

From Ownership to Platform Economies: Financial Transformation and Artist Sustainability in the Digital Music Industry, with Evidence from Electronic Music

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Research Question: How have financial models in the global music industry evolved in the digital era and what are the implications of these changes for independent and electronic music artists?

Abstract

The global music industry has undergone a fundamental shift from ownership-based models to platform-driven economies, primarily through the rise of streaming services. This paper examines how these evolving financial structures have reshaped value creation and distribution with a particular focus on their implications for independent and electronic music artists. Drawing on secondary research, the study analyses the decline of traditional gatekeeping, the emergence of algorithmic intermediation and the pro-rata revenue model that governs streaming platforms. While digital technologies have lowered barriers to entry and enabled wider participation, they've also introduced new challenges related to visibility, revenue fragmentation and income inequality. Independent artists face growing precariousness due to platform-dependent exposure and low streaming payouts, while electronic music serves as a case study, illustrating how these dynamics operate in practice. The paper argues that although access has expanded, financial sustainability remains uneven and structurally constrained within platform economies.

Keywords: Platform economies, music industry, streaming, independent artists, electronic music.

Introduction

Historically, the global music industry operated on a model which was centered around physical ownership, with revenue being generated primarily through the sale of records, CDs and later digital downloads, with major record labels exercising significant control over distribution across channels and artist visibility. This model was characterized by relatively high barriers to entry, concentrated flow of revenue towards a small number of commercially successful artists and substantial upfront production and marketing costs. That said, the industry

has undergone a profound structural transformation over the past two decades. This has been driven by the rapid digitization of production, distribution and consumption. The emergence of streaming platforms such as Spotify and Apple Music has shifted the industry from ownership-based consumption to access-based models.

This transition has several implications. Not only has it altered how music is consumed, but it has also redefined the industry's underlying financial structures. Streaming now accounts for the majority of global recorded music revenue, surpassing \$22 billion and contributing almost 70% of total industry earnings (IFPI, 2026). Unlike traditional models where artists were compensated through unit sales, streaming platforms operate on a pro-rata revenue distribution system, in which total subscription and advertising revenues are pooled and distributed based on the overall share of streams.

Within this evolving context, independent artists and those operating within electronic music genres occupy a particularly significant position. Digital platforms and tools have lowered traditional barriers to entry, allowing independent artists to bypass record labels and reach global audiences directly. However, this increased accessibility has intensified competition and made substantial income generation more uncertain. At the same time, electronic music as a technologically native genre has developed a distinct economic model that relies less on recorded music revenue and more on live performances, brand collaborations and festivals, shaping how these platform dynamics are experienced rather than eliminating the underlying challenges. The paper, therefore, aims to answer the following research question: **How have financial models in the global music industry evolved in the digital era and what are the implications of these changes for independent and electronic music artists?**

This paper argues that while digital financial models have democratized access to music distribution, they have simultaneously restructured value capture in ways that disadvantage most independent artists. The case of electronic music further demonstrates how these platform dynamics operate in practice, revealing both expanded opportunities for participation and intensified competition, precarity and uneven income distribution.

From Ownership to Platform Economies: The Transformation of Music Industry Financial Models

Prior to the digital era, the music industry's financial structure was built around ownership, scarcity and gatekeeping. Revenue depended primarily on physical sales, such as vinyl records, cassettes and CDs, with artists and songwriters also earning through mechanical royalties, public performance royalties and synchronization deals for film and television placements (Martinez Jr, 2024). As part of this model, record labels were central economic actors financing recording, controlling access to expensive studios and producers, handling

manufacturing and global distribution and investing heavily in marketing and promotion (Iliev, 2024). Because producing and circulating music required substantial capital, artists generally relied on labels not only to reach the market but even to enter it at all. This gave labels enormous bargaining power and enabled them to shape both the commercial trajectory as well as the creative output of artists (Rocha, 2020).

The traditional label system functioned as a form of institutional gatekeeping. As Waldfogel (2017) explains, the pre-digital music market required labels to identify promising artists, spend heavily on production, secure radio airplay, fund promotional activity and physically distribute albums to stores, with the International Federation of the Phonographic Industries estimating that bringing a new album to market in this way cost around \$1 million. This meant that only a limited number of artists could realistically obtain access to large-scale distribution. In exchange for assuming financial risks, labels would claim a large share of revenues and often retain substantial control over copyright, branding, masters and release strategy (Rocha, 2020). While this structure could provide resources and visibility, it also concentrated power and value in the hands of a small number of major firms.

The first major disruption to this model came from digital piracy. The rise of Napster in 1999 allowed users to access music files at near-zero cost, successfully bypassing traditional payment systems and undermining the sale of recorded music. Waldfogel (2017) identifies piracy as the proximate cause of the sharp and sustained decline in music revenues that began in 1999, noting that recorded music industry revenues fell by more than half thereafter. To add to this, research shows that the global recording music market fell from approximately \$38 billion in 1999 to \$15 billion in 2014, illustrating the severity of this collapse (Rocha, 2020). In fact, digitization first destabilized the ownership model before the industry had developed a viable commercial alternative.

The initial legal digital response, particularly iTunes, preserved aspects of ownership logic by allowing users to purchase individual tracks rather than full albums. Yet the deeper transformation came with the rise of streaming, which replaced ownership with access. Rather than paying once to own a song or album, consumers now pay a subscription fee in exchange for access to a wide catalog of music on demand (Martinez Jr., 2024). This shift changed listener behavior as well as the entire logic value creation within the industry. Music ceased to function primarily as a product sold in discrete units and instead became a part of a platform-based service economy where value was generated through continuous engagement, data capture and scale.

Streaming platforms typically allocate revenue through a pro-rata model. Under this system, subscription and advertising revenues are pooled and rightsholders receive a share of that pool according to the proportion of total streams they account for on the platform during a given payout period (Roppas, 2025). To explain this further, if an artist receives 2% of total streams, they receive 2% of the revenue pool even from users who never listened to

that artist at all (O'Donnell, 2024). This means that music royalties are no longer tied directly to a single user's purchase decision but to aggregate market share across the platform. In principle, this allows mass access and continuous monetization. In practice, however, it tends to favor artists who already command very large streaming volumes because the payout mechanism is tied to the total share of streams rather than to fan-specific spending.

At the same time, digitization lowers the cost of making and distributing music, thereby weakening some of the traditional economic rationale for record labels. Consequently, it is argued that artists can now produce passable recordings using relatively inexpensive digital tools and distribute tracks online for extremely low cost, radically reducing barriers to entry. For instance, research notes that home recording software, digital platforms and social media have made it possible for artists to manage much more of their own careers (Spacek, 2025). Furthermore, the rise of online distributors such as DistroKid, TuneCore and CD Baby allows artists to upload music to major streaming platforms for relatively small flat fees or low commission structures (Rocha, 2020). In this sense, digitization did not simply destroy the old model; it also created new avenues for self-distribution and direct market access.

However, this did not eliminate intermediation. Instead, it transformed it. Traditional label gatekeeping has partially given way to platform intermediation. Artists may no longer need a label to place music on Spotify or Apple Music, but they still operate within systems that are governed by playlist visibility, algorithmic recommendation, platform payout structures and audience metrics. In line with this, Spacek (2025) argues that labels have not disappeared so much as changed roles, acting less as absolute gatekeepers and more as strategic partners or patrons who offer marketing support, playlisting assistance and commercial guidance in an industry where distribution itself is no longer scarce. This is reinforced by research that notes that many major labels now focus less on long-term artist development and more on distribution partnerships with artists who have already proven their marketability (Fabos, 2025). In other words, artists increasingly bear the burden of initial development while labels and platforms step in once commercial potential is already visible.

This transition from ownership-based sales to platform-centered access, therefore, reflects both democratization and concentration. On one hand, artists have more technical capacity than ever before to produce, release and retain control of their music. On the other hand, the revenue structure of the streaming economy redistributes value through market logic that advantages scale, visibility and repeat consumption. The decline of old gatekeepers has not produced a full egalitarian system; rather, it has replaced one concentrated model with another, shifting power away from physical distributors and toward digital platforms, data-driven algorithms and financially selective label partnerships. This transformed landscape provides a basis for understanding why the

digital era has offered new opportunities for artists while simultaneously generating new economic pressures specially for those operating independently.

Independent Artists in Platform Economies: Access, Visibility and Financial Precarity

The digital transformation of the music industry has often been framed as a moment of empowerment for independent artists. As analyzed above, by removing traditional barriers to distribution, streaming platforms and digital tools have enabled musicians to release music globally without the backing of major record labels. In this sense, the contemporary music economy appears more accessible now than ever before (Illustrate magazine, 2024). However, this accessibility is not translated into economic stability. Instead, it has produced a fundamental tension: while more artists can enter the market, fewer can sustain a viable career in it.

One of the most significant shifts is the collapse of distribution as a barrier. Yet this expansion has led to extreme market saturation with vast volumes of content competing for limited listener attention. As a result, the challenge facing independent artists is no longer access to distribution but access to visibility. This is where platform economics becomes particularly consequential. Independent artists operate within an environment governed by algorithmic visibility systems, where exposure is determined by engagement metrics rather than direct audience relationships. Recommendation systems prioritize tracks that generate strong early performance, such as high completion rates or low skip rates, creating cumulative advantage effects (Taylor & Ruiz, 2026). For independent artists who have smaller initial audiences, this creates a structural disadvantage: without early traction, the music is unlikely to be promoted by the platform, limiting opportunities for growth. The importance of playlist ecosystems further intensifies this dynamic. Placement on influential playlists can generate millions of streams and significantly increase an artist's visibility, but access to these spaces is highly competitive and often shaped by industry relationships (Spears, 2025). As a result, independent artists frequently find themselves competing not only with other emerging musicians but also with major-label acts that benefit from institutional support and promotional leverage.

These visibility constraints directly shape financial outcomes. While streaming provides global reach, it offers extremely low per-unit returns, requiring high consumption volumes to generate meaningful income. Average payout of approximately \$0.003-\$0.005 per stream means that even hundreds of thousands of streams may yield only modest earnings (Royalty Exchange, 2025; THE PLAYGROUND, 2025). For many independent artists, streaming revenue alone is insufficient to sustain a career, forcing them to rely on alternative income sources, including live performances, crowdfunding, merchandise sales and licensing (Spears, 2025). This diversification of income reflects a broader pattern of revenue fragmentation. Rather than a single dominant revenue stream,

independent artists must assemble income from multiple sources, each with its own risks and dependencies. While streaming may function as a discovery tool, actual financial sustainability often depends on external activities such as touring or direct fan support (Bennett & Hudgins, 2025). This model, therefore, shifts the burden of economic survival onto artists themselves, requiring not only creative production but also entrepreneurial and marketing labor.

At the same time, adding to what was discussed in the previous section, the structure of streaming payouts reinforces existing inequalities. Because revenue is distributed according to overall market share, the majority of earnings are concentrated among already successful artists. Independent musicians typically generate fewer streams and receive only a marginal share of the total revenue pool (Birkenruth, 2023; THE PLAYGROUND, 2025). Even when independent artists retain a larger percentage of royalties than signed artists, the lower volume of streams often results in lower overall income.

The result is a paradox at the heart of the digital music economy: while independence has increased in formal terms, it has decreased in economic security. Artists have greater control over the distribution and creative output, yet they operate within an infrastructure that actively limits their ability to convert visibility into sustainable income. Moreover, new platform features such as algorithmic promotion tools and pay-for-priority mechanisms can further disadvantage independent artists, who may lack the financial resources to compete in this system (Esmer, 2026).

In response to these conditions, many independent musicians are turning to alternative, artist-centric platforms like Bandcamp and Patreon, which offer more direct revenue models and stronger artist-fan relationships (THE PLAYGROUND, 2025). These platforms prioritize ownership and transparency, allowing artists to retain a larger share of income. However, they often lack the scale and discovery mechanisms of major streaming services, meaning that artists must balance financial sustainability with audience reach.

Ultimately, the digital era has not eliminated the structural challenges that were faced by independent artists; it has actually reconfigured them. The removal of traditional gatekeepers has been accompanied by the emergence of new forms of platform-based control in which visibility, revenue and success are mediated by algorithmic systems and data-driven incentives. Independence, therefore, should not be understood as a purely liberating condition but as a precarious possession within a highly competitive and unequal platform economy.

Electronic Music as a Case Study of Platform Economies

Electronic music provides a particularly effective case study for understanding how platform economies reshape cultural production, as it is inherently intertwined with digital technologies. Unlike many other traditional genres, electronic music has developed alongside advances in software, home production tools and online distribution, allowing artists to create and release music with minimal financial barriers. The widespread availability of digital audio workstations and online tutorials has significantly lowered the threshold for entry, enabling what is termed ‘bedroom producers’ to participate in the global music market (REVOLUTION 93.5, 2026). At the same time, streaming platforms and recommendation algorithms have facilitated the rapid expansion of the genre by exposing listeners to niche sub-genres and personalized playlists. Consequently, electronic music has become deeply embedded within platform ecosystems, making it an ideal lens through which to examine their broader economic and cultural effects.

Platforms have played a central role in driving the growth and visibility of electronic music. Streaming services such as Spotify and SoundCloud not only provide global distribution but also actively shape listening habits through curated playlists and algorithmic recommendations, which are particularly suited to electronic genres such as ambient, techno and lo-fi (ISINA, 2025). These genres often function as background or continuous listening experiences, aligning with the rise of 24/7 streaming formats and uninterrupted mixes that prioritize consistency and immersion over individual tracks (Winston News Wire, 2026). In this context, platform logics are not simply external to the music but influence its form and circulation. Additionally, electronic music artists have been especially effective at building online communities through social media live streams and platforms such as Bandcamp, enabling direct audience interaction and alternative forms of monetization (Neu, 2024). The combination of algorithm promotion and digital community building demonstrates how platforms can expand access, visibility and audience engagement for artists operating within the ecosystem.

However, similar to individual artists, this increased accessibility does not necessarily translate into stable or equitable income for electronic music producers either. Despite the prominence of streaming platforms, most electronic music producers derive only a small share of their income from royalties, with 81% of producers in the UK earning less than 10% of their total revenue from recorded music (Paine, 2026). Instead, such artists rely on a fragmented set of income streams, including live performances, festival bookings, licensing and brand partnerships (Complex, 2013). While high-profile DJs may command substantial fees for performances or residencies, these opportunities are unevenly distributed and often not accessible to emerging artists. Furthermore, although electronic music is well-suited to sync licensing and digital distribution, these revenue streams remain highly competitive and uncertain. This demonstrates how the broader dynamics of platform

economies, particularly the disconnect between visibility and financial return, manifest in concrete ways within electronic music scenes.

Emerging technologies such as artificial intelligence (AI) further intensify these dynamics. AI-powered tools can enable both amateur and professional artists to produce music more efficiently (Soundverse, 2026), accelerating the already high volume of output in the genre. While this expands creative possibilities, it also contributes to increasing competition and saturation. Moreover, ownership and control of AI-generated content are often concentrated among the corporations that develop these systems, raising concerns about intellectual property and the consolidation of power (Holmes, 2025). In this way, technological innovation does not fundamentally disrupt platform economies but instead extends their underlying logic.

Overall, electronic music demonstrates how platform economies operate in practice: expanding access to production and distribution while simultaneously concentrating visibility, income and control. As such, it reinforces the broader argument that increased participation does not necessarily lead to sustainable careers, but instead produces a more competitive and uneven landscape for artists.

Conclusion

The evolution of financial models in the global music industry from ownership-based systems to platform-driven economies has fundamentally altered how value is created and distributed. While digital technologies and streaming platforms have significantly reduced barriers to entry and expanded global access, they have not produced a more financially equitable system for artists. Instead, they have restructured the industry in ways that prioritize scale, engagement and data-driven visibility, often at the expense of stable and sustainable income.

For independent artists, the transformation presents a central paradox. Although they now have greater control over distribution and the ability to reach audiences without traditional intermediaries, their success is increasingly dependent on algorithmic systems, playlist placement and platform metrics. This shift has replaced traditional gatekeeping with new forms of platform-based control in which visibility is unevenly distributed and difficult to access without prior traction. At the same time, low streaming payouts and pro-rata revenue models mean that even substantial levels of consumption may not translate into meaningful earnings, forcing artists to rely on fragmented income streams such as live performance, merchandise and licensing.

The electronic music industry further illustrates how these dynamics operate in practice. While it benefits from strong alignment with digital tools and diversified revenue opportunities, particularly through live performance, it also reflects the broader challenges of oversaturation, competition and unequal income distribution. Even within

a genre that is technologically adaptable, financial sustainability remains uneven and dependent on factors beyond creative output.

In answering the research question, it is evident that digital financial models have expanded participation but have not ensured economic stability for most artists. Instead, they have produced a system in which independence is increasingly conditional and precarious. Ultimately, the platform economy is transforming the music industry not by eliminating structural inequalities, but by reshaping them within new technological and economic frameworks.

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