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Fraud in the Music Streaming Industry

[BUSINESS ADVISORS](#), [FRAUD/INVESTIGATIVE & FORENSIC ACCOUNTING](#)
BY [KEVIN BEGLEY](#)

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Over the past several years, as the music streaming industry has experienced rapid growth, fraud has entered into the industry. Though the total impact of this type of fraud is indeterminable at the moment, this could be a legitimate concern in the future.

A method actively being used to commit streaming fraud is artists producing content and either buying or manipulating streams. Streamify is one of the companies that will accept money in return for streams. Streamify ensures that all of its streams are real by hiring actual people to listen to the songs, thus making them for royalties to the artists. Further, there are also playlist promotion companies like Spotlister that will be paid by artists to place one of their songs in popular playlists. The concept of companies like Streamify and Spotlister would be very appealing to young emerging artists, who are looking to kickstart their careers by producing streams on Spotify. However, these types of companies present an opportunity for fraud, as individuals are paying these companies to manipulate streams on music they produce in order to turn around a quick profit.

An interesting incident in the music streaming industry occurred in 2017. The artist Post Malone's label, Republic Records, posted the chorus to their hit song "Rockstar" on loop for three minutes and 28 seconds on YouTube. Because the YouTube video had the appropriate length of the song, it appeared to be legitimate and exceeded more than 40 million views. This type of streaming isn't technically illegal because it is just considered to be a remix posted by the artist's record company. But would this be considered fraud? There appears to be an intent to deceive, and financial gain resulted from each time that video was watched, so an argument can be made that this constitutes a fraud.

The bottom line is there are unique challenges that streaming sites face in their efforts to ensure that legitimate artists are being paid for their work and streams. There are a couple solutions that could mitigate the effects of fraud in the music industry. First, there are startup businesses that are building solutions to detect irregular streaming activity. If effective, they would eliminate bots giving artists fake streams. Another solution is to pay artists with subscription fee money rather than by the volume of streams a song has. That way, if a bot was producing fake streams, the artist would only earn a percentage of the subscription fees for one user. At the moment, streaming companies are aware that the problem exists, and are actively working toward a solution. However, for the time being, they have acknowledged that the current system is the best option they have.

If you need assistance with assessing or responding to fraud within your organization please contact Joel Rosenthal at 412.697.5387 or jrosenthal@schneiderdowns.com or Kevin Begley at 412.697.5165 or kbegley@schneiderdowns.com. For similar articles, visit the [Our Thoughts On blog](#).

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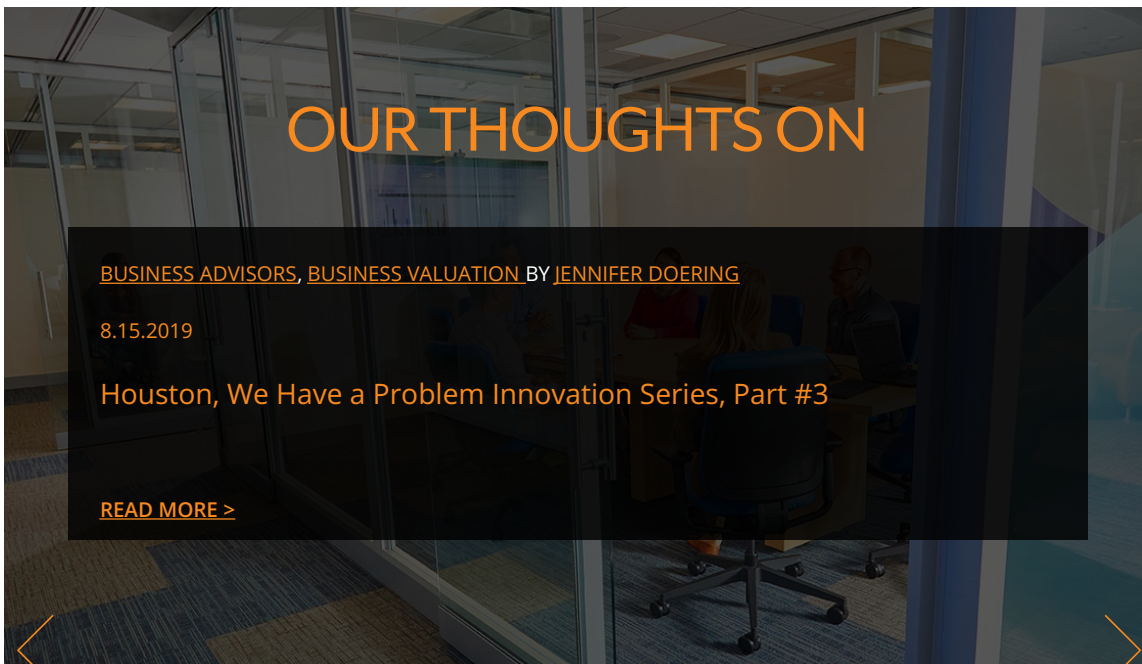


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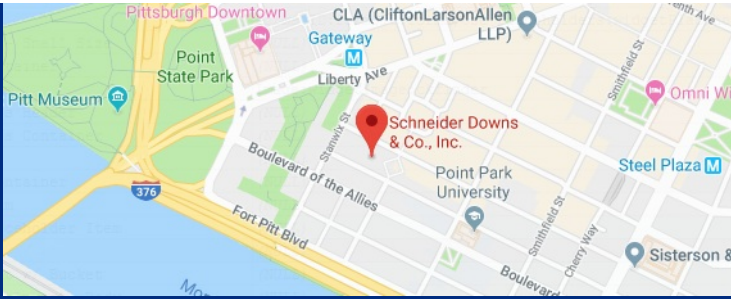


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PITTSBURGH

One PPG Place, Suite 1700
Pittsburgh, PA 15222

contacts@schneiderdowns.com
p:412.261.3644 f:412.261.4876



COLUMBUS

65 East State Street, Suite 2000
Columbus, OH 43215

contacts@schneiderdowns.com
p:614.621.4060 f:614.621.4062



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