BEYOND THE MUSIC:
DRIVING PROFITS FOR INDEPENDENT CANADIAN ARTISTS THROUGH INNOVATION

by

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Abstract

Declining music sales revenues are forcing independent Canadian musicians to find new ways to support themselves financially. This study suggests how Heritage Canada might modify the Canada Music Fund to better support artists without contracts with major record labels. To do so, the study explores why some music fans spend more on their favourite artist than other fans, using the results of an original survey to test the extent to which innovative product releases and artist outreach efforts influence fan expenditure. Statistical testing reveals the key variables driving increased revenue include offering official band merchandise for fans to purchase and fans feeling a strong personal connection to their favourite artist. The study then evaluates three policy options according to cost, effectiveness and responsiveness. Analysis suggests Heritage Canada can best support working artists by reorienting current entry-level grant program by funding the creation of profitable self-produced products.

Keywords: independent music; Canadian music; music piracy; digital piracy; innovation in the music industry; fan loyalty; artist outreach; Canadian music industry; music business model; working musicians; Canada Music Fund; Foundation Assisting Canadian Talent on Recordings; Department of Canadian Heritage

Executive Summary

Declining music sales due to music piracy undermines an already uncertain financial future for working independent Canadian artists. Having many independent artists now finding it harder than ever to thrive threatens original music production in Canada. While the negative economic impact of the digital revolution is clear, how to best mitigate these effects is not. As a whole, the music industry's response has been to challenge the legal and criminal aspects of music piracy, while placing very little emphasis on developing strategies to help artists to adapt to this changing environment. However, some artists now employ innovative approaches to connect with their fans in the hope of nurturing and capitalizing on a deeper sense of fan loyalty. The Government of Canada, through the Department of Canadian Heritage, currently uses the Canada Music Fund to assist independent Canadian artists, which offers loans and grants to musicians and related businesses and associations to support recording, touring, and business development. However, the extent to which these programs meet the challenges of the digital age is unclear.

This study uses an original survey to explore why some music fans spend more on their favourite working independent Canadian artist in order to understand the changing nature of the consumer demand in the digital era. The survey asks fans how much they spend on products offered by their favourite independent Canadian artists, using the total expenditure as the main dependent variable. Independent variables include the ways and means by which artists connect with their fans and release products. Data analysis reveals product range and strong personal connections increase fan expenditure. In response to these findings, this study formulates three policies for the Canada Music Fund to improve supports for new and emerging working Canadian artists: 1) maintaining the status quo; 2) restructuring the entry-level grant to new artists; and 3)

branding a website where artists can harness fan loyalty to compete for grant money. Out of these three policies, this study recommends restructuring the entry-level grant to new musicians to emphasize investing in the self-production of products that provide better returns on investment.

Dedication

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Glossary

BitTorrent	Peer-to-peer file sharing protocol (e.g. uTorrent) used for sharing large files; uses .torrent files which allow users to download a file from multiple users rather than a single source; often used to pirate music
CIMA	Canadian Independent Music Association
CMF	Canada Music Fund
CRIA	Canadian Recording Industry Association
FACTOR	The Foundation Assisting Canadian Talent on Recordings
IFPI	International Federation of the Phonographic Industry
NARM	National Association of Recording Merchandisers (U.S.)
P2P	Peer-to-peer file sharing program (e.g. FrostWire)
Pirating	The unauthorized downloading of copyrighted content, including music, often through file sharing programs or file hosting sites (e.g. Rapidshare)
RIAA	Recording Industry Association of America (U.S.)
SOCAN	The Society of Composers, Authors and Music Publishers of Canada

1: Introduction

Music and musical expression is an ancient form of individual and community expression, with the recent rise of the digital recordings allowing an unprecedented sharing of increasingly diverse forms of music. Dramatically shifting consumer demand, consumption and purchasing habits show listeners now demand more for less or even more for nothing at all. While music as a form of expression continues to be strong as ever, music as an industry continues to confront seismic shifts to its core business model - heralding a new period of uncertainty for musicians.

The technology that is propelling all of these changes is fast moving. Legal battles to close websites such as The Pirate Bay and peer-to-peer (P2P) programs that link to or host pirated content continue, and when some are ordered to cease distributing pirated content or be shut down by U.S. courts, such Napster in July 2001, Grokster in November 2005, and most recently, Limewire in October 2010, users flock to other programs. Meanwhile, major stakeholders, such as the International Federation of the Phonographic Industry (IFPI) and the Canadian Recording Industry Association (CRIA), report continuing declining music sales due to piracy. According to the Department of Canadian Heritage, recorded music sales declined from $676.6 million in 2004 to $488.2 million in 2008 (*2008 Economic Profile on the Canadian Music Industry* 2010).In 1999, CD sales in Canada reached their peak at 62.8 million units (Hyatt 2008). However, this number had gone down to 35.1 million units by 2008 (*The Nielsen Company and Billboard's 2009 Canadian Industry Report* 2010).

Those most affected by this decline are the artists whose works are being copied and transferred through file sharing networks. For emerging, independent artists, the road to profitability is less certain as each record or concert ticket sold impacts their ability to make a living. As described by Paul Sharpe, Director for Freelance Service and Membership Development at the American Federation of Musicians, “File-sharing has made it impossible for most Canadian artists to earn an adequate living from recorded music today. That has forced many of them not only to get a second job, but also to spend more gruelling days and nights on tour to make ends meet” (Ontario Media Development Corporation 2). According to a survey of 684 musicians, vocalists and songwriters conducted by the Canadian branch of the American Federation of Musicians, 44 per cent of respondents reported becoming “more reliant over the past three years on income from sources other than music to support themselves” (Ontario Media Development Corporation 2).

According to the Canadian Independent Music Association (CIMA), returning to the “golden days” of the 1990s when music sales were at their worldwide peak will be “extremely difficult to do, if feasible at all” (CIMA 2). In light of this, many working artists are struggling to adapt to a decline in traditional revenue streams as hard products turn digital. However, the same culture of instant music and connectivity that gave rise to piracy can also give rise to a new, more meaningful connection between artist and fan. The underlying questions are what forms the basis of this relationship, where and how can it be channelled into something worth paying for when music is free, and how to revitalize the financial prospects of an artist’s professional career.

Thus, music as an industry and music sales as a business model is at a crossroads. When going beyond debating the legal means and applying effective measures to stop music piracy, the question becomes how to create incentives for fans to spend money to obtain music legally when pirated music of the same sound quality is easily and quickly accessible. Because of piracy, the strategic lines are being redrawn – instead of focusing on how to get a larger number of people to spend a small amount of money on music, artists now focus on getting a smaller number of core fans to spend a much larger amount for premium products and services (Brandt 2011; Masnick 2009). Rather than placing music strictly as a commodity that can be pirated rather than bought, it suggests artists might need to move to an entirely different business model, and increase the emphasis on raising revenue from new and untested sources. Meanwhile, online social networking is becoming the standard for sharing information with fans, and for sharing that information in new ways. The potential of this, it has been hoped, is that with a greater ability to connect comes a greater sense of loyalty to the artist, and therefore, both the increased willingness to pay for music rather than pirate it, and to spend more money on other artist-related goods overall.

The purpose of this study is to discover *why some people spend more money on their favourite independent Canadian band.* As a definition, “independent artists” mean those artists or bands not yet signed to a music label or those signed to an independent music label not owned by one of the ‘major’ labels (i.e. Sony Music Entertainment, EMI Group, Sony BMG or Universal Music Group). Acknowledging the primary role of fan loyalty towards the artist, this research seeks to establish whether artist strategies to create and release a range of products and to connect and engage with fans will increase the likelihood of a fan spending more money on a favourite artist. Understanding how new and emerging working independent Canadian artists can continue to earn money – and therefore, contribute in a stronger way to vitality of Canada’s cultural industries – will in turn help to better detail the role of public policy and identify policy instruments most adept at helping artists.

Section 2 of this study introduces the actors within the Canadian music industry and the context within which these actors operate. It also details the state of the recording industry in Canada and explores linkages between fan loyalty and artist profit. Section 3 outlines the study methodology and explains questions included in a fan survey. This section also includes the information about key variables, including personal connection, artist engagement, and fan expenditure. Section 4 describes descriptive statistics on survey results, while Section 5 uses these figures to test the relationship between the total amount of money a fan spends on their favourite band and a series of control variables and two key independent variables: online social media strategy, and product range. Section 6 outlines criteria by which to assess the policy options presented in Section 7: maintaining the status quo, restructuring the entry-level FACTOR grant, and creating a FACTOR-branded website. Section 8 evaluates these options and recommends that the Department of Canadian Heritage, through the Canada Music Fund, modify the current Demo and Commercially-Released Single Program to provide seed money for artists to self-produce products the survey shows fans buy, and which produce a faster return on investment.

2: Policy Problem and Background

This section explains the range of issues involved with building financially sustainable strategies for independent Canadian musical artists. While this study acknowledges the deep financial consequences of music piracy, this section studies the extent to which industry players, public policy actors, artists and consumers recognize and respond to the underlying cultural influences and how they address to changing demand by fans. Section 2.2 delves into how major and independent labels are responding to changes in the music industry, and how the unprecedented availability of pirated music fundamentally alters consumer purchase habits and the music business. Section 2.3 demonstrates how some bands profit from innovative approaches to outreach and product releases and explores the connection between fan loyalty and artist profit. Finally, Section 2.4 describes the Canada Music Fund (CMF), the main Heritage Canada program for supporting Canadian artists, CMF funding distribution, and the role of the Foundation Assisting Canadian Talent on Recordings (FACTOR) in funding artists. The section concludes by arguing that the degree to which major industry players and policy actors are addressing the cultural change towards piracy by offering solutions that can "compete with free" (Masnick 2009) remain limited. However, due in part to their stronger sensitivity towards changes in fan demand, many artists and independent labels are demonstrating increasing flexibility within the shifting music business and giving fans something worth paying for.

2.1 Policy Problem: Playing in a Travellin' Band

As the ability to rely upon music sales as a driver of profit declines, too few independent Canadian musicians generate sufficient revenue to survive. Part of these declining revenues are driven by music piracy, defined by the Canadian Recording Industry Association as "the unauthorized duplication of existing legitimate sound recordings" attributed to the downloading of copyrighted music for free using P2P file-sharing programs such as FrostWire or uTorrent. Estimated negative economic impacts of piracy upon the Canadian cultural industry ranged from $46 billion dollars to $85 billion in 2007 (Sookman 2009; Hartley 2009).

Music piracy is a global policy problem, and on the world stage, many national and foreign recording industries and governments see existing Canadian policies as insufficient in protecting intellectual property. Canada landed on the Priority Watch List in 2009 in the U.S. Trade Representative's annual Special 301 Report due to "weak" Internet Protocol laws and enforcement systems. In contrast to countries with newer and more stringent copyright laws, Canadian copyright law is considered by many, particularly in the recording industry, to be as an "outdated copyright regime" that is porous and unenforced. For instance, John Kennedy, former chairman and CEO of IFPI, charged weak copyright protection as "the major factor underlying the relative weakness of Canada's music market" and stated that "Canada still lacks a modern, robust, digital-ready copyright regime" (Cavanagh 2009). The previous three attempts to update copyright laws – Bill C-32 (2010), Bill C-61 (2008) and Bill C-60 (2005) – died on the order papers.

However, some see a deeper problem, and suggest "the problem is cultural and the consequences are economic" (Condry 344) when users no longer feel it necessary to pay for content. It is this new reality of intellectual property and digital copyright which is highlighted in the *European Commission's Digital Competitiveness Report,* a 2009 report commissioned by the EU, explaining in very blunt terms that the increased accessibility to cheap legal content will not be enough to change consumer behaviour altogether. According to this report, approximately 20 per cent respondents will pay for online content only if all the other free options disappear (Perez 2009). In 2005, Business Week reported 52 per cent of American college students believed it was okay to share and download copyrighted files.

While music piracy is often touted as the greatest threat facing the music industry, those pirating music often defend themselves by saying they are not doing anything wrong, or are otherwise justified for their actions, and blame the music industry for charging “exorbitant” prices (qtd. in Ponelis and Britz 18; qtd. in Altschuller and Benbunan-Fich 54). From the perspective of music pirates, downloading copyrighted songs and albums is the same as accessing and downloading what else is on internet, available legally and without cost –for example, news articles, streaming video and even software. Networking technologies diffuse power and erode traditional means of control, and it is nearly impossible to reverse this new status quo: a new generation is accustomed to having streams of information and files readily accessible to them, free and on demand. Fair or not, and as can be seen by the growing demand for pirated music, games, books, movies and software, for many the notion for being obliged to pay for digital media is increasingly antiquated, and the willingness to pay to access data beyond the price of an internet subscription has evaporated.

The rise of Napster on 1999, and the sustained growth for pirated digital music after its fall in 2001, was the turning point away from the so-called “glory days” of the music industry in the 1980s and 1990s, and its business model dependent on the sales of physical long-form CDs. The music industry’s response to illegal file sharing programs, the establishment of legal sources for digital content, has since been slow but growing, going from global revenues of US$20 million in 2003 to 27 per cent of total revenues, or US$4.2 billion, in 2009 (*IFPI Digital Music Report 2010* 2010). Meanwhile, sales in digital music in Canada have gone from $2.2 million CAN in 2004 to $82.4 million CAN, or 17 per cent of overall sales, in 2008. Successful case studies for digital-sourced revenue include the Apple iTunes store, established in 2003 and the number-one vendor for legal digital music files, music-based console games like Guitar Hero, where users pay to play licensed content, and music subscription services such as Spotify which stream free ad-supported or paid ad-free content to users. However, despite digital sales going up

940 per cent between 2004 to 2009, total music sales have gone down 30 per cent in the same time (*IFPI Digital Music Report 2010* 2010). As the Canadian Independent Music Association (CIMA) bluntly puts it, "The new thing is never as good as the old thing to start with but probably soon will be; however, don't think this new thing will be here forever, either. It won't be. Did the system of selling compact discs deserve to last forever? No" (CIMA 4).

The pervasiveness and the prevalence of piracy is forcing industries to take bolder punitive measures in protecting their assets, but it also underscores the need to look for a sustainable revenue streams that are flexible, responsive to technological change, and can compete with free goods by incentivizing the paying of music and music-based experiences. Despite the ready supply of illegally downloaded music online, individual independent Canadian artists can still harness their fans' personal loyalty in ways that can economically support their work. The question is how.

2.2 The changing music industry

Regardless of the legal status of piracy within copyright law in Canada, digital music piracy will remain a major concern to artists and the music industry, both in Canada and abroad. However, besides the realization that piracy will continue to exist despite stricter copyright laws, as seen in the United States and in the European Union, there is also evidence some people will continue to buy music despite the presence of file-sharing sites and BitTorrent programs. Because the impact of music at the personal and societal level will continue on, so will, in some way, the business of music. Therefore, public policy still needs to assist emerging artists in Canada and to encourage an infrastructure that not only allows for facilities and business services to be made available, but through a nurturing a strong informational economy that supports innovation, adaptation and development (Brown et al 2000).

At the front line of the music industry, there is an increasing awareness among independent local musical artists and labels of the need to speak to address fan preferences in terms of music and in how that music is packaged (Andersen and Frenz 2007). Independent artists lack the deep financial backing and the vast network of connections enjoyed by major multi-million dollar music labels, and as a result become more dependent on the strength of their creativity and network-building capacities to break through in a crowded industry. In order to reach these potential consumers, bold and imaginative grassroots approaches are continually being developed and implemented, and when successful, shared with others. This speaks to the principle that actors more flexible and open to innovation will likely be better equipped to respond to the challenges faced by throughout the music industry.

2.2.1 **Major label and independent label approaches**

Much of the narrative in mainstream media, industry reporting and academic literature puts the pervasiveness of digital piracy exclusively on those who download copyright content. However, some direct part of their critique towards major recording labels for underestimating the demand for digital music in the late 90s and early 00s, and for not establishing competitive legal alternatives when the digital music market was in its infancy. More directly, Simon Wright, CEO of Virgin Entertainment, admitted in a 2001 interview “the record companies have created this situation themselves” (Madden 14). In their essay, *The Canadian Music Industry at a Crossroads*, authors Richard Sutherland and Will Straw charge that “the recording industry has been slow to grasp the transformations it will require in order to survive” (Sutherland and Straw 2007). The financially devaluating effect of this is clear, and the authors use a striking quote from a Canadian record company executive, saying that “the record industry as we knew it was dead” and that it was now “a commodity-based industry... making small profit margins on large numbers of almost indistinguishable products” (Sutherland and Straw 142).

However, amongst the diminished role and uncertain role for major music labels there is an unexpected opportunity for independent artists and record labels. In the past, many artists gained needed financial backing by signing standard distribution deals with a major record label in order to break into a greater audience, where the label covered the cost of manufacturing and distribution for releases and handled press and promotion in exchange for label-ownership of the copyright. Now, through the internet and social networking sites, emerging artists are able to take more control over how they choose to share their work, and to do it themselves, and have increased incentive to do so. As Trent Reznor of Nine Inch Nails explained on his band's fan forum:

> "If you don't know anything about new media or how people communicate these days, none of this will work. The role of an independent musician these days requires a mastery of first hand use of these tools. If you don't get it - find someone who does to do this for you. If you are waiting around for the phone to ring or that [Artists and Repertoire] guy to show up at your gig - good luck, you're going to be waiting a while." (Reznor 2009)

Although the chances for artists to see their albums have multi-platinum sales have decreased significantly, the tools needed to create albums has become cheaper and more diffuse. Artists are now better equipped to use a grassroots or DIY approach to produce, market, and self-distribute their own albums, and to use the services of companies such as Ontario-based Kill the 8 to assist with the logistics of selling and shipping merchandise or tickets directly to fans. These lower start-up costs, improved abilities to connect with potential fans, and the improved access to production tools allow bands to develop a degree of financial self-sufficiency before deciding whether to sign with a label (CIMA 2008).

According to CIMA's report, *The State of the Music Industry: Looking Back at 2007*, many of these independent music labels are "already heavily artist-oriented, [have] generally lower overheads and are many times in a position to negotiate a more unconventional or creative deal that 'works' better for both sides of the table and will produce the numbers and level of support desired" (CIMA 18). In the face of industry claims that reduced revenues for major labels have forced them to sign less Canadian artists, Canadian-owned independent music labels, such as Arts&Crafts and Nettwerk Records, who include Broken Social Scene and Sarah McLachlan in their respective rosters, have the chance to increase the number of artists and bands being signed to them. This shift and opportunity for growth has been recognized in the Cultural Affairs Sector's *2008-2009 Report*, which stated in part that while foreign-controlled firm revenues from Canadian artists went down by 16 per cent in 2007, revenues from Canadian-controlled companies grew in the same time by 5 per cent and generated 64 per cent of all Canadian artist sales that year (Cultural Affairs Sector 2007). Furthermore, between 2005 and 2007 the operating revenues from Canadian-controlled companies grew by 38 per cent, even as revenues for foreign-controlled labels decreased by 21 per cent (Cultural Affairs Sector 2007).

2.2.2 Consumer rationales for piracy

Those who download music on file sharing networks fall into two general groups: 1) those downloading to explore new music and new artists, and by doing so, increase the amount of music they eventually purchase, and 2) those unwilling to pay for music, and who therefore download it from P2P programs instead. In the attempt to recoup lost profits, anti-piracy legislation in effect primarily targets the second group. While many young people acknowledge that downloading music from file sharing sites is illegal, they are indifferent and sometimes hostile to the recording industry and their charges of theft. In fact, when the narrative focuses on decreasing billion dollar profits, it can backfire by marginalizing the ordinary consumer while reinforcing the notion of music as a commodity, and therefore, something which ordinary consumers in a free market will pay as little as possible for. However, when fans implicitly understand music as something beyond this – as the authentic artistic culmination of a group fans feel a strong connection to – fans will in turn support the group by paying for it. Therefore, the decision to download a song for free rather than pay for it is not always indiscriminate – local or independent artists, or those that are seen as needing the money, as well as those from particular niche genres, such as metal or country, are often more likely than others to have their listeners pay for their music (Condry 2004).

In his book *Free Culture,* internet historian Lawrence Lessig described “the appeal of file-sharing music [as] the crack cocaine of the Internet’s growth. It drove demand for access to the Internet more powerfully than any other single application” (qtd. in Madden 5). Access to the internet meant a greater access to music, and implicitly, greater choice in consumption. In line with this sentiment, much of the technological advances in the past decade have focused on broadening the range of choice and information accessible to individuals, and empowering the consumer through a wider range of tools for self-expression. For instance, the range of streaming content on sites such as YouTube allow the viewer to become their own channel programmer, while social networking sites allow users to share more information about themselves with others. According to Alain Levy, former Chairman of EMI Music, “power is shifting everywhere from manufacturers, content providers and retailers to consumers. In this age of empowerment, the consumer is king” (Kejner 25). Therefore, the challenge for content creators and copyright holders alike is to appeal to the same forces that embraced illegal file sharing – the drive for greater access of choice and more diverse tools for self-expression – in a way that can financially support artists, and therefore the music industry. Achieving this can made possible through methods that add unique appeal and personal value to purchased music, and beyond that, broadening the experience of music to more than merely the personal consumption of individual songs.

2.3 Artists Fight Back

Two bands often cited for the innovative ways by which they have released albums during the past five years are Nine Inch Nails and Radiohead. Both bands have been active since the mid to late 1980s and have sold tens of millions of albums, but following disputes with their record label, released their two most recent albums independently. Although the success of these releases benefited greatly from an already established fan-base, they also showcase unique and creative ways to connect with fans and release innovative products, and serve as high-profile proof of concepts that other artists can continue to learn from. As described by FACTOR, "many lessons can be learned from all of these – and other – examples that can benefit Canadian artists and companies if utilized well and wisely" (*FACTOR 2009-2010 Activity Report* 76).

In April 2007, Trent Reznor, the sole permanent member of U.S. industrial-rock band Nine Inch Nails, released *Year Zero*, a dystopian concept album, while still signed to Interscope Records. Working with 42 Entertainment, an independently owned company specializing in producing alternate reality games, Reznor created a unique narrative that, over the course of three months before the album's release, had fans-turned-players search for, share and solve clues and puzzles relating to the world in which the album's storyline took place. This game took place not only online, but using methods such as dialling special phone numbers, deciphering static noises using spectrographs, receiving phone calls to attend secret events, and searching for "leaked" USB drives at concerts. The Year Zero alternate reality campaign, and the innovative ways in which it connected with fans, received also coverage from mainstream media outlets such as CNN, The New York Times, and The Los Angeles Times, and successful introduced the band to a new generation of future fans.

On October 10 2007, best-selling English alt-rock band Radiohead self-released their new album, *In Rainbows,* as a digital download on their website. However, there was something considered unique about how this album's release – customers were given the choice to pay whatever they wanted for it. Although most people did not pay anything for the album, 40 per cent did, and at an average price of six dollars (*David Byrne and Thom Yorke on the Real Value of Music* 2007). In addition, to a regular physical release of the album, 100,000 limited edition box sets, priced at £40 and including a CD and two vinyls, were sold within the album's first year of release. The subject of much coverage from media from around the world, it was a critical example of how, given the right incentives, people will still choose to pay for digital music legitimately offered for free, and pay a premium for unique, special or limited edition physical versions of music. Offering free music legitimately also established a sense of goodwill towards fans, and offering an incentive to pay money as a reward for what they had done. *In Rainbows* was heralded as the first major example of the "pay what you want model," and prompted many re-examinations into what fans were willing to pay for music and why, demonstrating that through innovation, there was a space for financially viable music releases.

Ghosts I-IV, Nine Inch Nails' first independently released record, was released in March of 2008. Although Reznor had previously done soundtrack work in the past, this was the first entirely instrumental album done under the name Nine Inch Nails, and as such, was contrasted against his more commercially palatable work. While its release was often compared to that of *In Rainbows*, important contrasts include the fact that the *In Rainbows*' "pay what you want model" was only available for a limited time, and with a reduced file quality. Notably, *Ghosts I-IV* was released under a Creative Commons Attribution Non-Commercial Share Alike license, meaning that all of the album's tracks could be legally shared, or be altered or used for non-profit works if credit was given and the work was released under a similar license. Multitracks, which are the different audio channels synchronized together to create a song track, were also made freely available for download by anyone to help in the remixing process.

One defining feature of this album was the way it was packaged and released – the first nine of 36 tracks were available in high-quality sound as a free download, or legally downloaded through a BitTorrent file seeded by the band, with the full album available as a download on the Nine Inch Nails website for US$5. The album was also available as a two-disc CD or four-LP vinyl set, and finally, in both $75 deluxe edition and $300 "Ultra-Deluxe" limited edition versions. The deluxe version included two CDs, a data-DVD with multitracks, a high-definition version of the album on a BR-Disc, and a hardcover book, while the Ultra-Deluxe version, limited to 2500 copies, also had the LP set in a higher gram vinyl, a set of art prints, and was numbered and had packaging autograph by Trent Reznor. This version sold out in less than 30 hours, grossing $750,000 for music that was legally available for free under the Creative Commons license, and album sales figures showed $1.6 million being paid in total for the album in its first week of release. In an article in *The Wall Street Journal*, writer Ben Worthen described how "business execs... could learn a lot from [Reznor's] experiments with online business models" and praised him as an example of someone "willing to experiment with new ways of marketing his music." This case demonstrated how innovatively-released products which affords fans a multitude of ways in which to engage with the music can become profitable, even as music tracks get shared on BitTorrent sites.

2.3.1 **Connecting Fan Loyalty to Artist Profit**

In order to express a strong sense of loyalty to a particular artist, fans will often not only purchase an album but also collect memorabilia and merchandise, attend concerts and events and seek to communicate with artists or other fans. Though a limited number of academic studies have been done on the effect of technologies upon the purchase of music, much fewer have been done on the personal incentives and motivations for purchasing music during the latter half of the 00s. An example of a study that was done was presented by Rhy Sarri and Judy Drennan at the ANZMAC 2006 conference in Brisbane, Australia on whether emotional loyalty would increase a consumer's willingness to pay, and subsequently increase the artist's revenue. Through the interviews they conducted, they found that "emotional connection to music may be linked to episodic association or structural expectancies," and that "artists who invest their time in fostering an emotional relationship with their audience through personal websites, blogs and fan forums stand to gain a loyal fan base" (Sarri and Drennan 5). While Ian Condry's *Cultures of Music Piracy* is presented as a comparative ethnographic study into the "culture" of piracy and policy and legal approaches to file sharing, it also lends a valuable insight into the positive relationship between artistic connectivity, fan loyalty, and the purchase music and music-related material. In his interview with Katsuya Taruishi, the head of the statistics division of Oricon, the company which tracks album sales in Japan, Taruishi explained that the practice in 1990s Japan of focusing on hit songs rather than artist-fan relationships taught fans that “music is simply a commodity, not a piece of the soul of an artist or group” (Condry 352). In a period pre-dating P2P, this belief gave fans little hesitation to copy music CDs from both rental shops and friends – and demonstrates how, even without the presence of file sharing sites, copyright violations will still take place.

However, Taruishi later goes on to explain how “in situations where the connection between artist and fans is more direct, people will buy” (Condry 353). When surveying American students in 2003, Condry found that most respondents would “always pay for” some times of music, including from hometown artists, major artists with a “solid track record of good albums,” artists from specific genres less supported by major labels such as jazz or classical, and independent artists (Condry 2004). Despite the admitted infringements against music copyrights, he noted that music pirates would still justify to themselves their decision to buy or to pirate music on some sort of moral basis, consistently applied or not, and concluded that “if music is the art and lifeblood of a group they care about, fans will support that group. This could be the foundation on which to build alternative compensation systems” (Condry 359).

Music is more than a set of tracks printed on a compact disc, more than notes and lyrics being arranged together – for the fan of music, it is a deeply personal experience that evokes a set of emotions, and something that connects them with other people in sometimes profound and life-changing ways. When core fans feel empowered, they will wear the t-shirts, tirelessly try to get all of their friends to listen to their favourite artist, run to the front rails to be closer to the band during concerts, and enthusiastically seek out others who share their common interests. While musicians have been offering special experiences for their core fan base for a far longer time than digital piracy has been available, the unstable and uncertain nature of the music industry today makes this strategy all the more important. Having to pay to possess music is no longer technically necessary – illegal, pirated music is easily available. While increasing disincentives to piracy, such as through the strengthening of legal tools to use against those who provide illegal content, is important, it is not the only approach available. Would-be pirates or those who would otherwise not spent money on their favourite artist will also respond to positive incentives for spending money, and may be open to spending money on an artist for products beyond than regular physical or digital music. Thus, the challenge for artists and others working with them becomes how to first deliver an experience that deepens a fan's personal attachment, and second, how to harness that loyalty in a way that can financially support the artist.

2.3.2 Special or limited edition releases

Deluxe music packages are one way to encourage fans who would consider a regular physical CD not special enough to pay for, or fans who want to own something beyond a regular physical CD, to spend more of their money on a music release. In a survey conducted by the National Association of Recording Merchandisers (NARM), a U.S.-based not-for-profit trade association, 60 per cent of surveyed retailers believed that customers were "more likely" to purchase a deluxe product over a regular CD (NARM 2009). What constitutes a special release, particularly one a fan would consider "worth" paying for, can vary greatly – however, common components include bonus songs, extra merchandise or a DVD, and typically involve unique packaging. According to the report, retailers found that consumers were most interested in previously unreleased songs (94%), bonus songs (90%) and an included DVD (87%). Packages including merchandise such as posters or a t-shirt were rated lower (19%), though this could be attributed in part to the higher prices they would demand (NARM 2009). If deluxe packages did not sell well, the most common reason was that consumers did not find sufficient value in what was being offered (92%), which other reasons including the product not being available for artists consumers were interested in (32%). Popular genres for deluxe products included rock, alternative and metal, as well as "adult-oriented artists and those with established fanbases" (NARM 4).

2.4 Government Response to Industry Change

The Department of Canadian Heritage Cultural Affairs Sector's major policy tool to supports Canadian artists is the $27.6 million Canada Music Fund (CMF) created to "[help] artists create works and find audiences for their recordings and live appearances" and "[ensure] the availability and accessibility of Canadian music" (Cultural Affairs Sector 30). Part of this fund includes assistance in the production and marketing of music and funding for national and international tours and professional development (Cultural Affairs Sector 2010). With less foreign major labels signing and investing in new Canadian artists, a strong Canadian-owned music industry supported by the CMF is being seen as increasingly critical in order to "survive the current transformation and upheaval taking place in the sector" (Evaluation Services Directorate iv) and ensure that Canadian music continues to develop. According to interviews with key informants for the Evaluation Services Directorate's 2007 *Summative Evaluation of the Canada Music Fund*, "without CMF support... many independent music companies would not be in business today" (Evaluation Services Directorate 54). However, although the importance of the CMF is implicitly understood by those in the industry, discussions on where funding would best be directed still continue. Though independent music labels play a very important role in the release of new music and in supporting artists, questions remained in the report about whether the allocation of funds reflects the proportionate importance of a range of groups, including music labels but also promoters, managers and distributors, in helping artists create commercially successful albums.

The CMF has five main components, each overseen by an administering body:

1. New Musical Works Component – FACTOR, Musicaction
    - Assists in the production, promotion of Canadian music and the skills development of Canadian creators and entrepreneurs
2. Collective Initiatives Component – FACTOR, Musicaction
    - Supports the development of the Canadian music industry and the advancement of work by Canadian artists, creators, labels and company on a regional, national and international level
3. Creators' Assistance Component – SOCAN Foundation
    - helps to develop the creative skills and business knowledge of Canadian composers, lyricists, and songwriters
4. Music Entrepreneur Component – Department of Canadian Heritage
    - provides support for established Canadian music entrepreneurs in developing Canada's music industry
5. Canadian Music Memories Component – Library and Archives Canada
    - aids in the preservation of Canadian sound recordings that reflect Canada's musical heritage (Canada Music Fund 2010).

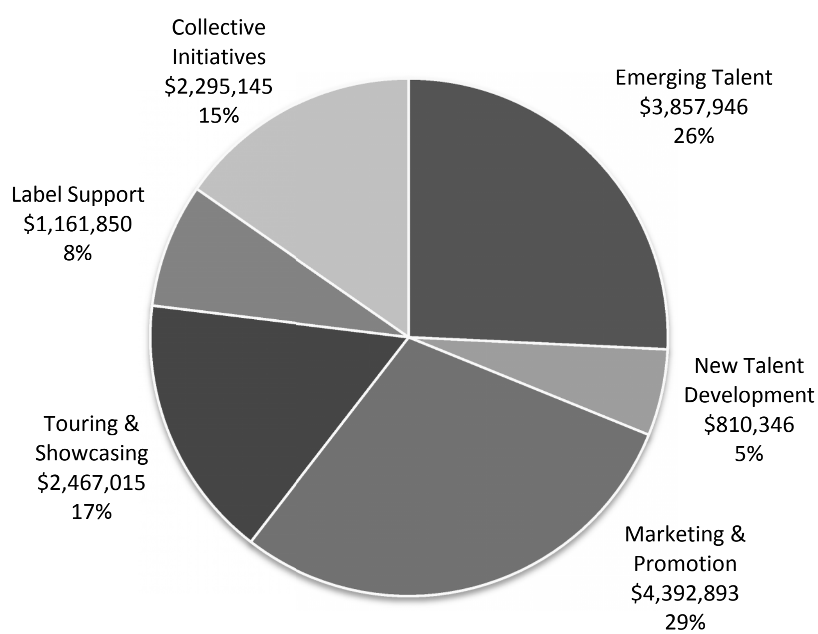
FACTOR, along with Musicaction, administers the key CMF components that offer direct financial supports to independent Canadian artists, and is described in the following section.

2.4.1 The Foundation Assisting Canadian Talent on Recording

The CMF's New Musical Works component funds "the production of demo or full-length recordings or music videos, as well as the promotion of new albums and artists and touring costs" (Evaluation Services Directorate 12). Through the English-language Foundation Assisting Canadian Talent on Recordings (FACTOR) and the French-language Musicaction, new and developing Canadian artists and music creators can apply to a jury board for funding, and if approved, receive either repayable loans or grants, depending on which program the applicant applied for. This money comes from both public CMF funding, which for the fiscal year of 2010 equalled over $8.7 million from its New Musical Works and Collective Initiative Programs, and included private broadcaster funding, including Canadian Content Development's contribution of $2.4 million (*FACTOR 2009-2010 Annual Report* 2010). FACTOR's goal for offering funding is to "help recipients to develop their profile, talent, craft and expertise" (Evaluation Services Directorate 12). According to FACTOR, the low approval rates for artist applications are "directly attributable to the very limited financial resources available," meaning that the standards for being able to access funding are "very stringent" (*FACTOR 2008-2009 Annual Report* 22).

In other to put the level of direct financial supports offered to new and developing artists in perspective, 20 applications totalling $412,000 were approved during the same period in the FACTOR Loan Program for CD production costs for more established artists, $2.1 million for 108 applications through the Direct Board Approval Program, and $1.6 million for 52 applications totalling through the Emerging Artists Program.

Figure 1: Distribution of FACTOR Funding, 2009 – 2010



Source:
FACTOR 2009-2010 Annual Report 13

As seen in figure 1 above, the greatest percentage of overall FACTOR funding goes to Marketing & Promotion, which includes marketing and promotion grants, and video grants. The second largest amount is Emerging Talent, which constitutes FACTOR loans and funding for sound recordings for ‘emerging’ artists (requiring a minimum of 1500 to 3500 albums sold, depending on genre) and recipients with a “proven track record” (*FACTOR 2009-2010 Activity Report* 2010) who are given direct FACTOR board approval. Other categories include Touring & Showcasing, which covers both international and domestic travelling, Collective Initiatives, which offers radio marketing support, Label Support, which provides Label Manager Programs and assistance with domestic and international business development, and New Talent Development, which assists with independent loans, and professional development with artist demos and songwriting demos and workshops. Appendix A shows outlines FACTOR funding distributions at a more detailed level, and provides more information on the types of programs being funded.

Most importantly for this study, although FACTOR offered $15.4 million in funding between 2009 and 2010 (*FACTOR 2009-2010 Annual Report* 2010), CMF policy options focusing direct financial supports to new and developing independent Canadian artist come from the existing pool of $262,030 previously offered through the Professional Demo Grant Program. Through this program a maximum of $2000, or up to 75 per cent of the eligible budget, was available for the production of a high quality demo for use in trying to secure a record deal. 152 of these grants were given between 2009 and 2010, totalling $262,030. A replacement to this program, entitled the Demo and Commercially-Released Single Program, was announced on April 1, 2011. Similar to its predecessor, the Demo and Commercially-Released Single Program is an entry-level grant, where musicians do not need to sell a minimum of albums sold in order to qualify. Applicants are assessed by a FACTOR Assessment Jury of five to seven representatives from the music and broadcasting industries who have “special knowledge” (*FACTOR Demo and*

Commercially Released Single Program – Program Guidelines 6) of the applicant's musical genre. This jury judges applicants on four equal criteria: 1) songs, 2) vocals, lyrics, or for instrumental music, style and impact, 3) musicality, and 4) artist biography and presentation. If a majority of jurors recommend funding, the FACTOR Board of Directors perform a financial assessment and determine the amount of money to be awarded to the applicant. While this amount can still be up to 75 per cent of the eligible budget, the maximum amount that can be offered has been reduced to $1500. The music recordings produced can be used for demo purposes or to be released commercially as part of an EP or as a single.

2.5 Summary

The depth of response to the changing business model for music amongst industry players, public policy actors, artists and consumers are far from uniform. Consumer demand as a driver for profit has become much more important, with the availability of free music undermining fans' willingness to pay. If fans do not see the music offered for sale as worth the price asked by it, a pirated copy of the file is only a search and a download away. However, seeing this as purely a financial or a legal problem subverts the value of music as purely a commodity to be bought and sold. Instead, the decision to pirate must be understood in part as a cultural problem accelerated but not defined by technology. As emphasized in the success of Nine Inch Nails' and Radiohead's recent releases, in order for fans to justify spending money, the presentation of music must go beyond the tracks that substantiate it, and become part of a deeper, personally definable experience. The influence of personal connection, therefore, may be a critical explanatory variable for this study's research on why some fans spend more money on their favourite band than other fans. Meanwhile, the continued prevailing government emphasis on the creation, production and sale of regular physical or digital albums by major labels and public policy stakeholders – products that no longer yield the same revenues as they once did –may represent a flaw in the existing support model.

While the production of studio-recorded music has long been understood as an essential component of the music industry and the revenue of artists, the impact of digital piracy must force a reassessment across the Canadian music industry, including by the Department of Canadian Heritage and the Canada Music Fund, as to where their investments can make the greatest financial impact. The profitability of commercial album releases is on the decline, while revenue streams beyond touring are on the ascendant. Because of the industry-wide decline in music sales, new and working independent Canadian artists are less able to support themselves. However, the existing pool of grant money from the CMF that directly targets these artists – the $262,030 offered through Demo and Commercially-Released Single Program – are funding the creation of products less able to compete with changing consumer demand and appeal to a fan's willingness to pay. The remainder of this study will address whether this existing money offered can be better applied elsewhere, and assist new and working independent artists to return to a more profitable and sustainable business model.

3: Methodology

In order to better understand why some fans spend more on their favourite independent Canadian artists than other fans, and to formulate CMF and FACTOR policy options better able to support these artists within the changing business model, this study uses an original online survey to better account for fan expenditure. The survey collects data on the proportion and amount of money fans spend on their favourite working independent Canadian artist, and explores what products these artists release and how they connect with fans. Along with describing and explaining the rationale for variables tested, this section gives details on the survey's design and distribution.

3.1 Dependent Variable: Total Spent on Favourite Working Artist

Much of the academic research, particularly those using surveys and other quantitative methods focus upon how piracy impacts physical and digital music sales (Andersen and Frenz 2007; Higgins and Morris 2009; Sinha and Mandel 2008; Lysonski and Durvasula 2008). Wider scale, published survey work on the amount of money spent on a particular sample of bands by individual fans either has not be undertaken or is not publically available. While music understandably makes up for a large percentage of money being spent on artist, the oft-referred to "new business model" for music, now defined by its uncertain and constantly changing nature, is one that necessitates a growing amount of alternative sources of income beyond the sale of musical tracks.

The dependent variable used for the survey is the total amount of money spent by fans on their favourite Canadian independent musical artist. This dependent variable goes beyond fan expenditure on physical or digital music, and recognizes that those spending little or nothing on physical or digital music may still spend money on concert tickets, concert merchandise, or for access to services, such as a paid fan club membership.

The survey asked respondents the following: “How much money have you spent on this band or artist on the following within the past YEAR?”, and included text boxes to enter an amount for each type of innovative product release. In addition, an open-ended question asked respondents to enter whether they had spent any money within the past year on a product not included, and if so, what type of product it was, and how much was spent on it. These figures were then summed together as the dependent variable, the total spent on the respondent’s favourite working artist. The question asks for fans to report annual expenditure in order to avoid seasonal variation (e.g. to include the more frequent number of concerts that often take place in the summer, but also the holiday purchasing season in December) while still being recent enough for the respondent to have an adequate recollection for the amount of money spent. It could be reasoned that those who were fans of a band for a longer amount of time would be spending less money within the sample period because they had already bought a large amount in earlier years. However, it is important for bands to find ways to appeal to these long-time fans, both as an ongoing source of loyalty but also of revenue, to thereby capitalize on a fan’s potential willingness to continue spending money the band.

3.2 Main Independent Variables

There is limited academic work on what variables may help explain variation in fan expenditure. Using mostly qualitative data to suggest that effective artist outreach can affect their fan’s willingness to pay for works by an artist (Sarri and Drennan, 2006; Condry 2004), some research does suggest consumer loyalty impacts the overall amount of money spent on the artist. However, there is even less information as to whether the release of innovative products and artists engaging in social outreach correlate to the amount of money spent on an artist including, but not exclusive to, music sales.

This exploratory study tests how 13 independent variables affect the amount of money fans spend on their favourite independent musical artists. Fully explained in Section 3.2, the two major independent variables concern *outreach strategy* and *product range*. As shown in Table 1, other independent variables include personal connection to an artist, related spending habits, demographics and technological familiarity. All variables have a hypothesized positive effect on the amount of money spent on a respondent's favourite artist.

Table 1: Independent Variables

1	*Scale for innovative artist outreach strategies*
2	*Scale for innovative product releases*
3	Personal connection to artist
4	Proportion of legal music from artist
5	Importance of music in general
6	Importance of music as social activity
7	Proportion of music from independent artists
8	Amount of money spent on all artists
9	Frequency for seeking out updates
10	Income
11	Number of years listened to favourite artist
12	Respondent familiarity with sources for digital music
13	Respondent familiarity with social networking

3.2.1 **Major Independent Variable I: Artist outreach strategies**

This variable captures the range of techniques employed by independent Canadian artists to engage with fans. Fans have a genuine interest in discovering more about the band, following them on their journeys and sharing their own appreciation for their work, and many bands respond to this by personally engaging with them to offer rewarding experiences. While in-person outreach continues to be incredibly important, online outreach on social networks is an increasingly central method for artists and bands to communicate and share information with their fans, and to help establish a fan's greater sense of personal connection to the artist. This measure hypothesizes that bands with a wider strategy for outreach will have more fans paying for music and music-related material, and at a higher total amount.

Some of the strategies listed below would likely be considered less “innovative” than others – for instance, maintaining an active blog – but constitute some of the basic first steps for establishing a presence and a place where fans can keep updated about bands they care about. Others, such as hosting activities, contests, or competitions that reward fans for their creativity, are more novel. These strategies can strengthen bonds, empower fans to become more engaged with the band, and make them more enthusiastic about sharing this band with others, now not only because of the music, but also for the special way they connect to them.

In the survey, respondents were asked whether their favourite artist did the following: (further detail on types of outreach can be found in Appendix B)

1. Maintain an active blog
2. Maintain a video blog
3. Maintain a Facebook page
4. Maintain a Twitter profile
5. Contribute content on other social networking profile services
6. Provide free music also available on commercial releases on official webpage
7. Provide free online-exclusive music on official webpage
8. Provide free opportunities to engage with members of the band, asides from concert performances
9. Personally interact with individual fans online
10. Maintain an online fan forum or community page where fans can post content
11. Provide free subscriber-only content
12. Host activities, contests or competitions that reward fans for engagement

In order to create a quantifiable measure for breadth of outreach, one point was given to the artist for each method listed by the respondent as available. On one extreme, artists and bands ranking low on innovation outreach would be those with little or no online presence and not offering ways to share information with their fans. On the other extreme, artists and bands ranking very high would be those taking on a full spectrum of online and in-person methods of connecting with fans, offering content to fans in order to maintain an on-going flow of information and giving incentives for core fans to continue to follow up on their favourite artist.

Having to develop a quantitative measure for an innately qualitative concept was challenging, especially given the lack of relevant research. Because the scales for innovation are dependent on what the fan knew was available, it was susceptible to informational gaps on the part of the respondent. Nevertheless, using hard measures to determine the presence of innovative forms of outreach was beneficial in establishing quantitative comparisons between artists. However, expressions of outreach are diverse, and there could be other effective and innovative methods of engagement not listed as a response in the survey. In light of this, an open-ended question was included asking the respondent of any other way their favourite independent Canadian band was connecting with fans that the respondent saw as particularly innovative.

3.2.2 **Major Independent Variable II: Innovative product releases**

Releasing a range of products and presenting them in ways that imbue in fans a deeper sense of connection to the music and the artist acts as a form of price discrimination. While casual and major fans might both be willing to buy a new CD from their favourite artist, the major fan may also be willing to spend a premium amount for a special or limited edition music release. An example of this are the case studies on Nine Inch Nails and Radiohead in Section 2.3, where a digital download for Nine Inch Nails' *Ghosts I-IV* cost only $5, but the album's "Ultra-Deluxe" limited edition release cost $300. In populating the list of methods for outreach and range of products made available, it was important to create a broad scope of products that went from being commonly (e.g. releasing digital music) to being rarely made available (e.g. having a paid members' only page on their webpage).

To measure outreach innovation, respondents were asked whether the following was available for purchase: (more explanation on product releases is available in Appendix B)

1. Regular physical CDs/LPs
2. Digital music
3. Music DVDs or videos for sale
4. Paid concerts
5. Official band merchandise
6. Artist-released autographed materials
7. Licensed tracks for video games or ringtones
8. Paid opportunities to personally engage with the band
9. Paid subscription to members' only area on artist webpage

Due to the subjective nature of understanding and self-rating innovation, and the range of ways respondents may interpret what constitutes innovation for products released, this study summed responses based on the range of products made available as an indexed measure. Artists received a point when respondents reported a particular product as available and zero points if the respondent believed it was not available or if they did not know. The purpose of this was to establish a clear objective measure across artists. Acknowledging that there may be other innovative products released by artists for their fans to purchase which were not included in the question, the survey also included another follow-up opened-ended question. Here, respondents could describe what other things were made available by a band to their fans, and enter the amount of money the respondent had spent on it.

3.3 Other Independent Variables

In addition to the innovation scales testing for outreach strategies and product releases, respondents were tested for a set of personal independent variables to see their effect on fan expenditure.

3.3.1 **Personal connection to artist**

Respondents were asked to self-rate the strength of their personal attachment to the artist or band they considered their favourite working independent Canadian artist, with a scale ranging from Very strong, Somewhat strong, Casual, Somewhat weak and Very weak. The purpose of this question was to determine whether respondents who felt a strong or very strong attachment to the artist would also spend more money on the artist. Additionally, even though a particular artist is a respondent's favourite independent Canadian band and the respondent is more than willing to spend money he or she has a strong personal attachment to, it may in fact be the case that this respondent has only a weak attachment to the artist. Based on the academic literature which theorized the positive relationship between fan loyalty and fan purchasing from the artist (Sarri and Drennan 2006; Condry 2004), this survey hypothesized that there would be a positive correlation between personal connection to the artist and having money spent on the artist.

3.3.2 **Proportion of legal music from artist**

Although respondents may not have spent money on either physical or digital music within the past year, it may still be possible for them to own physical or digital music from their favourite band, whether given or offered for free legally, or from a purchase made more than a year ago. For the purposes of the research, it would also important to distinguish between those who have exclusively legally or illegally obtained music from the artist, as well as those who have a combination of both, to see whether those who pirated music would still spend money on other things by the artist, such as concert tickets or merchandise. The amount of music owned by the respondent was obtained or purchased legally was measured by respondents selecting All, Most, Some, A little bit, or None as a response. Although this survey predicted that some respondents with none or a little bit of their music from their favourite independent Canadian artist as non-legally obtained would still spend some money on this artist, it placed a positive relationship between having a greater proportion of legally obtained music and total amount of money spent on the artist.

3.3.3 Personal importance of music in general

As can be seen in Section 2, many academic studies have cited the qualitative importance of the personal value of music. In addition, based their survey conducted for Industry Canada in 2007, which involved 2100 telephone interviews, researchers Brigitte Andersen and Marion Frenz found that respondents' interest in music was very strongly associated with music purchases (Andersen and Frenz 2010). Specifically, respondents that declared having either a 'very strong' or 'somewhat strong' interest in music purchased "significantly more" (Andersen and Frenz 2010) physical and digital music. This survey hypothesized that this propensity to purchase music would extend to other music-related purchasing, and therefore that respondents who felt a greater personal value to music overall would be more likely to spend money on their favourite independent Canadian band, and to spend more. When asked how personally important they considered music to be for themselves, respondents were given the following options: Very important, Somewhat important, Neither important or unimportant, Somewhat unimportant or Very unimportant.

3.3.4 Importance of music as a social activity

While the perception of music as a social activity, whether with a crowd experiencing a live performance or as a personal interest to share with others, may be a contributory factor to the overall value of music for the artist, it may also positively influence the respondent's receptiveness to innovative forms of artist outreach. This survey hypothesized a positive relationship between a highly rated importance assigned to music as a social activity, and the amount of money spent on the artist. The following choices were given for each of these variables: Very important, Somewhat important, Neither important or unimportant, Somewhat unimportant and Very unimportant.

3.3.5 Proportion of music from independent artists owned by respondent

Because of the lack of publicity supports offered by major labels, independent bands often face less exposure and airplay on mainstream radio and television music stations. Discovering a greater proportion of independent music often requires more of an effort, and fans of independent music will often turn to music blogs, the recommendation of other friends, and sources specializing in independent music, such as CBC Radio 3. Those who listen to more independent music would likely be those more willing to seek it out, and this survey hypothesized that because of the effort involved to seek out more independent music, those who have more independent music would be more likely to spend money on individual independent artists, and to spend more. Respondents were asked how much of their music came from independent artists, with the choices available being All of almost all, More than three quarters, More than half, Around half, Less than half, Less than a quarter, and None or almost none.

3.3.6 Amount of money spent on all artists within the past year

This variable acknowledges that respondents who may spend a large amount of money on artists and bands could spend a small or a large amount of that money on their favourite independent Canadian artist. For the corresponding question, respondents were prompted to type in a dollar amount rather than choose from a pre-determined range of amounts. This survey hypothesized that those who spent more money on all artists within the past year would therefore have a greater amount of money to spend on artists which they liked, and because of that, would spend more money on their favourite independent Canadian artist.

3.3.7 Frequency fans seek updates from bands or artists

The reported frequency for seeking out music or band news is a way to measure the respondent's level of engagement in keeping informed of developments concerning artists he or she is interested in. Sources of information include music news sites and blogs, updates from relevant social networking pages, fan forums and artist pages themselves. The survey hypothesized that fans who demonstrated enough of an attachment to a band to seek out information and news from about them would also be more likely to spend money on an artist, and to spend more. The options for the frequency of seeking updates were the following: Once a day or more, A couple of times a week, Once a week, A couple of times a month, Once a month or less, or Never.

3.3.8 Income

The quantitative results reported in Brigitte Andersen and Marion Frenz's *The Impact of Music Downloads and P2P File-Sharing on the Purchase of Music: A Study for Industry Canada* "[suggested] that household income is not important in explaining music purchases" (Andersen and Frenz 2010). However, this survey hypothesized that even if a greater income has no effect on music purchases, it would have a positive effect on the ability to purchase other music-related products. In order to measure income, respondents were given a scale of incomes to select from, in $10,000 increments up to $100,000, with a More than $100,000 option available. Given the proportion of students predicted to take part of the survey, measures of income went beyond that earned from working, but also money earned or received from family allowances, grants, investments, student loans and other sources of revenue.

3.3.9 Number of years respondent has listened to favourite artist

The amount of time the respondent has listened to an artist may also be an indicator of the personal attachment to the artist, and a positive influence on the decision to purchase music rather than to pirate it, and to spend money on other items related to the band. Respondents were asked what year they had started listening to the band, with the amount of years since then calculated accordingly.

3.3.10 **Familiarity with sources of digital music and with social networking sites**

In order to help determine where and whether fans might be receptive to online sources of outreach, respondents were asked whether they were Experienced in using, Familiar with but never used, or Unfamiliar with various social networking sites often used by musicians for social online engagement (i.e. Facebook, Twitter, YouTube, MySpace, Bandcamp.com and Flickr). In addition, they were also asked about their level of experience and familiarity with particular legal and illegal sources of digital music (i.e. online music stores, music streaming and cloud services, file sharing programs, BitTorrent programs and file hosting web pages), selecting from options on the same scale as those for social networking sites. This study hypothesized that a greater level of technological familiarity, both for sources of digital music and social networking sites, would equip fans with a greater ability to keep themselves updated on artists and access music from them, and would positively affect the amount of money spent by a respondent on an artist.

3.4 Survey Distribution

The online survey was initially distributed through mailing lists to a range of graduate program mailing lists at universities including Simon Fraser University, the University of British Columbia, Capilano University, the University of Calgary, the University of Saskatchewan and the University of Toronto, and at institutions including the Canadian College of the Performing Arts. Requests were made to program administrative staff by introducing the researcher and the purposes of the study, and including in the body of the email a link to the online fan survey. Staff members were then able to forward the email to students and faculty in their program. In gathering data from these places, it was important to receive responses from those in a range of fields both related and unrelated to the survey topic. Therefore, while faculties at which the survey was distributed included many directly connected to music or the fine arts, it also included those studying in areas such areas as geography, kinesiology, and biochemistry. Some respondents also elected to share a link to the online survey to those within their social networks, including on Facebook and Twitter. In the final stage of distribution, and with the assistance of CBC Radio, the survey link was also posted on the CBC Radio 3 blog, reaching an audience of fans of independent music from across Canada.

All data was gathered on the internet through an online survey page created by Simon Fraser University's Web Survey tool and hosted on Simon Fraser University servers. Along with a description of the research objectives of this study, the contact information of both the main researcher and the director of the Office of Research Ethics were included on the introductory page along with an assurance of the confidentiality and anonymity of respondents' answers if they chose to complete the survey. The first part of the survey asks for the respondent's favourite independent Canadian artist or band. This was designed to engage with respondents immediately by having them think about their favourite band, to provide a range to the types of artists and bands listed, and finally, to screen out responses where the artist or band did not belong to the scope of the survey, or where no artist was given.

3.5 Summary

The preceding section outlines variables in this study tested for their influence on the total amount fans spend on their favourite artist. Although it emphasizes the role of innovative products and outreach strategies, the survey recognizes that these are only two components of many that individual artists and bands use to attract fans and maintain their loyalty. Having a unique artistic vision or creating resonant music are examples of factors special to each musician, but because they are expressed in different ways and personally defined by different standards for each person, they have not been included within the survey. Instead, this study looks at uniform measures different artists and bands can apply, analysing them in conjunction with personal respondent variables to formulate public policy solutions to address the decreasing profitability of independent bands across the industry.

Because of ease of which respondents could access and respond to questions, and the expedition for processing a large number of cases for analysis, online surveys represented the most effect tool to test these variables and gather figures on fan expenditure. An original survey was necessary to gather relevant data due to the novel nature of the study's research focus and the target group of respondents, while the shortage of recent and comparative quantitative work meant the survey had to explore new territory in the research process.

4: Descriptive Statistics

This section describes survey data before moving to more advanced analysis in the next section. The initial analysis shows finds that almost a quarter of those surveyed have not spent any money on their favorite independent Canadian artist, while only 10 per cent spend more than $100. The majority of fan expenditure is being spent on concerts, physical and digital music and merchandise. Meanwhile, artists are most commonly identified as using online social networking sites such as Facebook, while other forms of outreach are still only used by a minority.

4.1 Dependent variable: Fan Expenditure

The online survey captured responses from 325 fans mentioning 236 different independent Canadian artists listed as being the respondent's favourite. These span a wide array of genres, ranging from punk and metal bands to folk and jazz artists. The most popular artists listed were Broken Social Scene (n=7), Joel Plaskett & The Emergency (n=7), Stars (n=7), The Weakerthans (n=6), Said the Whale (n=5) and Caribou (n=5). The average time respondents had been listening to their favourite band was five years and four months, though 12 per cent of respondents (n=38) had listened to their favourite independent Canadian band for more than ten years.

In terms of the dependent variable, 71 respondents (22%) report spending no money on their favourite independent Canadian artist during the last year. The median amount spent by all 325 respondents is $41, while the median amount of money spent by fans spending more than $1 on their favourite band is $52. The most spent by any fan is $350. Instances of surveys received without a favourite band listed (n=5) are not included in the analysis or the count of 325.

Figure 2: Amount of reported money spent on favourite independent Canadian artist during the past year

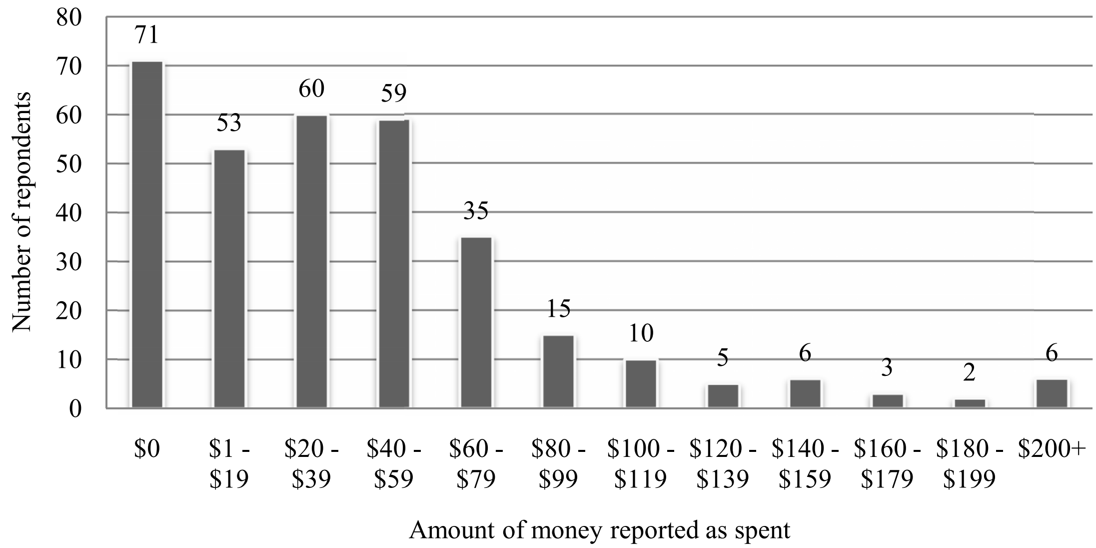


Figure 2 shows the overall spending habits of those surveyed. The majority of respondents (n=184, or 57%) spent $0 to $39 on their favourite artist, with less than 10 per cent (n=32) spending $100 or more. Based on these results, it appears many fans often do not spend money, or a large amount of it, on even their favourite artists. With the industry-wide decline in music sales, independent artists must widen their volume of fans to a larger number from what might have been sufficient to ensure their financial survival, and increasingly look to emerging alternative revenue streams to sustain themselves. If there was ever a certain, clearly defined way for all bands to make profits, it no longer exists. Instead, individual bands and artists are having to develop and learn their own paths to profitability, while many of the industry and policy mechanisms designed to support them still support business models undermined by piracy.

The near quarter of fans not spending any money on their favourite band represents a lost source of revenue for artists. While digital piracy is likely an influential factor in this large number, it may not be the only factor. Artists who do not offer opportunities for fans to spend money on them are losing potential revenue, while artists who do not instil and maintain a sense of connection upon even their core fans may result in fans losing interest in them and their music.

Table 2: Money spent on artists, ranked by most popular product

	% spenders	*Median $ spent (all respondents)*	*Median $ spent (spenders only)*
Concert tickets	57%	$15	$30
Regular physical CDs/LPs	53%	$10	$20
Digital music	36%	$2	$10
Official band merchandise	21%	$0	$20
Music DVDs or videos	8%	$0	$22
Artist-released autographed materials	7%	$0	$35
Limited or special edition music packages	6%	$0	$30
Fees to personally engage with the band	0%	$0	--
Licensed tracks for video games or ringtones	0%	$0	--
Paid website subscription	0%	$0	--

As seen in table 2, although fewer respondents purchased products such as music DVDs, limited edition or special edition packages, or artist released autographed material, the median amount of money paid for them was higher than the median amount paid for regular physical or digital music by those who purchased them. Even though they are far less commonly released by bands, and have less fans overall will be willing to buy them, these products can be a rewarding purchase to a special core group of fans willing to pay for them. Therefore, if and when the demand is sufficient to cover production costs, providing a range of premium products can be a way to generate revenue even as demand for physical or digital music diminishes.

Each of these products could potentially be released by artists from different genres of music, especially by those at a more established stage in their career; however, in order for them to be effective sources of revenue, they should be tailored to the particular interests of fans. Fees to personally engage with the band could be particularly effective amongst bands with a sizeable number of fans who play the same instruments – for example, a jazz band could offer a music clinic for other aspiring players. Meanwhile, bands with longer careers may particularly benefit by releasing special or limited editions of their albums for fans who already own all of their releases to collect. Bands with younger fans may have a greater interest in releasing more band merchandise, such as t-shirts and posters, harnessing on their fans desire for self-expression through their favorite artists.

Figure 3: Aggregate fan expenditure by all respondents, by product

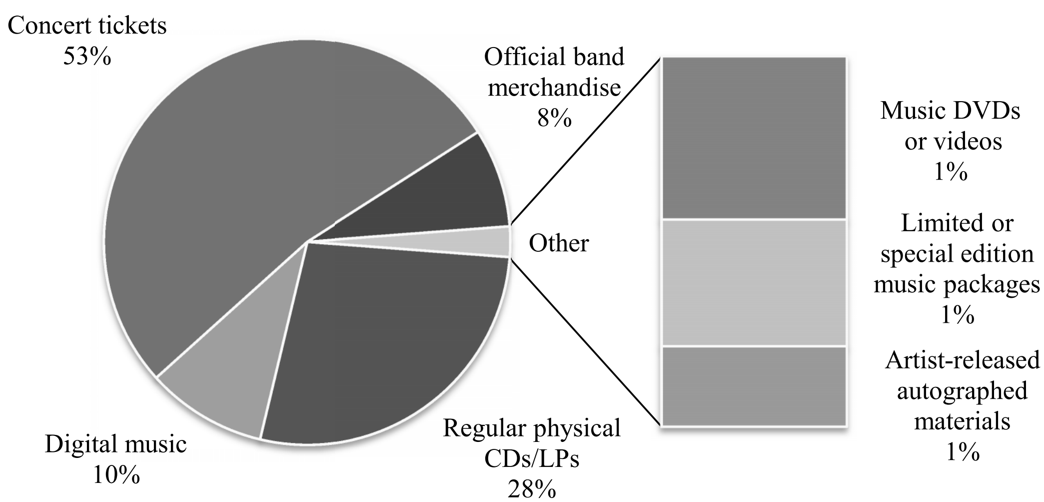


Figure 3 illustrates the aggregate distribution of where all fans spend money on their favourite artist, demonstrating that most money still goes towards concerts and regular releases. Concert tickets currently make up half of the amount of money spent on the artist, though the amount of money earned by the band as net revenue from concert tickets can vary widely. Official band merchandise also take a sizeable amount of money spent, proving that products from musicians do not need to be specifically related to music in order to be in demand. With none of the respondents reporting paying for licensed tracks for video game or ringtones, fees to personally engage with the band, or paid website subscriptions, it was not included in this figure –

however, a wider sample size could have been able to confirm whether it is a type of product being bought by some fans. One question raised by this figure concerns how to expand the availability and appeal of products released by artists, and to better complement – or in some cases compensate for – revenues from regular physical music and digital music, and the roles that federal and industry stakeholders can take in assisting artists pursue new business strategies.

4.2 Major Independent Variables on Innovation

Sections 4.2-3 test the extent to which the independent variables on innovation explain the variations of fan expenditure. What may compel one fan to spend more than $200 on an artist while another fan spends $5? Better understanding the factors that shape this decision, both on the part of the fan and of the artist, can help all working independent artists to build stronger relationships with fans, and recognize and take advantage of more profitable revenue streams.

4.2.1 **Artist outreach strategies**

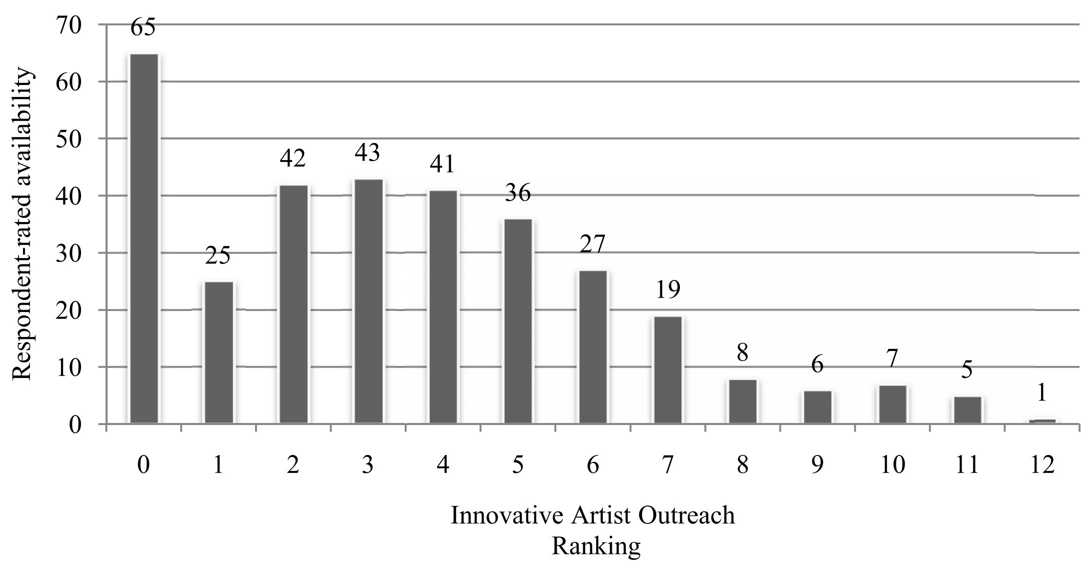
*Tab*le 3: Frequencies for artist outreach strategies, as ranked by percentage of availability

	Yes	***No***	***Don't know***	***% Yes***
Contribute content on a Facebook page	178	26	121	*55%*
Contribute content on another active social networking profile	166	23	130	*51%*
Personally interact with individual fans online	153	20	150	*47%*
Maintain an active blog	121	74	129	*37%*
Free music downloads also available as commercial releases	119	57	148	*37%*
Maintain online fan forums/where fans can post content	97	61	164	*30%*
Contribute content on a Twitter profile	73	62	190	*22%*
Free online-exclusive music on official webpage to download	72	93	157	*22%*
Free engagement opportunities, aside from concert performances	62	85	177	*19%*
Provide free subscriber-only content	38	111	176	*12%*
Maintain a video blog	26	150	145	*8%*
Host activities, contests or competitions to reward fans for engagement	27	129	169	*8%*

Question: "To the best of your knowledge, does the band or artist you listed above..."

Table 3 shows the distribution of outreach strategies positively identified by their fans, but also the largely untapped opportunity to expand those strategies and inform fans of their availability. Rather than relying solely on Facebook pages and other social networking sites, many independent Canadian artists are taking advantage of new approaches to connecting with their fans. Interestingly, many artists were reported as providing free music online to promote their work, both exclusively and from commercial releases. This willingness to "give music away" in order to draw listeners and in the hope of converting them into paying fans demonstrates how artists can at least partially displace pirated content and use it to their advantage. Responses in the open-ended follow up question asking about other innovative strategies to connecting with fans included seminars and conferences, having impromptu dance or singing competitions during concerts, performing fundraiser and charity events in the community, doing shows in living rooms, and including fans in the filming of music videos.

Figure 4: Rankings of respondent-rated artist outreach, by frequency



The range of artist outreach strategies used is broader than the range of product releases, likely due to lower structural and financial barriers for the bands to test and implement them. However, as can again be seen in figure 4, many respondents did not possess a strong sense of knowledge as to how their favourite artist was connecting with fans. When the median figure in the scale of artist outreach used by bands is calculated, including those at zero, the number is four. This median remains the same after the bands ranked at zero by their respondents are omitted.

4.2.2 **Range of product releases**

Table 4: Frequencies for innovative product releases, as ranked by percentage of availability

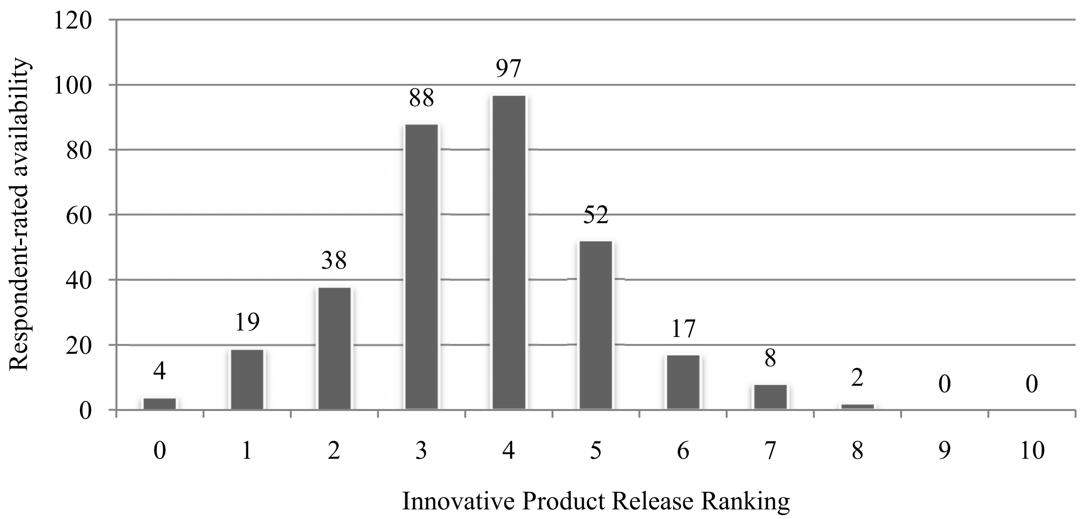
	Yes	***No***	***Don't know***	***% Yes***
Have paid concerts	291	13	21	*90%*
Release regular physical CDs/LPs	267	38	20	*82%*
Release music in digital form	249	18	57	*77%*
Sell official band merchandise	198	52	75	*61%*
Offer music DVDs or videos for sale	64	143	118	*20%*
Offer limited or special edition music packages	53	120	152	*16%*
Sell autographed materials	27	129	167	*8%*
Sell opportunities to personally engage with the band	22	166	137	*7%*
Have licensed tracks for video games or ringtones	8	173	143	*2%*
Have a paid members' only area on their webpage	2	210	113	*1%*

Question: "To the best of your knowledge, does this band or artist you listen to..."

Table 4 shows the spread and frequency of products released by the respondent's favourite independent Canadian artist. Expectedly, regular physical music, digital music and paid concerts were the most common releases, a reminder of the importance of each within existing and any future business models. As seen in the percentages of availability, there is a dramatic difference between the four most common products and those ranked fifth or lower. Although the amount of artists releasing these more diverse products is still small, these results show that some bands are expanding their releases in a new direction.

The majority of respondents did not know whether more premium products such as autographed materials and limited or special edition music packages were available, which highlights an important barrier facing artists who may in fact have these products available – the lack of knowledge by their fans, including those who consider them to be their favourite independent Canadian artist. Based on these results and the opportunities still available to expand artist releases, artists should continue to broaden their strategies for fan engagement. In doing so, not only can they potentially deepen their fans' personal sense of connection to the artist, but also be better positioned to inform them of new products – and not just of new album releases and tour announcements – being released.

Figure 5: Rankings of respondent-rated innovative product releases, by frequency



As seen in figure 5, rankings for innovation were modest as a whole, with many artists reported as releasing only regular physical music, digital music, paid concerts and official band merchandise (n=76). Four products was also the median amount, with only nine bands out of 236 unique reported as having seven of the ten products surveyed.

4.3 Independent Variables on Respondent Demographics

160 of the 325 respondents worked either full-time or part-time, while 230 studied either full-time or part-time. Though the majority of respondents lived in British Columbia (n=149), there were at least 40 respondents each from Alberta, Saskatchewan and Ontario. The average age of

respondents was 30, with the youngest participant born in 1994 and the eldest in 1946. 7 per cent of respondents reported born before 1971. The ratio of male respondents to female was 2:3, where 130 respondents were listed as male and 194 as female. 159 respondents worked part-time, full-time, or both, while 230 were studying part-time or full-time.

4.3.1 Personal attachment to artist

None of the respondents who had a very weak attachment (n=3) spent money on their favourite artist, while only two out of eight respondents who had a somewhat weak attachment spent money on their favourite artist. The largest number of respondents had a somewhat strong (n=133) or very strong (n=111) attachment, with 39 per cent of those with a very strong attachment spending over $60. In contrast, only 11 percent of those with a very strong attachment did not spend any money on their favourite artist.

The distribution of responses show that personal attachment is not enough to guarantee a greater amount of money spent. Artists able to release new albums or tour more frequently – but also artists in between tour cycles or album releases who are able to able to release other products, such as special edition rereleases or garner revenue from paid subscriptions and new merchandise – give their fans more opportunities and choice from which to bring in band revenue. In addition, although many fans may consider a particular artist to be their favourite independent Canadian artist, fans that feel a closer attachment to the band will be more likely to demonstrate that sense of connection by spending more money.

4.3.2 Proportion of legal music from artist

Survey respondents tended to have either most or all of their music from their favorite artist legally obtained (79%) or none of it (10%). The number of respondents who reported having all of their music legally obtained is high (60%), which corresponds to Condry's findings in *Cultures of Music Piracy* where many respondents reported a willingness to pay for independent artists who “need the money” (Condry 2004). This crosstabulation also demonstrates that even though fans may have all or most of their music from an artist from legal sources, it is not a guarantee that they will have spent money on the artist during the past year.

When comparing the amount of money spent on an artist from fans who have had all of their music legally obtained and all of it legally obtained – 70 per cent and 15 per cent respectively – the contrast is clear. However, when these figures are analyzed in conjunction with the respondent’s willingness to pay for products when made available, it reveals intriguing information about the demand for products from both exclusive music purchasers and exclusive music pirates. Respondents who did not own any legal music from the artist (n=33) and were not willing to pay for either physical or digital music by the artist were made available (n=12) could be identified by combining their responses to relevant variables. In addition, it was also possible to determine respondents whose music from the artist was entirely legal (n=194), and who were willing to pay for regular physical or digital music (n=77), or both (n=106) if available.

The overwhelmingly most popular option amongst both those whose music from their favorite independent Canadian artist was entirely non-legal or legal was concert tickets (88% and 92% respectively). A majority of respondents in both groups were also willing to buy digital music (52% and 71%), though those with entirely legal music preferred physical music (78%) while those with entirely non-legal music did not (39%). Another popular option was official band merchandise, which 36 per cent of those with entirely non-legal music and 54 per cent of those with entirely legal music expressed an interest in buying. Expectedly, those who had entirely legal music expressed a greater willingness to buy other products when available, including for music DVDs or videos (35%) and limited or special edition music packages (40%), but the survey also showed that even those fans who had exclusively pirated music were still open to paying not only for music or concerts, but for other items as well. If a respondent`s favorite artist releases innovative products deemed to be of value, there will be fans willing to pay for them, regardless of whether they have exclusively pirated or purchased their music in the past.

4.3.3 Importance of music in general

Respondents in this survey leaned heavily towards finding music very important (74%). 12 per cent of these respondents spent over $100 on their favourite artist compared to the 15 per cent which spent nothing, with the maximum spent being $350 and the median being $40. In comparison, the maximum spent by respondents who rated music as very unimportant, somewhat important, or neither important or unimportant was $50, with the median spent being $5.

4.3.4 Importance of music as a social activity

The majority of respondents rated the importance of music as a social activity as either somewhat important (n=129) or very important (n=151). In contrast, only 12 respondents rated it as either very unimportant or somewhat unimportant. Out of respondents who spent over $100 on their favourite artist, 69 per cent rated music as a very important social activity. 14 per cent of those who rated music as a very important social activity spent no money on their favourite artist, compared to 50 per cent of those who rated it as very unimportant or somewhat unimportant. Although the respondent sample cannot be taken as a representative sample of Canadians, it does demonstrate the social importance of music, whether in its creation or its consumption.

4.3.5 Proportion of music from independent artists

The largest number of respondents had more than three quarters of their music come from independent artists (n=76), with the second largest group being around half (n=65). Interestingly, all respondents whose music was either all or almost all from independent artists reported spending money during the past year. In contrast, six of the eight respondents with either none or almost none of their music from independent artists reported not spending money on their favourite artist within the past year. Based on these results, the demographic of music listeners who have a greater proportion of music from independent artists will also be likely to spend more money on their favourite independent artist.

4.3.6 Amount of money spent on all artists

The maximum amount reported as spent on all artists within the past year with $5000, with the median being $200. 9 per cent of respondents reported spending over $1000, compared to 5 per cent who spent nothing and 23 who spent between $1 and $100. The maximum spent overall by a respondent who spent nothing on his or her favourite artist was $600, with the median being $150. 4 per cent of respondents spent nothing on any artist within the past year.

4.3.7 Seeking updates from favourite artists

The largest amount of respondents only sought out updates from bands once a month or less (n=104), with the second largest amount seeking out updates a couple of times a month (n-75). 83 respondents sought out updates either once a day or more, or a couple of times a week, while 42 reported never seeking out updates. Fans who seek out updates more often are more likely to be better informed about new developments concerning their favourite bands, whether the information they gather is of a personal nature or of a new tour being announced. While a minority of respondents who never seek out updates may still spend more than $100 on their favourite artist (5%), they are more likely to spend nothing (38%) than those who seek out updates once a day or more (10%).

4.3.8 Income

50 per cent of respondents had incomes between $10,000 and $29,999, while only 17 per cent had incomes above $50,000. When comparing these two groups, 26 per cent in the $10,000 to $29,999 income bracket did not spend any money on their favourite artist, compared to 18% in

the bracket above $50,000. In contrast, only 5 per cent of respondents in the first bracket spent over $100, compared to 18% in the second.

4.3.9 Number of years listened to favourite artist

The longest amount of time a respondent reported listening to his or her favourite independent artist was 37 years. 47 respondents listened to their favourite artist for 10 years or longer, and of this group, 26 per cent reported not spending any money on their favourite artist within the past year while 19 per cent reported spending more than $100. The largest group of respondents had listened to their favourite artist for two years (n=64), with the median number being four years. 16 per cent of respondents who listened their favourite artist for two years or less did not spend any money on their favourite artist, while 7 per cent spent more than $100.

4.3.10 Familiarity with sources of digital music and with social networking sites

The source of music most respondents were experienced with were online music stores (78%), while the source of music more respondents were least experienced with were file hosting webpages (71% being familiar with them but never using them, or unfamiliar with). The source of music respondents were most likely to be familiar with, but not experienced in using, were P2P file sharing programs. For social networking sites, respondents were more experienced with YouTube (97%) and Facebook (95%), followed by MySpace (50%), Flickr (37%), Twitter (35%), and finally, Bandcamp (11%). Although Bandcamp is created for and frequently used by musicians to sell music and merchandise directly to fans and to develop their overall web presence, 62 per cent for respondents were unfamiliar with the website.

4.4 Summary

This section offers compelling figures into the current distribution of fan spending, and an overview into how Canadian artists are connecting with their fans and what products they are releasing. Money spent on concerts, followed by regular physical music, constitutes the greatest share of the dependent variable, aggregate amount of money spent on respondents' favourite artists. Despite the limited availability of more innovative releases, such as limited or special edition music packages, the prices paid for them, as measured by their median amount paid when bought, demonstrate that they can command the same prices as the more conventional products, or even more. The low reported use of innovative artist outreach strategies demonstrates artists can still do more to connect with their fans online and offline, and to better inform their fans of new developments and products made available. In order to do so, bands will have to take full advantage of the multitude of online and offline platforms available and create a memorable message that can continue to appeal to and draw in their fans.

The broad number scope of independent variables tested in this study reflect the range of factors which may impact fans' willingness to spend money on a band and it highlights the complexity inherent in establishing models to account for influences on fan expenditure. Even though fans may share a favourite artist, individual factors can influence how much they choose to spend on the artist. Section 5 delves deeper into the survey findings, using additional statistical analysis to better understand which variables best explain why some fans spend more on their favourite independent Canadian artist than others.

5: Why Some Fans Spend More on Favourite Bands

This section follows a number of steps to estimate why some fans spend more on their favourite bands in order to determine which products may produce more viable revenue streams. Subsequent sections use these results to design and evaluate policy options Heritage Canada may pursue in order to help independent Canadian artists to become more economically viable. The section first tests the relationship between the 13 independent variables with the dependent variable of overall fan expenditure. Secondly, it deconstructs the two main independent variables on innovation into its component parts to discover which products or outreach techniques have a substantial effect on expenditure. Finally, two regression models further test what variables have the greatest impact on fan expenditure. The section concludes by assessing the profitability for products reported as being most in the demand and most influential on total fan expenditure. Together, this section formulates a picture as to why some fans spend more on their favourite bands and seeks to determine which products may produce more viable revenue streams, especially for artists with limited financial resources.

5.1 Statistical testing of individual variables

Table 5 provides an overview to the effect of each of the independent variables to the total amount of money spent on the respondent's favourite artist, as calculated using a Pearson correlation. Out of the 13 variables, three had no statistical significance on the dependent variable, fan expenditure: the number of years the respondents had listened to their favourite artist, their familiarity with sources for digital music, and their familiarity with social networking. Although respondents may have listened to their favourite artist for an extended amount of time, the amount of time did not correlate to the amount a respondent had spent on that artist within the past year. This lack of a relationship can be attributed in part to an artist less recently active in touring or releasing products, and who therefore provides less opportunity for a willing fan to spend money. Respondent familiarity and experience of legal and illegal sources of digital music also had no influence on the amount spent on an artist, signifying that those who were more technologically familiar with P2P programs did not demonstrate a detectable shift in willingness to pay for music. In addition, respondent familiarity and experience with social networking sites did not influence fan expenditure, showing that artists must still reach out to fans outside of online social networking as well.

Table 5: Independent Variables and their correlated effect

	Independent Variable	**Correlated effect**
1	*Scale for innovative artist outreach strategies*	Positive ($p < 0.01$)
2	*Scale for innovative products*	Positive ($p < 0.01$)
3	*Personal connection to artist*	Positive ($p < 0.01$)
4	Proportion of legal music from artist	Positive ($p < 0.01$)
5	Importance of music in general	Positive ($p < 0.01$)
6	Importance of music as social activity	Positive ($p < 0.01$)
7	Proportion of music from independent artists	Positive ($p < 0.01$)
8	Amount of money spent on all artists	Positive ($p < 0.01$)
9	Frequency for seeking out updates	Positive ($p < 0.01$)
10	Income	Positive ($p < 0.05$)
11	Number of years listened to favourite artist	No statistical significance
12	Respondent familiarity with sources for digital music	No statistical significance
13	Respondent familiarity with social networking	No statistical significance

5.1.1 **Artist Outreach**

Correlations in Table 6 between the different forms of outreach and the total amount of money spent show a statistically significant correlation with using Twitter, free commercial music, free exclusive music, free subscriptions and competitions that reward fan engagement. The highest correlations between types of artist outreach and the dependent variable, fan expenditure, belong to free commercial music and free online exclusive music. Making commercial and exclusive music available as a free downloads is a form of outreach that shows the willingness of bands to give something of value to their fans. It emphasizes the perception of putting the desire to share one's music above the revenues that could have been made selling the same tracks, and displays a sense of awareness about new music distribution methods. In the case of free commercially available music, it either pre-empts a listener from pirating the same track or offers an acceptable, legitimate alternative to purchasing it. In the case of free online exclusive music, it can act as a reward for remain up-to-date on an artist and visiting their page. Giving free music can induce a sense of moral debt on the part of fans towards an artist, and as a reward for a band's goodwill fans may be more willing to spend a greater amount of money on their other products.

Table 6: Pearson correlation of total amount of money spent and type of artist outreach

Type of artist outreach	**Correlation to total amount spent on artist**
Blog	0.0827
Video log	0.014
Facebook	0.076
Twitter	.160**
Social networks	0.094
Free commercial music	.188**
Free exclusive music	.182**
Interact with fans in person	0.079
Interact with fans online	0.109
Fan forum	0.051
Free subscription	.132*
Competition	.135*

**. Correlation significant at the 0.01 level (2-tailed).
*. Correlation significant at the 0.05 level (2-tailed).

The contrast in correlation strength between Facebook and Twitter and the total amount spent on the artist highlights the differences in how both of these social networks are used. The multitude of Facebook users and the formatting of artist Facebook pages allow artists to transmit official information and a variety of links, media and content to their fans. However, Twitter's limited format where all posts are limited to 140 characters makes it more dependent upon, and conducive to, spontaneous, immediate, and one-on-one dialogue with individual fans. The nature of Twitter posts –more ephemeral, occasionally frivolous, and of higher frequency on active Twitter pages than active Facebook pages – give artists more of an opportunity to discuss topics and share information of personal interest and not related to their music. These posts can often make the author more relatable and produces a type of interaction taking place on Twitter that is more engaged and personal.

Free subscriptions are a way to notify fans of new developments within the band, regardless of whether the fan uses social networking sites such as Facebook or Twitter. As described throughout the analysis, fans must know a product is available before they can spend money on it, and subscriptions are one way of providing that information. Finally, competitions or contests that reward fans for engagement can be a useful way to harness the personal loyalty of fans and encourage them to express it. The belief that an artist displays an interest in how fans channel their loyalty can deepen that loyalty, thereby potentially prompting them to spend more money on the artist.

5.1.2 **Product releases**

Table 7: Pearson correlation of total amount of money spent and type of product released

Type of product release	***Correlation to total amount spent on artist***
Physical Music	0.182**
Digital Music	0.106
DVD	-0.012
Music Package	0.181**
Concert	0.128*
Official merchandise	0.275**
Autographed merchandise	0.014
Licensed Track	0.023
Fees for personal engagement	-0.096
Paid membership	-0.051

**. Correlation significant at the 0.01 level (2-tailed).
*. Correlation significant at the 0.05 level (2-tailed).

Correlations in table 7 between the different forms of releases and the total amount of money spent show a statistically significant correlation with the release of physical music, music packages, concerts and merchandise. By far, the strongest correlation was between official merchandise and the total amount spent on the artist. As opposed to only being able to purchase a single new album or concert ticket amount of money, money can be spent on different types of merchandise. In addition, the availability of merchandise extends the opportunity for fans to spend money on artists on products that are in demand, including by those who chose to download music from P2P programs.

Interestingly, having physical music available has a statistical significant correlation to fan expenditure while digital music does not. This finding implies that music in physical form has an innate value attached to it which digital music does not, and that the availability of music in physical form influences fan expenditure in a way music in digital form does not. The strong correlation between limited or special edition music packages also resonates with the value of physical music, and demonstrates how presenting a familiar product in new ways can increase interest and stimulate a willingness to pay for it.

The final variable for product tested to be of statistical significance was concerts. Given the large percentage of total money from all respondents going towards concerts by their favourite artist (53%), it was of interest to see the extent to which going on tour affected fan expenditure. While a statistical correlation between concerts and fan expenditure exists, it is not as strong as those for merchandise, physical music or music packages, meaning that although concerts are the product the most money is spent on, it is accounts for less of the variation between the amount fans spend on their favourite artist.

5.2 Regression Models

This section first uses Pearson correlation to explore the effect of which each of the 13 study variables affects fan expenditure. Out of the 13 variables, three had no statistical significance on the dependent variable of fan expenditure: the number of years the respondents had listened to their favourite artist, their familiarity with sources for digital music, and their familiarity with social networking. On the first excluded variable, although a respondent may have listened to a favourite artist for a long time, the amount of time does not correlate to the amount a respondent had spent on that artist within the past year. This lack of a relationship is perhaps in part due to an artist that had been recently active in touring or releasing products, and who therefore provides less of an opportunity for a willing fan to spend money. Respondent familiarity and experience of legal and illegal sources of digital music also had no influence on the amount spent on an artist, signifying that those who were more technologically familiar with P2P programs did not demonstrate a detectable shift in willingness to pay for music. In addition, respondent familiarity and experience with social networking sites did not influence fan expenditure, showing that artists must still reach out to fans outside of online social networking as well.

The remaining 10 variables shown to have at least some relationship with the dependent variable are then tested using OLS regression. Regressions test particular variables for their explanatory power in determining the dependent variable while holding other independent variables constant. Unlike correlations, they also test the dependence of one variable upon another, rather than the variables' interdependence. This study uses the stepwise method of regression analysis. As variables are entered into the regression model in the stepwise method, each existing variable in the model is assessed to determine whether it is significant enough to remain in the model or if it should be removed. It then produces various models, each with a different combination of variables, and each with a different R squared value representing the percentage of variation explained by the included variables. This method was considered most appropriate because of the large number of variables correlated at the $p<0.01$ level to the dependent variable, and the lack of previous academic research on which particular variables would compose the most explanatory model for fan expenditure.

5.2.1 Regression model one

Model one includes the 10 independent variables shown to be statistically correlated to the dependent variable in Section 4, including the two major independent variables for innovation. The best model resulting from this analysis produces an adjusted R Square of 0.248 (df = 279, p<.001). While this therefore leaves more than 75 per cent of spending unaccounted for, it does capture the major common fan demographics considered in academic research, including fan loyalty (Condry 2004) and income (Andersen and Frenz 2007). In addition, it includes the variables for innovation that can be directly influenced by artists, such as the release of a particular product or the use of a particular form of outreach, or be promoted through the Canada Music Fund.

Table 8: Linear regression model one

	Unstandardized Coefficients		***Standardized Coefficients***	***t***	***Sig.***	***Collinearity Statistics***	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-40.643	12.237		-3.321	.001		
Money spent on all artists	.030	.005	.344	6.554	.000	.970	1.031
Personal connection to favourite artist	11.888	2.924	.217	4.065	.000	.938	1.067
Scale for innovative product releases	6.090	1.727	.188	3.526	.000	.941	1.063

Table 8 shows the only three variables that can statistically account for the model’s explanatory power: spending more money overall on all artists, a respondent’s stronger sense of personal connection to his or her favourite artist, and reporting a larger amount of released products. Therefore, none of the other variables tested, including personal income or the personal importance of music, held any impact considered statistically significant. Each of the included variables share a significance value of .000 when accounting for total expenditure, and out of these variables, artists can directly control what products are released, partially influence a fan's personal sense of connection, and exert only a marginal effect on money spent on all artists. These findings will have implications for any policy options directly designed to assist artists develop more competitive and sustainable business models.

According to this regression model, the release of a range of products matters to an increased fan expenditure, but artist outreach does not. This may suggest that while outreach may be important to those fans that choose to take advantage of it, having a wide artist outreach strategy cannot be used as an indicator for fans spending a greater amount on the artist. Meanwhile, offering a wider spectrum of products does increase the likelihood of higher fan expenditure. However, the question within this model remains of whether a particular type of product has a strong explanatory power over the scale variable for innovative product releases. Therefore, another regression model is necessary to provide a more detailed account to fan expenditure.

5.2.2 **Regression model two**

This model replaced innovation scales and replaced them with variables for individual products or forms of outreach whose correlations deemed statically significant. Using stepwise regressions, the resulting model again included the variables for money spent on all artists and personal connection to favourite artists, but replaced the scale for product releases with merchandise and competition, and included the proportion of legally obtained music. This model had an adjusted R Square of 0.268 (df = 258, p <.001), therefore accounting for slightly more of the variation in the amount of money being spent on the artist than regression model one.

Table 9: Linear regression model two

	Unstandardized Coefficients		***Standardized Coefficients***	***t***	***Sig.***	***Collinearity Statistics***	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	-41.115	12.558		-3.274	.001		
Money spent on all artists	.028	.005	.316	5.849	.000	.953	1.050
Personal connection to favourite artist	9.551	3.027	.178	3.155	.002	.870	1.149
Official band merchandise available	16.398	5.350	.170	3.065	.002	.901	1.110
Proportion of legally obtained music from favourite artist	4.934	1.930	.141	2.556	.011	.913	1.096
Competition or contest rewarding fans for engagement	17.875	8.787	.109	2.034	.043	.967	1.034

Table 9 outlines the only variables tested considered statistically significant in accounting for why some fans spend more on their favourite artist than other fans. Although competitions were included in this model, the relative low number of bands reported to offer them (n=27) and the high number of respondents who did not know whether they were offered (n=169) would suggest that a wider sample would be needed to more accurately describe and assess its impact on the dependent variable. Therefore, of the range of products and outreach strategies included in the model, only official band merchandise had a clear impact on fan expenditure.

One explanatory variable now included within the regression model is the proportion of legally obtained music. The implication of the inclusion of this variable in the model is that the higher proportion of pirated music from a fan's favourite artist suggests a smaller amount of money spent by that fan. While the higher expenditure from fans with a higher proportion of legally obtained music can be partially attributed directly to the purchase of physical or digital music within the past year, it may also suggest the increased willingness to spend money on other products, as described in the frequencies in Section 4.3.2.

5.3 The New Business Model

This section combines findings on the four most popular products for fan expenditure – physical and digital music, concerts and merchandise – with an analysis on their costs of production and their predicted returns on investment, especially for new and developing independent artists. An item may be in strong demand, but if the amount fans are willing to pay for it is low and the costs to produce it is high, it might not constitute the best investment of a working band's limited amount of money. Understanding what products would provide a more immediate return on investments and providing more insight into the new business model is important in designing policy options that can assist independent Canadian artists in becoming more financially sustainable.

5.3.1 **Physical Music**

According to the survey, only 54 per cent of fans will buy a regular physical album from their favourite independent Canadian band if released. The average amount of money they will spend is $25, with the median amount being $20. Meanwhile, the amount of project grant money available in FACTOR's Emerging Artist Program is up to 50 per cent of the eligible budget to a maximum of $35,000 for the production of the sound recording (*FACTOR 2009-2010 Activity Report* 12). Given that artists have received grants for $35,000 within the past year, and assuming that this amount is calculated at 50 per cent of the eligible budget, the budget for producing sound recordings can run up to $70,000. Therefore, if the proportion of paying fans to overall fans who consider a band to be their favourite independent Canadian band remains the same, the band would have to have 6423 of these fans in order to recoup $70,000 spent.

Although the amount of money being spent to record an album will likely be considerably less for a new independent Canadian artist, the cost of renting out a studio for an extended period and hiring sound engineers, mixers and other production staff can quickly become very expensive. Without taking into account the cost of designing elements of the physical album, locally printing a physical album can cost upwards of $4 depending on the type of packaging used. However, whether because of the availability of pirated content or competition for the money of fans from other bands who may not be independent Canadian artists, fewer fans will buy the album than may have been expected in the past. This means a lesser likelihood for new independent artists to see a return of investment on a studio-produced album release, and an even smaller chance of building a sustainable and profitable business model from it. In contrast, and in order to meet the demand for physical copies of music identified in the survey, a self-recorded live album made by the band outside of studios may be an effective substitute for new and working artists to begin to profit from the sale of digital and physical copies of their music.

5.3.2 **Digital Music**

As seen in national and international industry reporting, digital music sales are on the rise, though still not enough to compensate for the decrease in physical music sales (*IFPI Digital Music Report 2010: Music how, when, where you want it; The Canadian Music Industry: 2008 Economic Profile*). According to the survey, only 36 per cent of fans will buy digital music from their favourite independent Canadian band when available. The average amount of money they will spend is $14, with the median amount being $10. The most popular source for digital and legal commercial music is the iTunes music store, which in 2010 accounted for 70 per cent of digital music sales and 28 per cent of all music sales in the United States, and takes a 30 per cent commission on music sales. Independent artists can use the services of online distribution companies to make their music available on online stores, including the iTunes music store. One such company, TuneCore, which was used by Trent Reznor to release *Ghosts I-IV*, charges a flat cost of $50 per album and $20 each year after that, or $10 per single per year. However, while digital music distribution means no longer having to physically reproduce music at a unit cost, the commission taken from online music stores is a considerable amount (e.g. 30% on the iTunes music store) and one comparable to the cost of physical production. With the cost of producing the music in studios remaining the same, the margins needed for emerging independent artists to profit from either physical or digital music sales are not promising for artists trying to make a living.

However, as seen in the analysis for artist outreach, the total amount of money spent on an artist was positively related to free commercially available music being available for download on the artist's website. For new artists, offering free and easily accessible online – whether out of innovation or necessity – without having to make the effort to pirate it is an effective way to expose their music to as many potential fans as possible. Offering a download link for music via email is also a way to gather email addresses for further contact or notifications from the artist in the future, and similar to Radiohead's "tip jar" for *In Rainbows*, artists can give fans the option of donating money for the download link.

With the focus on individual tracks being available for purchase digitally, the necessity of having to record and produce an entire album is no longer as central. As Ian Astbury of The Cult bluntly explained,

> "The format is dead. iTunes destroyed albums. The whole idea of an album. Albums were established in the '70s and '80s and into the '90s, but they've been dead for a long time. Nobody buys albums. It's been proven. It's an arcane format, as much as the 78 rpm or writing sheet music for an orchestra. It's an old form and, for me, it's much more about if we have a great song we really believe in, then we'll record it and release it" (*Cult's Ian Astbury on 'Love,' rock 'n' roll and the death of the album* 2009).

However, because album sales have been such an integral part to our collective understanding of the music business, it can be difficult to extricate ourselves from the belief that creating a studio-recorded album is an obligatory component of any and all profitable business models. While music in high recording quality is helpful for securing radio play and for more "established" artists hoping to open more profitable revenue streams, the expense required in order to create it will be risky and a financially uncertain prospect for new Canadian artists – especially when alternative sources of revenue with more immediate returns may exist. Accordingly, the existing business model is often focused on album sales or radio play in determining "success" – but the measures of success are changing, with the number of plays on YouTube, "likes" on Facebook, Twitter followers and social networking views or subscribers becoming of increasing importance.

5.3.3 **Concerts**

According to the survey, only 57 per cent of fans will buy a concert ticket to a show by their favourite independent Canadian band. The average amount of money they will spend is $40, with the median amount being $30. The maximum available for Domestic Touring Grants is $15,000, where tours and showcases that show a financial loss can receive funding limited to 50 per cent of the eligible budget to a maximum of 100 per cent of the shortfall (*FACTOR 2009-2010 Activity Report* 2010). If the total budget was $30,000 and the proportion of fans paying for tickets to overall fans who consider a band to be their favourite independent Canadian band remained the same, the band would need 1479 of these fans in order to recoup that amount of money spent.

As was the case for recording studio music, the price of a concert tour can vary greatly – for instance, based on the price of tickets, whether or not there is a fee to rent a venue, and the distance and method of travel. When budgeted appropriately and proportionate to demand concerts can be a valuable source of revenue and exposure to new artists, but they can conversely become an expenditure that incurs a considerable amount of debt while not substantially increasing a band's fan base. Touring, much like expenditure on recording music, can be a gamble on whether it will increase the number of fans willing to spend money on the artist. For new and working independent bands, the emphasis should be on economical local shows that can build exposure and word of mouth. Bands could also consider inexpensive online streaming performances, which could gage interest for potential tour locations, capture information on viewers and still allow an opportunity to interact with fans. If tours outside the local area are considered financially viable, cities could be scheduled based on where fans are demanding them online, such as on a website like Meetup.com or on the artist's webpage.

5.3.4 Merchandise

Only 20 per cent of fans in the survey bought official merchandise from their favourite independent Canadian band when made available. Here, the average amount of money they spent was \$25, with a median of \$20. However, although the average and median amount of money spent is the same as for regular physical releases, producing merchandise does not require the steep financial resources required to produce music professionally and in studio. Although merchandise may be more appropriate for some bands and genres of music than others, when produced in a creative or innovative way, merchandise can quickly become a source of revenue for artists the way that music produced in studios cannot. In addition, merchandise cannot be replicated the same way music files are, therefore making their purchase appealing to fans whether or not they obtain their music legally. Although the cost of creating shirts using the services of a local screen-printing company can be \$8-\$12 per unit depending on the quality of the shirt and the number of colours used, they can be sold at \$20-\$40 each with multiple types of shirts being available. Out of all forms of innovative product releases tested, only merchandise was included in final regression model, demonstrating how seminal the offering of merchandise is in the new business model.

5.4 Summary

This section first uses Pearson correlations in order to determine which independent variables were of statistical significance to the dependent variable, the total amount of money spent on an artist. As seen in Table 5, many of the tested independent variables correlate with spending - including scales for innovation, personal connection to the artist, total amount of money spent, and the personal value of music. However, age, the number of years spent listening to the artist, knowledge of social media or sources for online music do not related to fan expenditure. In terms of specific forms of product releases and types of artist outreach strategies, releasing official merchandise, regular physical music and music packages for purchase, and providing both commercially available and exclusive music as a free download all prove to be related to increased expenditure. Other releases, including digital music, autographed material or paid engagements with the band were not proven to be significantly related to expenditure.

This study then used Stepwise method of multivariate logistic regression for the two linear regression models. The total money spent on all artists was of primary significance in both regression models followed the respondent's personal attachment to the artist ranks second in importance, which is a response artists have a seminal role in nurturing and shaping. In regression model two, which had the highest explanatory power, the availability of official merchandise had the third largest impact on expenditure, more so than any other form of product release or type of outreach, and is the one variable under direct control of the artist. What these regression models demonstrate in terms of which variables are influential and which are not, along with the findings on the distribution and amount of fan expenditure, will be of vital importance when formulating policy options that allow the CMF can better support working artists within a new business environment. Specifically, any policy option designed to help artists – especially new and working independent artists – be better able to sustain themselves financially must emphasize the importance of merchandise in influencing fan expenditure. As seen in the discussion on the new business model in Section 5.3, preferences are changing, and the support mechanisms designed to help artists succeed in the music industry must adapt accordingly.

6: Criteria and Measurement

This section sets forth four criteria to assess the policy options presented, ranking them relative to each other on the scale of High, Medium and Low. Understanding artist and CMF stakeholder acceptability is important, and this study bases stakeholder acceptability not as an individual criterion but as a holistic aggregate of each of the criteria measured. The decreasing profitability for new and developing artists is of clear concern for the artists themselves, but also for the CMF, which is tasked with supporting Canadian musical expression and the financial viability for the Canadian music industry. In the uncertainty of how the music industry will confront the challenges before it, the more acceptable solutions will be those that respond to changing consumer demand, are financially sustainable to grant providers, can positively impact a large number of artists and can lead to greater revenues.

6.1 Responsiveness to changing consumer demand

This criterion assesses, based on the findings on the distribution of fan spending and the variables identified with having the strongest influence on total fan spending, whether a particular stream of CMF funding is supporting proven areas that can influence the total amount a fan is spending on his or her favourite band. The desire to make policies better responsive to complex and evolving technological and economic changes is a reoccurring theme in CMF stakeholder reporting (Evaluation Services Directorate 2007; *FACTOR 2009-2010 Activity Report* 2010). An option ranked High would be considered directly effective in influencing artist development in an area identified as one of growth. An option ranked as Medium would be considered of potential indirect effectiveness in influencing artist behaviour, while an option ranked as low would not be influencing artist behaviour towards an area of growth.

6.2 CMF stakeholder operation cost

This criterion assesses the cost of money and time required to operate the policy option, and if applicable, at the same frequency to the status quo. CMF stakeholders including FACTOR have recognized the ”even more vital” importance of “effective use of funding dollars; best practices; reasoned, well thought out policies combined, with good research and information” (*FACTOR 2009-2010 Activity Report* 74). Therefore, stakeholders will be more likely to embrace policies that balance effective investments with responsible and appropriate spending levels. Speaking to the first of these requirements, an option ranked as Low would mean it was at a level equal to the status quo, where the relevant CMF staff would remain at the same level and doing the same type of evaluative work. Options ranked as Medium or High would, respectively, mean a moderate or significant increase in labour or capital required to operate.

6.3 Scope of CMF support to working independent artists

Due to current allocations to the CMF and broad demand for financial supports, artist access to CMF funding are highly competitive. This criterion assesses the policy option’s ability and capacity to reach a wide group of new and working independent artists so that they can benefit from its services. An option ranked as High represents a superior level of access to many working independent artists, whereas an option ranked as Medium represents an increased level of access to working independent artists in relation to the status quo. Finally, an option ranked as Low represents an option whose benefits are only available to a small percentage of artists interested in it.

6.4 Returns on investment for working independent artists

This criterion assesses, based on the findings on the distribution of fan spending and the variables identified with having the strongest influence on total fan spending, whether those who benefit from the policy option are equipped with the capital to generate net revenue more quickly.

An option ranked as High places a greater emphasis on products with lower initial investments and which have been seen in the analysis to provide for a faster return on investment. An option ranked as Medium either places some focus on products that have a likely chance of generating profit or some emphasis on techniques likely to generate more fan spending. Finally, an option ranked as Low places greater focus on products that require a high upfront investment and which may or may not yield a strong return on investment.

7: Policy Options

This section integrates the results of regression models conducted on the variables used in the survey and the analysis of fan spending habits to formulate and set forward a set of policy options. Based on these findings, independent Canadian artists who earn the most money from their fans are those whose fans have a strong personal connection to them, have a higher proportion of legally obtained music from them and spend the most amount of money on artists overall, and where bands sell official merchandise and offer competitions rewarding fans for engagement. While not factored into the final regression models, the correlations between total amount of money spent and both free commercial music and limited or special edition packages suggest their future potential importance. Although changing the personal sense of connection to a band and overall spending habits of fans are very difficult, if possible, for policy actors to influence, the funding models of the Canada Music Fund can be used as a tool to motivate and influence the behaviour of working artists. The range of policy options below describe strategies that can be undertaken by the Canada Music Fund to continue to support new Canadian musicians in building, through innovation, more economically viable business models.

7.1 Policy Option 1: Status Quo

Under the status quo option, the current level and distribution of overall funding to the CMF, and specifically, the pool of $262,030 available through FACTOR’s Demo and Commercially-Released Single Program, remain the same. Within the loan and grant structure of FACTOR and Musicaction, its French-language counterpart, the emphasis is placed on providing artist supports for the production and marketing of music albums and live performances.

Although FACTOR offers many loans and grants to independent and so-called "emerging" Canadian artists, the Demo and Commercially-Released Single Program is the only grant targeted specifically at new artists and groups. As explained in Section 2, the purpose of this program is to assist artists in producing songs on a high quality demo for the purposes of helping to get a recording deal or for commercial releases. FACTOR provides up to 75 per cent of the eligible budget to a maximum of $1500. Because this program was only announced on April 1 2011, information on the total allotment of money available through this grant, typically found in FACTOR's yearly Annual Reports, was not available at the time of writing. However, this program's predecessor, the Professional Demo Grant Program, had 1033 applications for funding in 2009-2010, making it the grant most applied for, and only had 15 per cent or 152 applications approved.

7.2 Policy Option 2: Entry-level FACTOR grant redesign

This policy option focuses on FACTOR's Demo and Commercially-Released Single Program and, based on this study's survey results and analysis, restructures it to allow for a faster return on investment. As seen in the survey analysis, providing merchandise for sale is a major explanatory factor for total amounts fan spend on a favourite artist. However, despite the high potential for returns, many new and emerging bands may be hesitant to make the initial expenditure because of their production costs. Instead of the current grant program offering a maximum of $1500 to record a demo that may or may not lead to a record deal, new artists would apply for seed money grants to fund the self-production of live-recorded CDs and merchandise, as well as financial FACTOR support to record a promotional single in studios. The application process would remain mostly the same, with a budget, applicant profile and music sample submitted, though alongside with recording studio information and credentials it would include production estimates and manufacturer information for non-music products.

Table 10: Example of grant money distribution and projected returns

Product (total produced)	*Unit price of product to produce*	*Total invested*	*Unit price of product to sell*	*Total net revenue*
Studio-recorded promotional single (1)	$750 towards production	$750	n/a	n/a
Live recorded CD (100)	$3	$300	$10	$2700
Merchandise (100 t-shirts)	$9.50	$950	$20	$1050
Total	$1750		$3750	

As seen in table 12, using an example grant of $1750, recipients would now have the financial capital to locally self-produce products and merchandise to sell to their base of fans at a profit. At the same time, bands would still receive money from the program to invest in a traditional promotional single. Like the current Demo and Commercially-Released Single Program, this new grant would also be useful to help secure a record deal, now not only because of the music already recorded, but also because of band's already demonstrated initiative and financial profitability.

7.3 Policy Option 3: FACTOR/Musicaction-branded artist website

One likely consideration for funding through the New Music Works Component is whether the applicant will be financially worth the investment and be viable in the future. As seen throughout the data analysis, one important variable in determining whether and how much fans spend on their independent Canadian band is how personally connected they feel to that band. Thus, bands that have more fans feeling personally connected to them will be more likely to have a greater amount of money spent on them. This realization is influential in this fourth policy option.

Shifting resources from production to, in part, online marketing was one recommendation in the Evaluation Services Directorate's Summative Evaluation of the Canada Music Fund. While applications are currently being processed online, this option makes web presence an integral part of the applications process. This option would have FACTOR and Musicaction create or sponsor a website for bands to create profiles, much like Myspace and Reverb Nation, or build onto an existing site, such as the one for CBC Radio 3. Because the content would be generated by the band, only a limited amount of oversight and maintenance on the part of FACTOR or Musicaction is needed. On this website, bands would create a professional profile, similar to LinkedIn, where they could post contact information and streaming video. Bands would also be able to provide details such as their genre, number of previous releases, whether or not they were signed to a label, and details on previous CMF funding. In addition, bands would solicit their fans to "support" them on the page, using a method similar to an online petition, with the number of supporters used to identify bands with a stronger fan base.

As an incentive for website uptake, a number of FACTOR grant approvals would be exclusively reserved for applicants with the strongest website support, where equity amongst bands in different genres or at different stages of fan support could be maintained by using category filters for well-supported artists, such by genre or sales figures for previous albums. The purpose of this site would be twofold: first, when determining which one of them should receive funding, FACTOR and Musicaction would be better able to know which bands applying for funding would have larger fan bases willing to support them. Second, it would encourage fans to express their own personal sense of commitment to the artist in a new way, much like "liking" an artist on Facebook or following them on Twitter, but one that can be to their favourite band's direct benefit. Although the CMF may only play an indirect role in influencing fans' loyalty to their favourite band, using grants as a financial incentive may further encourage bands to find ways to strengthen the loyalty of their fans. By mobilizing fans for a cause and including them as influential actors to the grants process, fans may gain a better understanding to the financial challenges for new independent artists, and therefore feel more personally connected to them and be more willing to spend money on them.

While the quantitative data analysis from this survey showed that the availability of free commercial music and merchandise sales was strongly related to fans spending more on their favourite artist, it may be inappropriate to force or compel artists to give away their music for free or to sell merchandise. However, the FACTOR/Musicaction-branded website could still offer a simple method for uploading their music on the site for download and provide useful download metrics, and provide links to merchandise producers or online merchandise retailers and advice or recommendations about cost-effective methods to creating merchandise.

8: Evaluation of Policy Alternatives

8.1 Evaluation Matrix

Table 11: Evaluation of policy options, as ranked by total score

		Policy Options		
		Status Quo	*Entry FACTOR grant redesign*	*FACTOR/ Musicaction-branded artist website*
Criteria	*Responsiveness to changing consumer demands*	Low (1)	High (3)	Medium (2)
	CMF stakeholder implementation cost	Low-Medium (2.5)	Low-Medium (2.5)	Medium-High (1.5)
	Scope of CMF support to working independent artists	Low-Medium (1.5)	Low-Medium (1.5)	Medium (2)
	Returns on investment for working independent artists	Low-Medium (1.5)	Medium-High (2.5)	Medium (2)
	Total score	6.5	9.5	7.5

8.2 Status Quo

Responsiveness to changing consumer demands – As seen by the budgetary distribution of CMF funding in Appendix A, the sale of albums largely defines an artists's financial viability for FACTOR, with convert revenue as a complementary source. While licensing is becoming increasingly important for the generation of revenue, it is mostly a domain for established artists who already enjoy a substantial amount of popularity. However, emerging forms of product releases, especially merchandise sales, which have been demonstrated to significantly impact the total amount spent on independent artists, are under-acknowledged as sources of revenue worth CMF investment. While some efforts have been done to update the CMF, such as the redesign of the former Professional Demo Grant Program, the Low ranking obtained by this policy option shows that there is still much to be learnt and applied by stakeholders.

CMF stakeholder implementation cost –The Evaluation Services Directorates' Summative Evaluation of the CMF recommended that the Department of Canadian Heritage should reduce its administrative workload and administration cost (Evaluation Services Directorate xii). While the CMF is generally successful at performing its role, the ranking of Low-Medium reflects the assessment that more could be done to lower costs.

Scope of CMF support to working independent artists – CMF funded programs such as Collective Initiatives-supported songwriting seminars and showcases can benefit bands even if these bands do not directly receive New Musical Works grants. However, the money available through the loans and grants process is largely out of reach for new and developing artists, and when they are able to qualify, the limited amount of funding available means that competition for meaningful and tangible financial supports leave many deserving bands excluded. As a result, this policy option ranks as a Low-Medium.

Returns on investment for working independent artists – The heavy focus on music production within the FACTOR and the Musicaction program reflects the common belief that traditional music sales are the foundation of profitability for the music industry. However, as can be seen in the aggregate distribution of fan spending in figure 3, concert tickets make up the majority of money spent, while merchandise sales is the only product release within the most explanatory regression model to affect why some fans spend more on their favourite independent Canadian band than others. While FACTOR loans can support a substantial percentage of album production costs, the likelihood for profit through album sales is far more favourable to established independent Canadian artists than for new working ones. As a result, this policy option is given a ranking of Low-Medium.

8.3 Entry-level FACTOR grant redesign

Responsiveness to changing consumer demands –This policy options ranks as High due to it specifically addressing important explanatory variables to fans spending more money on an artist and its financial support for self-producing products in demand by fans at a higher rate of return.

CMF stakeholder implementation cost –Although the allocation of grant money has changed dramatically, the logistics of implementation and decision-making process concerning applicants means this policy option ranks at a Low-Medium.

Scope of CMF support to working independent artists –Similar to the Demo and Commercially-Released Single Program in the status quo, the approximate same number of applicants are being approved in this very competitive and in-demand program. Because of this lack of change, the policy option ranks as a Low-Medium.

Returns on investment for working independent artists –This policy option ranks as a Medium-High for returns on investment. Although this policy option is most likely to directly lead to net revenues for artist, the financial success of this grant, as measured by a higher rate of return, it remains dependent on the quality of the products being produced, the ability of bands to self-direct production, and the skill of bands in making these products appeal to their fans.

8.4 FACTOR/Music Action-branded artist website

Responsiveness to changing consumer demands – This policy option is a daring step forward for in repositioning the interrelationships between CMF funders, artists and their fans. If successful, it can galvanize fans in the spirit of loyalty to “prove” to funders that their favorite band is worth the investment, and in turn strengthen their own sense of personal connection and willingness to spend money on the artist. In addition, if a wide number of bands actively use the website, FACTOR and Musicaction would then possess a rich amount of metrics for independent bands in the country and information about them. Conversely, this policy option may lead to an expensive expenditure with little uptake from artists or fans. Because the success of this policy option is so dependent on a myriad of factors, it ranks as a Medium.

CMF stakeholder implementation cost – This policy option would require a significant effort for its implementation, both in time and labor. As such, this option ranks as Medium-High. However, because much of the applicant information would already be accessible online, it could ease the online applications process in the future.

Scope of CMF support to working independent artists –The website offers an infrastructure for working independent artists to develop their online presence and provide professional information. Networking on a FACTOR/Musicaction-branded site where bands can upload music, link to online merchandise, garner online support, and directly communicate with CMF staff or other bands can be very beneficial, but only if uptake is sufficient. Because of the dependence on how and whether actors can take advantage of this website, the policy option is ranked as Medium.

Returns on investment for working independent artists –The returns on investment for this policy option are dependent upon how successful applicants are at encouraging fans to support them on the website. However, because this option focuses on outreach rather than sales, this option ranks as a Medium.

8.5 Policy Option Recommendation

Although the status quo offers many important supports to Canadian music overall, the minimal supports offered to new working Canadian artists, and the underrepresentation of new, more financial viable business models being funded, demonstrates that improvements should be made. This paper recommends restructuring the entry-level FACTOR grant redesign. At this time, a FACTOR/Musicaction-branded website cannot be recommended, though it may be warrant further research on how and whether it can be used successfully.

The framework for artist loans and grants encourages artists to take a familiar path of investing heavily in-studio album recording and touring as soon as possible, even if there are other methods of developing a loyal fan base and earning net revenue that may be more financially sustainable for new working bands. The redesign for entry-level FACTOR grants removes the complete focus on recording a high quality demo in the hopes of securing a recording contract or garnering airplay, and instead provides seed money to self-produce products at lower production costs. Part of the reason why fans spend more money on their favorite working independent Canadian band is because the band offers merchandise, and many fans who would not buy legal music would still buy merchandise. This reasoning is part of what justifies the large fraction of seed money allocated to the production of merchandise. As the band generates income based on sales of products with low or no initial costs, and only a limited unit production cost, they can still supplement funds already allocated to the production of a studio-recorded promotional single. As described in the policy option analysis, rather than first waiting for a recording deal, then for money to first compensate for the initial investment and finally for net revenue for music sales at a time when music sales are decreasing, artists can begin to generate net revenues on their own terms.

The measure of a positive outcome for these options would be the increase of bands better able to financially sustain themselves, and to earn adequate returns to amount of time and money they have invested. Artists possessing a more informed awareness about the changing music business models and where to best generate profits are artists more capable of facing the challenges in front of the entire music industry and better able to be financially profit from their creative endeavors. Depending on the amount of success stemming from the redesigned entry FACTOR grant program, future additional funding to the existing $262,030 offered from 2009 to 2010 could be redirected to it, or encourage the same approach to flexible grant money for alternative forms of revenue to be applied to both other program grants within FACTOR and to Musicaction.

9: Conclusion

Despite the promulgation of uncertainties, some things still remain unchanged. The desire and capacity for self-expression for music will still exist, as will an audience ready to be captivated. People will still be willing to give for something of value, even as the products of value change. Modes and mores continue to evolve, but the essential way they reflect the values of those who shape them do not. The case of working independent Canadian artists and their fans demonstrate how culture and technology is affecting long-established industries, and how creators must adapt to meet a changing demand.

This study built upon the minority of existing qualitative research on fan loyalty and quantitative research on the rationales used for music piracy, and used original survey data to ask why some fans spend more money on their favorite artist compared to other fans, and whether innovation can drive profits beyond the traditional – and threatened – music business model. The data gathered provides an intriguing first look into how consumer demand is changing, and how music must be defined as a value rather than a commodity in order for artists to drive profits. Based on these findings, this study recommended the restructuring of a specific grant of relevance to new artists, serving as a possible blueprint to other changes within the grants process that will better accommodate the sale of products that go beyond music. However, while innovation through product releases and methods of outreach will play an important role, but they can only complement and never overshadow the more primordial desire to deepen and express a personal sense of attachment. Understanding and harnessing this is the way through the unknowns of today.

As more research in this field begins, a clearer sense of specific policy tools may emerge. Improving the budget of the Canada Music Fund to more adequately accommodate the sheer demand for its supports would prove to be a valuable investment for putting Canadian music and Canadian artists at the international forefront of the industry. Further studies that delve deeper into the relationship between applicants and CMF stakeholders may provide a clearer understanding into how to improve the funding process. Research on fan spending would be well served to delve further into the different forms and rationales for personal attachment, with its subsequent findings possibly having important policy applications into how best and where to demonstrate to fans that their financial support of independent Canadian music is of vital significance.

Appendices

Appendix A: FACTOR Funding Distribution, 2009-2010

Table 12: Detailed distribution of FACTOR Funding, 2009 – 2010

	Program	*Total funds offered (total applications approved)*	*Total funds requested (total applications submitted)*	*% of applications approved*
Sound Recordings	Direct Board Approval Program - offered to Canadian owned or controlled record labels with FACTOR recognized distribution and a "proven successful track record" - offered as a forgivable loan ranging up to $60,000	$2,100,756 (108)	$2,726,307 (117)	92.3%
	Emerging Artists Program - designed to support "grassroots artists" with emerging at the national and international level - eligibility requires a minimum number of records sold depending on genre, and a maximum 150,000 sold worldwide - maximum of $35,000 available for sound recording production and $50,000 for marketing and promotion	$1,602,025 (52)	$4,244,965 (133)	39.1%
Juried Programs	FACTOR Loan Program - assists artists and labels with FACTOR recognized distribution with CD production and release costs - maximum of $25,000 available	$411,918 (20)	$6,013,524 (257)	7.8%
	Independent Recording Loan Program - assists artists and labels with non-FACTOR recognized distribution with CD production and release costs - maximum of $15,000 available	$474,663 (34)	$12,900,174 (657)	5.2%

	Professional Demo Grant Program - grants to artists and groups with producing a high quality demo in order to attempt to secure a recording deal - maximum of $2,000 available Professional Publishers & Songwriters Demo Grant Program - provides songwriters and music publishers with producing a high quality demo to attempt to secure a recording deal by another artist or group - maximum of $2,000 available	$262,030 (152) $37,959 (22)	$2,066,465 (1033) $112,385 (53)	14.7% 41.5%
Video Production	Video Grants - requires recording video is supporting to have sold a minimum of 2,000 units - maximum of $40,000 available	$516,670 (30)	$1,806,041 (64)	46.9%
Marking & Promotion	- "endeavour[s] to be as open to the creative marketing and promotion initiatives as is financial possible" - Maximum of $50,000 available			
	Emerging Artists Independent Artists Grants FACTOR Supported Sound Non-FACTOR Supported Sound Direct Board Grants	$1,248,699 (45) $410,185 (35) $591,110 (32) $127,861 (24) $1,701,156 (86)	$2,820,524 (63) $469,770 (36) $779, 419 (35) $5,425,993 (218) $2,441,346 (92)	71.4% 97.2% 91.4% 11.0% 93.5%
Touring & Showcasing Grants	Domestic Showcasing - Typically to promote oneself within music industry - Maximum of $2,000 available Domestic Touring - For marketing and promoting new release - Maximum of $15,000 available	$312,080 (214) $517,979 (68)	$552,448 (272) $1,526,344 (105)	78.7% 64.8%

	International Showcasing - Maximum of $4,000 available International Touring - Maximum of $4,000 available	$479,649 (178) $1,129,192 (127)	$1,159,234 (260) $2,332,143 (165)	68.5% 77.0%
Company Marketing Support	Domestic & International Business Development - Assists with travel expenses for labels and managers - Maximum of $15,000 available Label, Manager & Distributor Business Development Support Program - Assists labels, managers and distributors with costs incurred developing artists they represent - Maximum of $15,000 available	$647,269 (238) $507,221 (66)	$923,871 (269) $807,485 (72)	88.5% 91.7%
Collective Initiatives	Business Development Grants - Supports business and music industry non-profits - Grants have totalled up to $223,745 Songwriter's Workshop and Seminar Support Program - Helps with workshop and seminar costs Minority Language Projects - New funding stream from Department of Canadian Heritage - English-language artists based in Quebec	$1,664,911 (57) $20,901 (34) $632,681 (55)	$4,580,294 (78) $51,662 (62) $632,681 (55)	73.1% 54.8% 100%

Source: *FACTOR 2009-2010 Activity Report*

Appendix B: Measures for innovation

Types of artist outreach

1. *Maintains an active blog* – the maintenance of a web log that is considered by the respondent to be actively updated; blogs often serve as a value means to provide a diary for events, update readers on new developments, and share links and other information

2. *Maintains a video blog* – similar to written blogs, but with a video component, and which often takes more time to produce

3. *Maintains a Facebook page* – by asking whether the artist was contributing content to a Facebook page, this option draws a distinction between the mere presence of a Facebook page, which may be generated automatically or by someone not affiliated with the band, and a Facebook profile or fan page where the artist or band was contributing "official" content. Unlike Twitter, posts on Facebook can include pictures and videos embedded on the page.

4. *Maintains a Twitter profile* – although often presented in tandem with Facebook, all posts on Twitter can almost always be seen publically, and by those who do not have a Twitter account, unlike those on Facebook. Users on Twitter can also share messages with one another without having to "friend" each other or otherwise give permission to be messaged. Twitter is often considered more responsive and more conducive to quick conversation with an ongoing and changing group of people, but has a smaller share of users

5. *Contributes content on other social networking profile services* – measured used to establish whether other social networking sites were being used for online artist presence, such as MySpace or Bandcamp.com; while these social networking sites are less commonly used, they can confer special advantages, such as an easier method to stream or download artist music

6. *Provides free music also available on commercial releases on official webpage* – offering music online to new potential fans in a way that is convenient, fast and legal can be an effective way to draw potential future fans in. The act of offering free, legal, and commercially available music – in other words, music deemed by the band to be worth paying for – may garner some goodwill on the part of fan, and give them the sense of "owing" something to the artist in return for something of value.

7. *Provides free online-exclusive music on official webpage* – exclusive music such as remixes and unreleased tracks gives fans a special incentive to visit the artist's official webpage, and gives the fan the sense of owning something special from the artist that many other fans were unable or unwilling to find for themselves

8. *Provides free opportunities to engage with members of the band, asides from concert performances* – while fans may "engage" with a band during a concert performance, this option specifically focused on more unique or personal interactions. Examples of this include a meet-and-greet or CD signing where fans and artists could meet personally, and other, more communal settings, such as music video filming, studio sessions, or release parties. The simple act of shaking hands, taking a photo, or signing a piece of merchandise might not mean much to an artist, but it may be a great boost for the personal sense of loyalty from the fan.

9. *Personally interact with individual fans online* – while being able to read artist updates is important for most fans, being able to interact with the artist and getting a response from them can be a very special and validating feeling. While the respondent may or may not have been able to personally interact with his or her favourite artist, knowing that the artist has talked to other fans online demonstrates that the artist is engaged with them as a whole, and considers them worth the artist's time.

10. *Maintain an online fan forum or community page where fans can post content* – works to acknowledge and strengthen the online community of fans, and facilitates their ability to better share information with each other. The shared experience of being with other fans of the artist, something sometimes not available within a person's day-to-day social circle, can also contribute to a greater sense of fan loyalty to the artist. Although the respondent may not be a part of the fan forum, knowing that a band has committed to having a centralized place fans to congregate can demonstrate an investment the band has towards their fans in general and act as a statement to the amount of fans the band has.

11. *Provide free subscriber-only content* – incentivizing the fan's effort in subscribing to an email newsletter or creating a member login for a special fan area by offering exclusive content is a reward for fan loyalty, and often a likely means to deepen the already existing sense of personal connection. By privileging this certain group with special information, evangelized fans will feel more special and more connected.

12. *Host activities, contests or competitions that reward fans for engagement* – by emphasizing engagement on the part of the fan, it distinguishes itself as a reward for personal effort based more on merit and less on chance. These activities can contribute to a stronger social environment amongst fans, and encourage fans to demonstrate their commitment and personal connection to the artist.

Types of product releases

1. *Regular physical CDs/LPs* – compact discs or vinyl records that are not considered to be a special or limited release

2. *Digital music* – digital recordings of music by the artist, either as a live performance or an in-studio recording

3. *Music DVDs or videos for sale* – DVDs or Blu-Rays released by the artist which may include, but are not exclusive to, performance or behind-the-scenes footage, or music videos of particular songs

4. *Paid concerts* – performances where entry is paid for, rather than a free performance

5. *Official band merchandise* – while most commonly in the form of apparel, merchandise can also include posters or accessories. Unique merchandise can contribute greatly to the branding of the band, such as Canadian alternative metal band Hail the Villain, who create and sell comic books that complement and build upon the storyline of their albums and music videos.

6. *Artist-released autographed materials* – items such as a physical CD or a poster autographed by the artist or members of the band, and released by the artist and not unofficial third parties

7. *Licensed tracks for video games or ringtones* – downloadable music files for use in video games such as Guitar Hero or Tap Tap Revenge, or paid ringtones or cellular phones

8. *Paid opportunities to personally engage with the band* – opportunities to meet, play, or otherwise spend time with an artist or band. One example of this is independent Canadian singer songwriter Billy the Kid, who is currently offering packages to fund the production of a new album. For instance, fans can spend $200 for "a night out on the town" or $500 to have a weekend excursion with her.

9. *Paid members' only area on artist webpage* – defined as paid membership to an online fan forum or fan club, typically offering exclusive content and direct content from the artist or band. One example of this is Canadian artist's Matthew Good's M+, where memberships for a special section on his website were available for $25 a year.

Appendix C: Research Survey

Survey on Canadian Independent Artists
Thank you for choosing to participate in this survey!

This study is about Canadian independent artists and the purpose of this survey is to ask how your favourite band or musician connects with fans, what products they offer, and how you spend money on them.

Completing this survey should only take about 5-7 minutes of your time, and your answers will be kept completely confidential and anonymous. By answering this survey, you are consenting to participate.

This study is being conducted with Simon Fraser University and in part to fulfil the requirements needed for a Master of Public Policy degree.

Any concerns or complaints involving this study may be directed to

Hal Weinberg
Director
Office of Research Ethics
Simon Fraser University
Burnaby, B.C. V5A 1S6
(xxx) xxx-xxxx
xxxxx@sfu.ca

Please quote study number xxxxxxxxx.

Results of the study may be contacting

Michelle Silongan
School of Public Policy
Simon Fraser University at Harbour Centre
3271-515 West Hastings Street
Vancouver, B.C. V6B 5K3
(xxx) xxx-xxxx
xxxxx@sfu.ca

If you choose not to participate, please close your browser window now or select this link <http://www.google.com> to be redirected to another page not related to this study.

Q1. Please name your favourite "working" Canadian artist or band. Working artists or bands aren't millionaires who tour at the big stadiums – like Celine Dion or Nickelback – but artists who have to continue working to make a living, for instance as a professional musician performing music other than their own, or in jobs outside the music industry. In other words, please name your favourite active, independent artist who, to the best of your knowledge, is either unsigned or signed to an independent music label, and not signed to a major music label such as Sony or Universal, or a smaller label owned by a major music label. (Single Line Text)

Q2. In approximately what year did you start listening to this band or artist? (Single Line Text)

Q3 How strong is your personal sense of attachment to this artist or band? (Radio Buttons)

- Very strong
- Somewhat strong
- Casual
- Somewhat weak
- Very weak

Q4. To the best of your knowledge, does this band or artist you listen to... (Rating Matrix)

Yes No Don't Know

- Release regular physical CDs/LPs
- Release music in digital form
- Offer music DVDs or videos for sale
- Offer limited or special edition music packages (e.g. package with CD, digital download and exclusive t-shirt)
- Have paid concerts
- Sell official band merchandise
- Sell autographed materials
- Have licensed tracks for video games or ringtones
- Sell opportunities to personally engage with the band (group activities or meet and greets)
- Have a paid members' only area on their webpage

Q5. To the best of your knowledge, does the band or artist you listed above... (Rating Matrix)

Yes No Don't Know

- Maintain an active blog
- Maintain a video blog
- Contribute content on a Facebook page
- Contribute content on a Twitter profile
- Contribute content on another active social networking profile (e.g. MySpace, Bandcamp.com, Flickr)
- Provide free music also available on commercial releases to download on official webpage
- Provide free online-exclusive music on official webpage to download (e.g. remixes or unreleased tracks)

- Provide free opportunities to engage with members of the band in person, asides from concert performances (e.g. meet and greets, CD signings)
- Personally interact with individual fans online (e.g. respond to comments on Facebook or Twitter)
- Maintain an online fan forum or community page where fans can post content
- Provide free subscriber-only (e.g. through a member login page or email newsletter) content
- Host activities, contests or competitions that reward fans for engagement (e.g. offer prizes for remixing songs or designing promotional posters)

Q6. Please explain anything else this artist or band you listed above has done which is particularly innovative for connecting with fans either online or in person.
(Comment Box)

Q7. How much money have you spent on this band or artist on the following within the past YEAR? (Single Line Text)

Q8. If you put an amount of money under "other" for the previous question, please describe what it was below. Otherwise, please leave this box blank. (Comment Box)

Q9. Would you be likely or unlikely to spend more money on the following if it was released by this band or artist? (Rating Matrix)

Likely Unlikely

- Regular physical CDs/LPs
- Digital music
- Music DVDs or videos
- Limited or special edition music packages
- Concert tickets
- Official band merchandise
- Artist-released autographed materials
- Licensed tracks for video games or ringtones
- Fees to personally engage with the band (group activities or meet and greets)
- Paid website subscription

Q10. Of the music from this band that you own, how much of it was obtained or purchased legally (e.g. from CDs, iTunes Music Store, or downloads from the artist's webpage)? (Radio Buttons)

- All
- Most
- Some
- A little bit
- None

Q11. How personally important do you consider music to be in general for yourself? (Radio Buttons)

- Very important
- Somewhat important
- Neither important or unimportant
- Somewhat unimportant
- Very unimportant

Q12. How personally important do you consider music to be as a social activity for yourself? (Radio Buttons)

- Very important
- Somewhat important
- Neither important or unimportant
- Somewhat unimportant
- Very unimportant

Q13. How much of the music you regularly listen to comes from independent artists in general? (Radio Buttons)

- All or almost all
- More than three quarters
- More than half
- Around half
- Less than half
- Less than a quarter
- None or almost none

Q14. Approximately how much money have you spent within the past YEAR on music, concert tickets, or band merchandise from ALL of bands and artists in general? (Single Line Text)

Q15. Which of the following have you purchased from any bands or artists from the past year? (Please select all that apply) (Checkboxes)

- Regular physical CDs/LPs
- Digital music
- Music DVDs or videos
- Limited or special edition music packages
- Concert tickets
- Official band merchandise
- Artist-released autographed materials
- Licensed tracks for video games or as ringtones
- Fees to personally engage with the band (group activities or meet and greets)
- Paid website subscription

Q16. How interested would you be in buying something from a band you already liked if it was released or presented in an exciting and innovative way? (Radio Buttons)

- More interested
- No effect

Q17. How interested would you be in buying something from a band you already liked if that band was connecting with their fans in an exciting and innovative way? (Radio Buttons)

- More interested
- No effect

Q18. How regularly do you seek out updates from or news about musicians in general that you are a fan of? (Radio Buttons)

- Once a day or more
- A couple of times a week
- Once a week
- A couple of times a month
- Once a month or less
- Never

Q19. Please rate your familiarity with the following services: (Rating Matrix)

Experienced in using Familiar with, but never used Unfamiliar with

- Online music stores (e.g. iTunes Music Store, Puretracks)
- Music streaming/cloud services (e.g. Pandora Radio, last.fm, HMVdigital)
- File sharing programs (e.g. FrostWire, LimeWire)
- BitTorrent programs (e.g. uTorrent, Vuze/Azureus)
- File hosting webpages (e.g. Rapidshare, Mediafire)

Q20. Please rate your familiarity with the following webpages: (Rating Matrix)

Experienced in using Familiar with, but never used Unfamiliar with

- Facebook
- Twitter
- YouTube
- MySpace
- Bandcamp.com
- Flickr

Q21. Approximately how much money have you earned or received in the past year from working, family allowances, grants, investments, student loans or other sources of revenue? (Radio Buttons)

- Less than $10,000
- $10,000 - $19,999
- $20,000 - $29,999
- $30,000 - $39,999
- $40,000 - $49,999

- $50,000 - $59,999
- $60,000 - $69,999
- $70,000 - $79,999
- $80,000 - $89,999
- $90,000 - $99,999
- More than $100,000

Q22. Which below best describes yourself? (Please select all that apply) (Checkboxes)

- Working full-time
- Working part-time
- Studying full-time
- Studying part-time
- Unemployed but seeking employment
- Unemployed but not seeking employment

Q23. Where do you live in Canada? (Pull Down Choice)

- British Columbia
- Alberta
- Saskatchewan
- Manitoba
- Ontario
- Quebec
- Newfoundland and Labrador
- Nova Scotia
- Prince Edward Island
- New Brunswick
- Yukon
- Northwest Territories
- Nunavut
- I don't live in Canada

Q24. What year were you born? (Single Line Text)

Q25. What is your gender? (Radio Buttons)

- Male
- Female

Appendix D: Survey Frequencies

Table 13: Frequencies for respondent personal attachment, frequency for seeking out updates and income

	Response	***Number of responses (n=325)***	***% of responses***
How strong is your personal sense of attachment to this artist or band?	Very strong	111	34.15%
	Somewhat strong	133	40.92%
	Casual	70	21.54%
	Somewhat weak	8	2.46%
	Very weak	3	0.92%
How regularly do you seek out updates from or news about musicians in general that you are a fan of?	Once a day or more	29	8.92%
	A couple of times a week	54	16.62%
	Once a week	21	6.46%
	A couple of times a month	75	23.08%
	Once a month or less	104	32.00%
	Never	42	12.92%
Approximately how much money have you earned or received in the past year from working, family allowances, grants, investments, student loans or other sources of revenue?	Less than \$10,000	27	8.31%
	\$10,000 - \$19,999	84	25.85%
	\$20,000 - \$29,999	82	25.23%
	\$30,000 - \$39,000	51	15.69%
	\$40,000 - \$49,999	20	6.15%
	\$50,000 - \$59,999	28	8.62%
	\$60,000 - \$69,999	6	1.85%
	\$70,000 - \$79,999	7	2.15%
	\$80,000 - \$89,999	7	2.15%
	\$90,000 - \$99,999	2	0.62%
	More than \$100,000	6	1.85%
	No response	5	1.54%

Table 14: Crosstabulation of personal attachment to and amount of money spent on artist

		Personal attachment					***Total***
		Very weak	Somewh at weak	Casual	Somewhat strong	Very strong	
Amount of money spent on artist	$0	3	6	20	30	12	71
	$1 – 19	0	2	21	19	11	53
	$20 – 39	0	0	18	25	17	60
	$40 – 59	0	0	7	24	28	59
	$60 – 99	0	0	2	20	28	50
	$100+	0	0	2	15	15	32
Total		3	8	70	133	111	325

Table 15: Crosstabulation of amount of music from artist legally obtained and amount of money spent on artist

		Amount of music from artist legally obtained					***Total***
		None	A little bit	Some	Most	All	
Amount of money spent on artist	$0	23	2	4	10	30	69
	$1 - 19	1	4	1	11	35	52
	$20 - 39	4	2	6	9	39	60
	$40 - 59	4	3	3	10	38	58
	$60 - 99	1	0	6	13	30	50
	$100+	0	0	1	9	22	32
Total		33	11	21	62	194	321

Table 16: Perceived influence of innovative artist outreach and future spending

		How interested would you be in buying something from a band you already liked if the band was connecting with their fans in an exciting and innovative way?		***Total***
		More interested	No effect	
Amount of money spent on artist	$0	36	35	71
	$1 - 19	27	26	53
	$20 - 39	24	36	60
	$40 - 59	25	34	59
	$60 - 99	31	19	50
	$100+	19	13	32
Total		162	163	325

Table 17: Perceived influence of innovative product releases and future spending

		How interested would you be in buying something from a band you already liked if it was released or presented in an exciting and innovative way?			***Total***
		No response	More interested	No effect	
Amount of money spent on artist	$0	0	39	32	71
	$1 - 19	0	25	28	53
	$20 - 39	0	24	36	60
	$40 - 59	1	27	31	59
	$60 - 99	0	35	15	50
	$100+	0	17	15	32
Total		1	167	157	325

Table 18: Self-rated interest for products by favourite artist if made available, ranked by total interest

Would you be likely or unlikely to spend more money on the following if it was released by this band or artist?		***Spent $0 on product last year***	***Spent more than $0 on product last year***	***Total interest***
Concert tickets	Unlikely	22	5	27
	Likely	130	168	298
Regular physical CDs/LPs	Unlikely	78	9	87
	Likely	93	142	235
Digital music	Unlikely	99	4	103
	Likely	134	88	222
Official band merchandise	Unlikely	158	2	160
	Likely	125	40	165
Limited or special edition music packages	Unlikely	207	0	207
	Likely	115	3	118
Music DVDs or videos	Unlikely	223	0	223
	Likely	96	6	102
Artist-released autographed materials	Unlikely	289	0	289
	Likely	34	2	36
Licensed tracks for video games or ringtones	Unlikely	294	--	294
	Likely	31	--	31
Fees to personally engage with the band	Unlikely	298	--	298
	Likely	27	--	27
Paid website subscription	Unlikely	307	--	307
	Likely	18	--	18

Table 19: Crosstabulation of amount of music from independent artists and amount of money spent on artist

		Amount of music from independent artists							Total
		None or almost none	Less than a quarter	Less than half	Around half	More than half	More than three quarters	All or almost all	
Amount of money spent on artist	$0	6	12	17	15	8	13	0	71
	$1 - 19	0	9	10	11	7	11	5	53
	$20 - 39	1	2	9	16	10	13	9	60
	$40 - 59	1	2	8	6	14	17	11	59
	$60 - 99	0	3	4	11	11	14	7	50
	$100 +	0	1	3	6	8	8	6	32
Total		8	29	51	65	58	76	38	325

Table 20: Crosstabulation of value of music as a social activity and amount of money spent on artist

		Music as social activity					Total
		Very unimportant	Somewhat unimportant	Neither important or unimportant	Somewhat important	Very important	
Amount of money spent on artist	$0	2	4	9	35	21	71
	$1 - 19	0	2	7	23	20	52
	$20 - 39	0	1	3	26	29	59
	$40 - 59	1	1	8	22	27	59
	$60 - 99	0	1	1	15	32	49
	$100 +	0	0	2	8	22	32
Total		3	9	30	129	151	322

Table 21: Crosstabulation of amount of music from artist legally obtained and amount of money spent on artist

		Amount of music from artist legally obtained					***Total***
		None	A little bit	Some	Most	All	
Amount of money spent on artist	$0	23	2	4	10	30	69
	$1 - 19	1	4	1	11	35	52
	$20 - 39	4	2	6	9	39	60
	$40 - 59	4	3	3	10	38	58
	$60 - 99	1	0	6	13	30	50
	$100+	0	0	1	9	22	32
Total		33	11	21	62	194	321

Table 22: Pearson correlations between measures of innovation and measures of money spent

		Total amount of money spent, music and concert removed	***Total amount of money spent***	***Money spent on artist versus not spent***
Innovation	Total, music and concert removed	.381**	.225**	.139*
	Total, innovative products	.359**	.229**	.243**
	Total, artist outreach	.307**	.197**	.116*
	Total, innovative products and artist outreach	.391**	.250**	.194**

**. Correlation significant at the 0.01 level (2-tailed).
*. Correlation significant at the 0.05 level (2-tailed).

Table 23: Paired sample t-test between measures of innovation and total amount of money spent on artist

Pair	Mean	Std. Deviation	Std. Error Mean	***99% Confidence Interval of the Difference*** Lower	Upper	***t***	***df***	***Sig. (2-tailed)***
Innovation total for innovative products * total amount spent on artist	-37.617	47.532	2.637	-44.449	-30.785	-14.267	324	.000
Innovation total for artist outreach * total amount spent on artist	-37.768	47.363	2.627	-44.575	-30.960	-14.375	324	.000
Innovation rank, music and concerts removed * total amount spent on artist, music and concerts removed	2.904	10.886	.605	1.337	4.4714	4.802	323	.000
Innovation rank, music and concerts removed * total amount of money spent on artist	-36.617	47.213	2.619	-43.403	-29.831	-13.982	324	.000

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