines the duties the manager is to perform on behalf of the artist, but how much of an artist's income will be paid to the manager as compensation for his or her work. If the artist is not generating much income, the manager will not either.

Therefore, managers stand to benefit from utilizing a crowdfunding platform for the artists they work with. Crowdfunding opens up yet another stream of revenue from which managers would receive a portion, thus increasing their total revenue. It would be an additional agreement to negotiate with an artist, but it would benefit the both the artist and the manager. The artist can receive the funds necessary to complete creative projects and the manager receives more in compensation. Another positive aspect of crowdfunding is that it attracts more independent artists. These artists are entrepreneurs in their own right in that they manage their own careers apart from the support of a label. As discussed previously, there are many artists who wish to remain independent due to the nature of contractual agreements labels impose, restricting creativity and taking large portions of the revenue generated by the artist. Thus, when an independent artist signs a contract with his or her manager, the artist can have confidence that they can retain their independent status while having the benefits of a manager's network.

Cavalcante, Kesting, and Ulhoi (2011) argue that there is more than one way to modify an existing business model. They propose four methods: creation, extension, revision, and termination. Extension is the method of modification that will be considered here, in which an extra dimension is added to a current model to supplement it. Management companies currently draw income from artists' gross income, but there is opportunity to extend that current model to include crowdfunding. This would open a secondary stream of revenue to support artists and managers.

**Implementation of Business Model Extension**

There are two ways in which management companies could extend their core functions to include crowdfunding. One would be to organize and launch their own crowdfunding platform. This would involve a significant amount time and resources to organize, but it would be beneficial on a long-term basis because there would be no third party organization taking a percentage of the funds raised from the crowdfunding campaigns and management companies could have more control over the platform itself. The long-term benefits of having their own platform may be sufficient for some companies, but to some the cost of designing a website, setting up accounts, overseeing transactions, allocating rewards, and hiring employees to oversee the maintenance and functionality of the platform may not be worth it.

The other option is to outsource the crowdfunding function to an existing and well-established platform. The second option would save considerable time and resources, allowing for managers and artists to see the benefits sooner. There are many platforms that are already well established and offer a plethora of helpful features to ensure that campaign initiators can successfully complete their projects. These platforms have proven their credibility and can be trusted by fans willing to support the artists they follow.

Tables 1 and 2 (see Appendices A and B) outline and compare the offerings of leading crowdfunding platforms. The remainder of this section will consider the advantages and disadvantages of various crowdfunding platforms based on data collected from their websites.

Patreon (see Appendix A) is unique from other platforms in that its primary goal is to establish a continuous stream of revenue from a group of “patrons” for an extended period of time. They have a subscription based model in which patrons make monthly donations to the person or group of their choice. The other platforms listed in the table campaign on a project by project basis. In return, patrons receive exclusive offers like merchandise or a chance to meet and/or chat with their favorite artist. Rewards systems vary between Patreon users. Some create tiers of support in which those who give more can receive better rewards. Others simply have a single tier that receives all funds and rewards are the same regardless of the amount given. Patreon has gained traction in the creative community through other internet venues like YouTube and is used by musicians, painters, photographers, filmmakers, and more. It is Patreon’s goal to create an environment where artists can connect with their fans and fans can support the art they love.

Over 100,000 artists are currently using Patreon on a monthly basis and there are over 2 million patrons supporting them. Patrons give on average $12 per month to any given artist, which is more than the cost of most monthly subscriptions. Patreon has raised over $300 million to date, in support of creators' careers. They handle all questions and issues that patrons have so that the artist can focus on creating, not having to answer customers' problems. Patreon charges a low fee of just five percent of what an artist makes through their platform and another five percent goes to costs of processing transactions. Only ten percent of what artists make goes to Patreon so that artists are able to keep the other 90 percent of the funds raised toward their careers.

Patreon is a platform that artist management companies could benefit from partnering with because of its mission in providing artists with a sustainable income. Unlike other platforms, Patreon is concerned with the long-term success of the artist and so they do all they can to provide a space in which fans can support the artists they love on a monthly basis. In addition, the cost of using Patreon is so low compared to some other sites like ArtistShare, with a fee of 15 percent. This leaves more income for the artist and the manager. If the artist gains a significant following that is willing to support him or her financially with monthly donations, then that artist can remain independent of a record label indefinitely. This equates to more creative freedom, fewer negotiations between managers and labels, and the manager receives a greater dollar amount of revenue because the artist makes more. Artists could potentially receive income from at least five sources: crowdfunding, live performances, merchandise, sponsorships, and recorded music. Crowdfunding in the case of Patreon can either supplement an artist's other sources of income or be the primary source. Therefore, using Patreon could greatly benefit artist management companies.

Kickstarter (see Appendix A) is one of the most successful crowdfunding platforms to date and has raised over $4 billion for thousands of projects. In terms of visibility, Kickstarter seems to be the most visible crowdfunding platform with 400,000 project initiators and 15 million donors. Over 150,000 projects have been successfully funded on Kickstarter since its foundation and it remains a giant in the crowdfunding industry. Kickstarter's design is to raise funds on a project by project basis, making funds accessible and coordinating efforts between project initiators and investors. They divide projects by category so that investors can easily navigate their site to find projects in the category they wish to fund. In return for their contributions, investors often receive a copy of the finished product and other exclusive offers depending on the donation amount.

Much like Patreon, the cost to use Kickstarter's service is relatively low with a five percent plus a three percent plus twenty cents payment processing fee per pledge. This leaves roughly 90 percent of the funds raised to be used by the project initiator. The key difference between Kickstarter and Patreon is the goal of the crowdfunding campaign. Patreon is aimed at developing a source of income for creators over a long period of time. Kickstarter's goal is to raise funds for a project. Thus, the way in which an artist or manager would use Kickstarter is fundamentally different. If an artist needed to raise funds for the recording of an album or for a headlining tour, Kickstarter would be the better option because of its direct, project by project focus. The artist could fund the venture and pay all parties involved. In order for an artist to remain successful when using Kickstarter, they would need to have another source of sustainable income. Kickstarter is not designed to supplement already existing sources of income, but it is designed for collecting investments to start a project. Many crowdfunding platforms have this same aim, but when considering how a management company might use them, it is important to keep this in mind. A partnership with Kickstarter would be used on a project by project basis for each individual artist.

PledgeMusic (see Appendix A) is also a project by project type of crowdfunding platform, but they specialize in music. Patreon and Kickstarter include campaigns from several sectors, arts, film, music, design, and more. Since PledgeMusic's core focus is in raising funds for music related projects, their goal is to provide a space that connects artists with their fans. In 2016, over 3 million artists used PledgeMusic to fund a project (Pandiscia, 2016). Fans receive copies of albums, merchandise, and access to special performances when they give to a project. PledgeMusic's mission is to offer fans with the unique opportunity to follow a given artist's project from start to finish. They have access to exclusive content, can witness and/or participate in the creative process, and watch the project grow.

The average amount people pledge is $55, significantly higher than Patreon or Kickstarter. They also have a higher fee for using their platform (15 percent). This leaves only 85 percent of the total amount raised by an artist that can be used toward funding the project. The artist receives less to be used toward the project and would therefore have to campaign for more money to cover the cost of the project plus the cost of using the platform. This raises the question, could PledgeMusic be as useful for artist management companies? Given their exclusivity to crowdfunding musical projects, a campaign on PledgeMusic might be more attractive to some fans. The exclusivity reduces the clutter on the site and fosters a different community than the sites that aim to fund all types of projects. On platforms like Kickstarter it is possible to find a project for a new invention along with a start-up businesses, painters, photographers, and

YouTube celebrities. An individual artist would be just one in multitude of various project campaigns. The atmosphere and culture behind PledgeMusic is their differentiating factor.

ArtistShare (see Appendix A) differs from the other services discussed so far in that they offer a complete list of resources an artist needs including distribution, consultation, marketing and promotion, product manufacturing and fulfillment, label services, and publishing. They offer a unique set of comprehensive in-house services that are available to artists using their platform. They too operate on project by project basis, but with the added list of services they offer, artists can receive support from the platform that is not just monetary. Like PledgeMusic, ArtistShare prides itself in connecting artists and fans to form a creative community that allows creative freedom for the artist and exclusive rewards to fans. Also, their fees for using their platform are low. They have a five percent platform fee and a three to five percent payment processing fee. Artists can keep roughly 90 percent of the funds they raise. So far, ArtistShare offers the most services for roughly the same cost as the other platforms.

Indiegogo's (see Appendix A) platform has a diverse collection of campaigns and several reward options. It can be used for creative works like art and music, but it can also be used for start-up businesses and new inventions/product ideas. In light of this, they have an option where supporters can take part ownership in a business or idea by purchasing equity in the campaign. Thus far, all of the other platforms have been rewards-based platforms, but Indiegogo offers donors the opportunity to take part ownership in a product so they can make monetary returns on their investments. Though they offer this option, users can still do rewards-based campaigns as well. In terms of visibility, they are second only to Kickstarter; therefore, projects that are started on their platform have greater potential to be noticed by a larger crowd of people. They have

800,000 users and 9 million donors. If artist management companies were to use Indiegogo with their artists, there would be little need for an equity-based campaign, but Indiegogo's popularity serves to benefit up and coming artists trying to start their careers due to the large amount of traffic their site receives from investors.

Rocketfuel (see Appendix B) is similar to Patreon in that they are a subscription-based crowdfunding platform. Their mission is to bring artists and fans together to sustain artists' careers for the long-term. Several artists have raised €100,000 or more over the course of their time with Rocketfuel. The point at which they differentiate themselves from Patreon is that they offer additional services like promotion, branding, and consulting specifically so that musicians can better market the music they create. Rocketfuel based in the United Kingdom, but anyone can use their platform from anywhere. They oversee the conversion of currency so supporters can donate from anywhere in the world so artists' supporters are not limited by geographic regions. The primary benefit for managers from Rocketfuel is the additional services in combination with the subscription model. Managers could use Rocketfuel with their artists on a long-term basis, allowing fans to drive the artists' income, and still have the flexibility of using the other services Rocketfuel offers.

Crowdfunder (see Appendix B), like many of the other platforms, operates on a project by project basis. They offer several different forms of crowdfunding within their one platform. They offer donation, rewards, and equity based crowdfunding. In this sense, Crowdfunder is much like Indiegogo in that they offer multiple types of crowdfunding, but it also hosts donation-based campaigns. Donation-based crowdfunding seeks to acquire funding from a group of people for nothing in return. Usually this type of crowdfunding is used for charitable causes or to support an individual for a specific reason like paying for medical or other large expenses. Managers may not use this type of funding specifically for the artists benefit, but could be utilized if an artist wanted to raise awareness about a cause or donate to a charitable organization. Donation-based crowdfunding could be a good way for artists to fulfill their social responsibility and improve their brand image.

In comparison to the other platforms, Crowdfunder is yet another visible platform with over 1 million project donors and 175,000 project initiators. Over the course of its existence, Crowdfunder has raise over €60 million. In addition to having a high amount of visibility, Crowdfunder has the lowest fees of all the platforms, ranging from zero to three percent depending on the type of campaign that is initiated. They charge a zero percent fee for charitable and personal campaigns. With all other campaigns they only charge a three percent platform fee. Cost-wise, Crowdfunder is the most economical of all the platforms. If a manager were to use Crowdfunder with his or her artists, then 97 percent of the campaign funds could go into the creative project and toward the manager's income. Between the donations-based campaign option and the low platform fee, Crowdfunder is another viable option for management companies.

Every platform examined here has strengths and all of them present a benefit to artist managers. Utilizing these platforms would increase the revenue managers receive across the board. The last task artist managers would have to face is selecting which platform(s) to use. It would be possible to select platforms on an individual basis, depending upon the needs of individual artists. The drawback to this approach would be the logistics of keeping a record of and tracking the progress of artists' campaigns on each platform. Whereas, if an artist manger just used one platform the monitoring process would be more efficient, but tailoring to the needs of individual artists would be difficult. The remainder of this section will present some hypothetical situations for which a manager might choose one platform over another.

The patronage platforms, like Rocketfuel and Patreon, would be useful to artists who already have an established following. Granted, a following of some sort is a necessary element of all crowdfunding in order to be successful, but it is especially crucial when an artist is seeking to start a subscription-based campaign. The artist and manager need to know that the fans are one hundred percent committed to the artist's work in order reasonably expect them to support the artist on a long-term basis. For example, if an artist has built a following on social media or YouTube and has several million subscribers who view and/or like the content they put out, there is a greater possibility of convincing those individuals to consider supporting the artist on a monthly basis. They have already shown their commitment and interest in the artist, starting a campaign Patreon and asking them to consider supporting the artist financially on a regular basis would monetize the support they have already shown through their views and likes.

Managers could use the project by project based crowdfunding platforms (Kickstarter, Crowdfunder, and Indiegogo) for artists who need the support to complete a specific project and are not looking for the continuous support of the patronage platforms. For example, if an artist has an idea for an album, but lacks the monetary resources to complete it, the artist manager might turn to one of the platforms mentioned above to raise funds. Kickstarter is the biggest of the platforms and perhaps the most widely known so the artist's campaign would be visible to those who patrol the site looking for projects to invest in. In addition, artists could reach out to followers, friends, and family to get donations toward the project. These platforms are great for a temporary basis, until the artist is able to finance a project.

The other category of platform examined previously is would be the music industry platforms (PledgeMusic and ArtistShare). These platforms are the most tailored to music. They only host campaigns for artists' albums and tours. The niche into which they fall creates a different experience for both the artists and the fans. ArtistShare especially stands out in that it offers a comprehensive set of services for their artists ranging from promotion to publishing. The scenario in which a manager might consider using one of these is if the artist or manager lacks a network of professionals who can oversee these additional aspects of the artist's career. If until this point in time, the artist has solely run his or her own career, taking on the responsibilities of several firms, then the additional services ArtistShare offers would be of great use. It would free up the artist to focus on the creative process and worry less about the details of business like publishing or distribution. Most managers already have networks that perform these services, but if for some reason they wanted to use ArtistShare's services, the option would be there.

Regardless of the type of platform chosen, managers stand to benefit because of the additional revenue generated by crowdfunding. Choosing the right platform would differ between management companies and differ between artists. Each has a specific need to be addressed and each platform offers a unique set of solutions for those needs. The possible uses of crowdfunding from a management perspective are many. Each has its niche that it satisfies, but the potential benefit is a surety.

## Conclusion

This paper has examined the nature, function, and adaptability of business models, how crowdfunding has become an alternative business model in the music industry, and how crowdfunding has impacted various stakeholders in the music industry. Business models serve as a helpful tool in the design and operation of a business. They describe the flow of value throughout the firm from the earliest stages in production to the value transferred to and from the consumer. Business models also shape and drive the actions of managers and employees to work toward accomplishing organizational goals. As industries change so must companies' business models. A company's former method of operation and delivering products to consumers eventually becomes obsolete as politics, legal requirements, competitors, technologies, and consumers' demand change. The primary implication of this reality for businesses is that they must adapt their current models in order to survive in a new environment.

The music industry is a prime example of an industry that has undergone significant change in recent years. With the advent of new technology, making music more accessible to the average consumer has ushered in an era where it is increasingly more difficult for artists to capture value from their recorded music. Illegal downloads and streaming have decreased the amount of revenue artists receive from their albums. In response, many rely on ticket sales to offset the amount revenue lost from recordings. Record labels have taken advantage of artists through contractual agreements requiring artists to sign away much of their income to their labels. After having felt mistreated and restricted by labels, many artists have left their labels and have forged careers on their own. These independent artists have sought out new ways of conducting business and financing their creative lifestyles, one of which is through crowdfunding.

Crowdfunding gives artists creative and financial freedom by collecting investments from their fans. Many independent artists have been able to achieve great success through crowdfunding in recording albums, booking tours, and growing their brand. Crowdfunding invites fans to literally invest in their favorite artists, creating opportunities for fans to form closer relationships with artists. It bridges the gap between producer and consumer. Artists are able to allocate funds where they need to go instead of paying out a large portion to a label. Also, artists are able to create what they want. With crowdfunding, there is not a team of label executives who dictate what songs or pieces an artist can or cannot release. As a result, artists are producing higher quality music at earlier stages in their careers.

As crowdfunding has gained traction in the industry, companies other than independent artists have been affected as well. Major labels have had to renegotiate contracts with artists because artists were leaving labels in favor of crowdfunding. Some labels have used crowdfunding themselves as a means to market upcoming album releases, calling on fans to subscribe to the artists they like and receive some exclusive rewards in return. The effects of crowdfunding on major labels have yet to be fully realized. Many labels are experimenting with it in smaller test environments. Some industry executives see a possible crowdfunding-powered label in the future. Only time will reveal more ways that labels are being changed by crowdfunding.

Artist management companies are yet another stakeholder group that would stand to benefit from the adoption of crowdfunding into their business models because they are directly dependent on the success of the artists they manage. There is no research to date that has been done to assess how, if at all, management companies have been impacted by crowdfunding. By extending their current business models to incorporate crowdfunding, management companies could see an increase in revenue across the board. There are various types of platforms available that all have unique offerings that management companies could partner with to offer more to the artists they work with. How each manager implements crowdfunding would more than likely be different based on the needs of the artists they work for, but the benefit is still the same.

Some of the limitations of this study include that the review of the academic literature is not exhaustive. There is simply too much that has been written on the topics of business models, crowdfunding, and the music industry to be included given the time frame allowed for the completion of this study. As a result, some generalizations and assumptions may have been made that do not accurately represent the entirety of the existing literature on the topics mentioned above. Other limitations include that there is little literature on exactly how crowdfunding has impacted stakeholders in the music industry. Currently, the article by Gamble et al. is the only one on the subject so there is not an expansive base of writings with which to compare the results of that one study, which presents a limitation in validating the significance of their findings. Gamble et al. also admit that their research may contain generalizations that may be incorrect given the nature, size, and time frame of their study.

Despite these limitations, the areas for future study are numerous. One area of study that ought to be considered is how artist management companies have been affected by crowdfunding, if it all. This would require interviewing professionals from the industry and asking them in what ways has crowdfunding shaped their business models. The results of that study would either confirm or disprove the assumptions of the current study in that management companies stand to benefit from incorporating crowdfunding into their business models.

Other areas for further research include examining other stakeholder groups not considered in Gamble, Brennan, and McAdam's study, which range from major label artists to publishing companies. Crowdfunding may have little or no effect on these stakeholders, but the topic remains unresearched. If crowdfunding does affect these key players in the industry, then how might other companies or individuals in those sectors implement crowdfunding as part of their business models? One might even consider repeating Gamble, Brennan, and McAdam's study to validate their findings to see if their findings are substantial.

In addition to interviewing stakeholder groups, one might consider researching how companies in the music industry might implement different types of crowdfunding (rewards-based, donation-based, equity, etc.). Each type of crowdfunding has its own set of uses. How might artists be seen as socially responsible brands by regularly crowdfunding for charitable causes? Could fans buy stock in their favorite artists? Are extra perks and rewards enough in exchange for fans donations to artists' campaigns?

As crowdfunding continues to grow and gain more acceptance by the general population, more industries will have to acknowledge its influence and either incorporate it or reject it. The music industry is continually changing, and the ways in which music is created, produced, released, and purchased are being reinvented regularly. How to capture value from music in this new and dynamic environment seems to be the big question that stakeholders are having to wrestle with. As they seek out new models and new methods of doing business, the more diverse and competitive the playing field will be for those trying to enter the industry. Crowdfunding is just one way in which stakeholders in the music industry are addressing this question.

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**Appendix A**

Table 1

*Top Crowdfunding Platforms for Musicians*

| Platform name | Patreon [a] | Kickstarter [b] | PledgeMusic [c] | ArtistShare [d] | Indiegogo [e] |
|---|---|---|---|---|---|
| Core focus | Patronage | Gatekeeping/ coordination | Gatekeeping/ coordination | Gatekeeping/ coordination | Gatekeeping/ coordination |
| Number of users | 100,000 + | 428,629 | 3 million + [f] | Not listed | 800,000 |
| Number of donors | 2 million | 15,612,208 | Not listed | Not listed | 9 million |
| Average donation amount | $12 | Not listed | $55 | Not listed | Not listed |
| Platform fee | 5% | 5% | 15% | 5% | 5% |
| Transaction fees | 5% | 3% + $0.20 *per pledge* | Not listed | 3-5% | 3% + $0.30 *per pledge* |
| Time frame allowed for projects | Indefinite | Set by project initiator | 60 days | Not listed | Not listed |
| Rewards for contributions | Exclusive offers/ more connection with creator | Exclusive offers/ copy of final product | Exclusive offers/ copy of final product | Exclusive offers/ copy of final product | Exclusive offers/ equity in a project |
| Number of successful projects | Not listed | 155,831 | Not listed | Not listed | Not listed |
| Total contributions to date | $350 million | $4.05 Billion | Not listed | Not listed | $ 1 billion |
| Additional services offered | Customer service/ tech support | Not listed | Not listed | Distribution, consultation, marketing and promotion, product manufacturing and fulfillment, label services, and publishing | Creative services, marketing, production, fulfillment, retail, licensing, distribution, website development , and e-commerce |

[a] (“Patreon,” 2019). [b] (“Kickstarter,” 2019). [c] (“PledgeMusic,” 2019). [d] (“ArtistShare,” 2019). [e] (“Indiegogo: Crowdfund Innovations and Buy Unique Products,” 2019). [f] (Pandiscia, 2016).

**Appendix B**

Table 2

*Other Crowdfunding Platforms*

| Platform name | Rocketfuel [a] | Crowdfunder [b] |
|---|---|---|
| Core focus | Patronage | Gatekeeping/ coordination |
| Number of users | Not listed | 175,000 |
| Number of donors | Not listed | 1.1 million |
| Average donation amount | Not listed | Not listed |
| Platform fee | 5-10% | 0-3% |
| Transaction fees | 1.5% + 20p for European Cards<br>2.9% + 20p for Non-European Cards | 1.67% + 25p |
| Time frame allowed for projects | Indefinite | 8 weeks |
| Rewards for contributions | Exclusive offers | Exclusive offers/equity |
| Number of successful projects | Not listed | Not listed |
| Total contributions to date | Dozen of artists have raised over €100,000 | €60 million + |
| Additional services offered | Music, branding, promotion, and mentoring | Advising |

[a] (“Rocketfuel: Fan-fuelled Music,” 2019). [b] (“Crowdfunder,” 2019).