

**CMU**

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**NAVIGATE**

**+**

**UNDERSTAND**

**>**

**THE MUSIC  
BUSINESS**

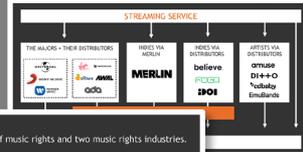
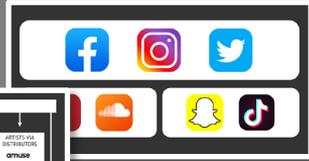
# MEDIA



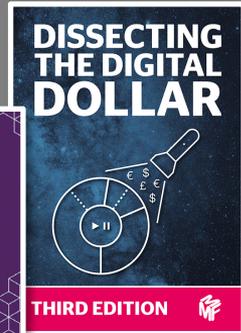
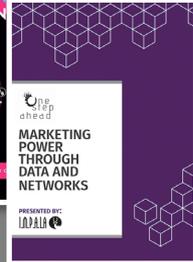
CMU TRENDS GUIDE  
TO MUSIC RIGHTS



# TRAINING

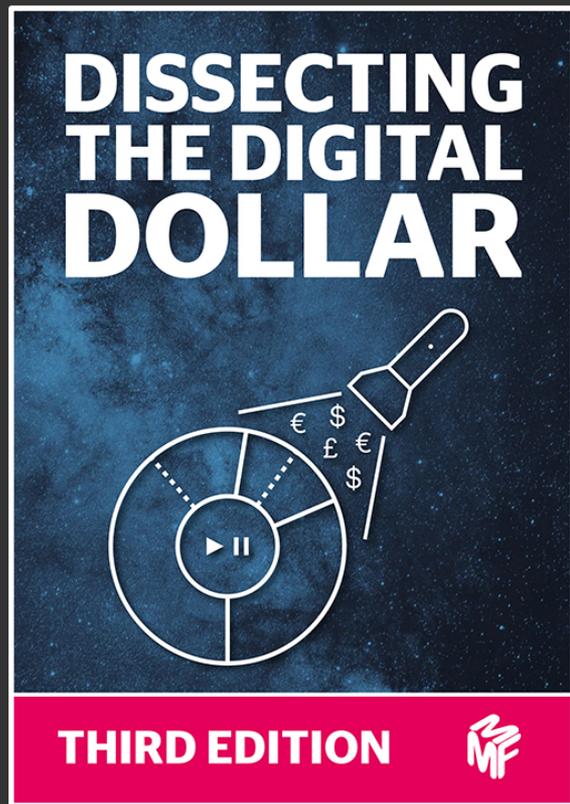


# RESEARCH



# EVENTS





## DISSECTING THE DIGITAL DOLLAR

Since 2015 the UK Music Managers Forum and CMU Insights have been investigating and explaining how the streaming music business works - identifying and debating key issues with the wider music community.

This has resulted in a series of reports and guides which have now been compiled into the book 'Dissecting The Digital Dollar'.

[cmuinsights.com/digitaldollar](https://cmuinsights.com/digitaldollar)

HOW STREAMING  
SERVICES ARE  
LICENSED

THE DIGITAL MARKET

MUSIC COPYRIGHT BASICS

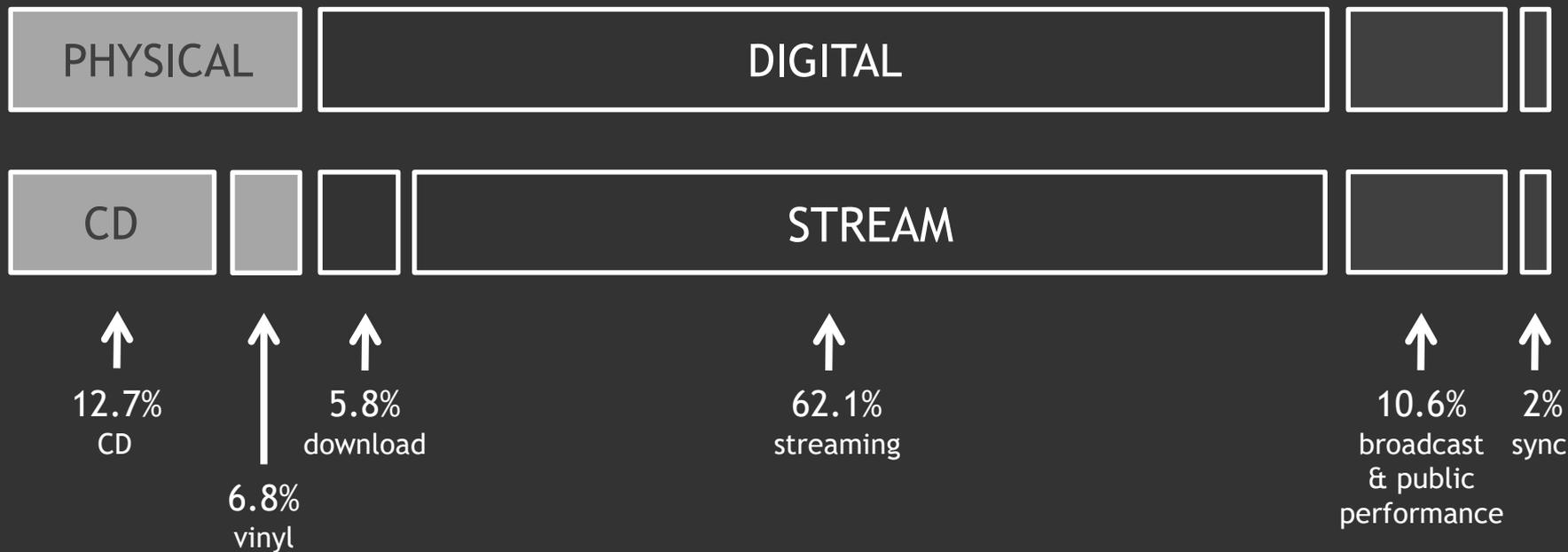
DIGITAL LICENSING

WHAT IS THE DEAL

PAYING ARTISTS + WRITERS

# THE DIGITAL MARKET

## Global recorded music revenue streams in 2020



# THE RELATIONSHIP BETWEEN THE SERVICES AND THE MUSIC INDUSTRY



**WHAT RIGHTS ARE BEING EXPLOITED?**

**WHAT CONTROLS ARE BEING EXPLOITED?**

**WHO DOES THE DEAL?**

**WHAT IS THE DEAL?**

# MUSIC COPYRIGHT BASICS

# WHICH RIGHTS? BOTH RECORDING RIGHTS AND SONG RIGHTS

## RECORDINGS

AKA MASTER RIGHTS / PHONOGRAPHIC RIGHTS

RECORDING ARTISTS

RECORD LABELS

RECORD INDUSTRY

## SONGS

AKA PUBLISHING RIGHTS / AUTHOR RIGHTS

SONGWRITERS+COMPOSERS

MUSIC PUBLISHERS

MUSIC PUBLISHING SECTOR

# WHICH CONTROLS?

REPRODUCTION

DISTRIBUTION

RENTAL

ADAPTATION

PERFORMANCE

COMMUNICATION

MAKING AVAILABLE

# WHICH CONTROLS?

## REPRODUCTION OR MECHANICAL RIGHTS

REPRODUCTION

DISTRIBUTION

RENTAL

ADAPTATION

PERFORMANCE

COMMUNICATION

## PERFORMING OR NEIGHBOURING RIGHTS

# WHICH CONTROLS? BOTH MECHANICAL AND PERFORMING RIGHTS

REPRODUCTION

DISTRIBUTION



Digital services exploit both...

PERFORMANCE

COMMUNICATION

MAKING AVAILABLE

## WHO DOES THE DEAL?

**RECORD LABELS + MUSIC PUBLISHERS?**

**COLLECTING SOCIETIES?**

**MUSIC DISTRIBUTORS?**

**COPYRIGHT HUBS + LICENSING AGENTS?**

# DIGITAL LICENSING

Streaming platforms need deals covering...

**RECORDINGS**

RECORD INDUSTRY

**SONGS**

MUSIC PUBLISHING SECTOR

And those deals need to allow the platform to exploit...

MECHANICAL RIGHTS

PERFORMING RIGHTS

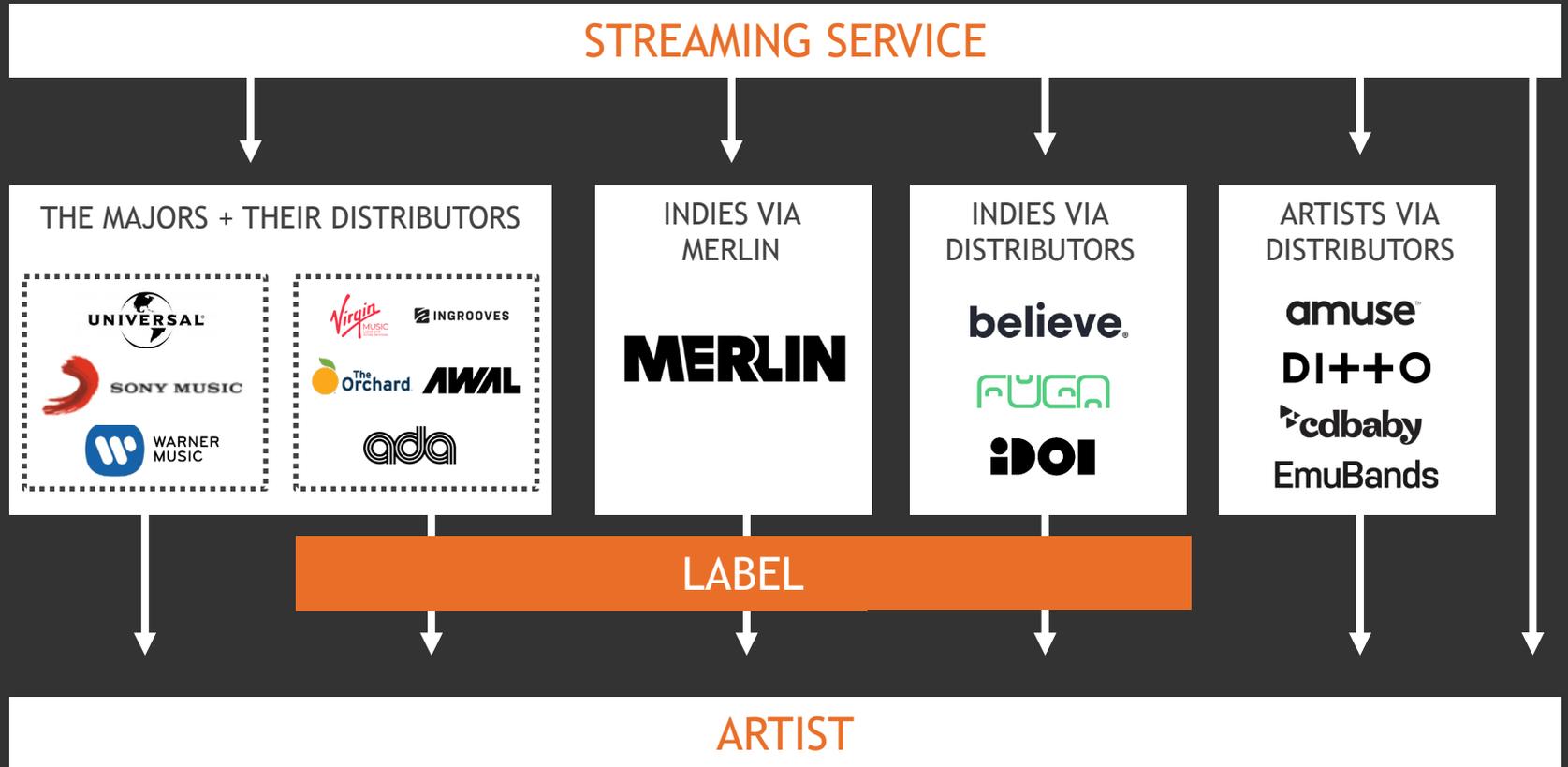
Streaming platforms license recording rights through direct deals with record labels.

However, platforms want to license as much music as possible via as few a deals as possible.

Many indie labels negotiate deals via Merlin.

Other indies and self-releasing artists ally with a music distributor that negotiates a deal.

# WHO DOES THE DEAL? RECORDING RIGHTS



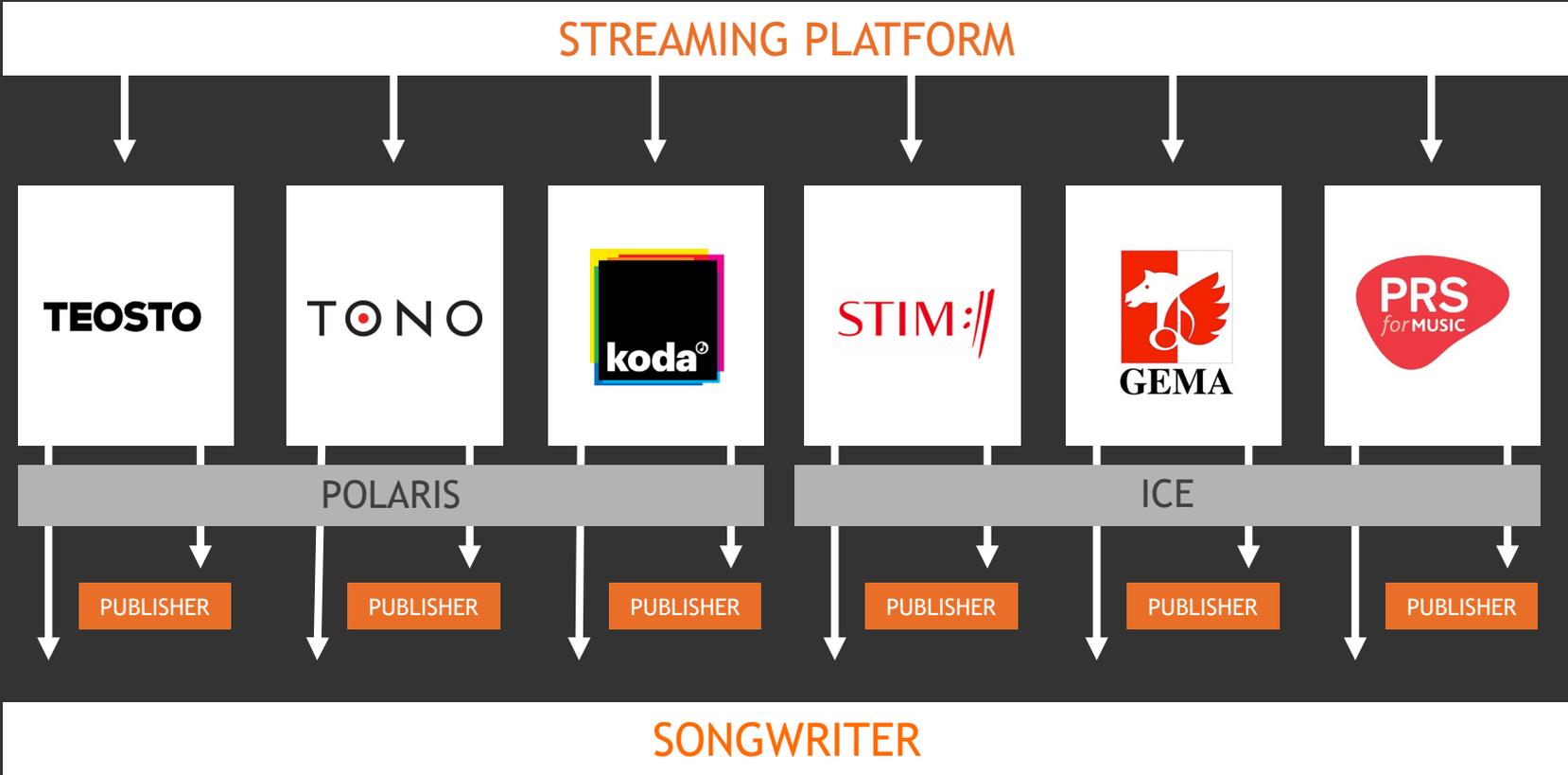
With song rights, collective licensing applies in many cases - so the societies do the deals.

In some countries there are separate societies for mechanical rights and performing rights.

Remember - a platform needs both covered.

Some societies collaborate on digital licensing to reduce the number of deals to be negotiated.

# WHO DOES THE DEAL? SONG RIGHTS

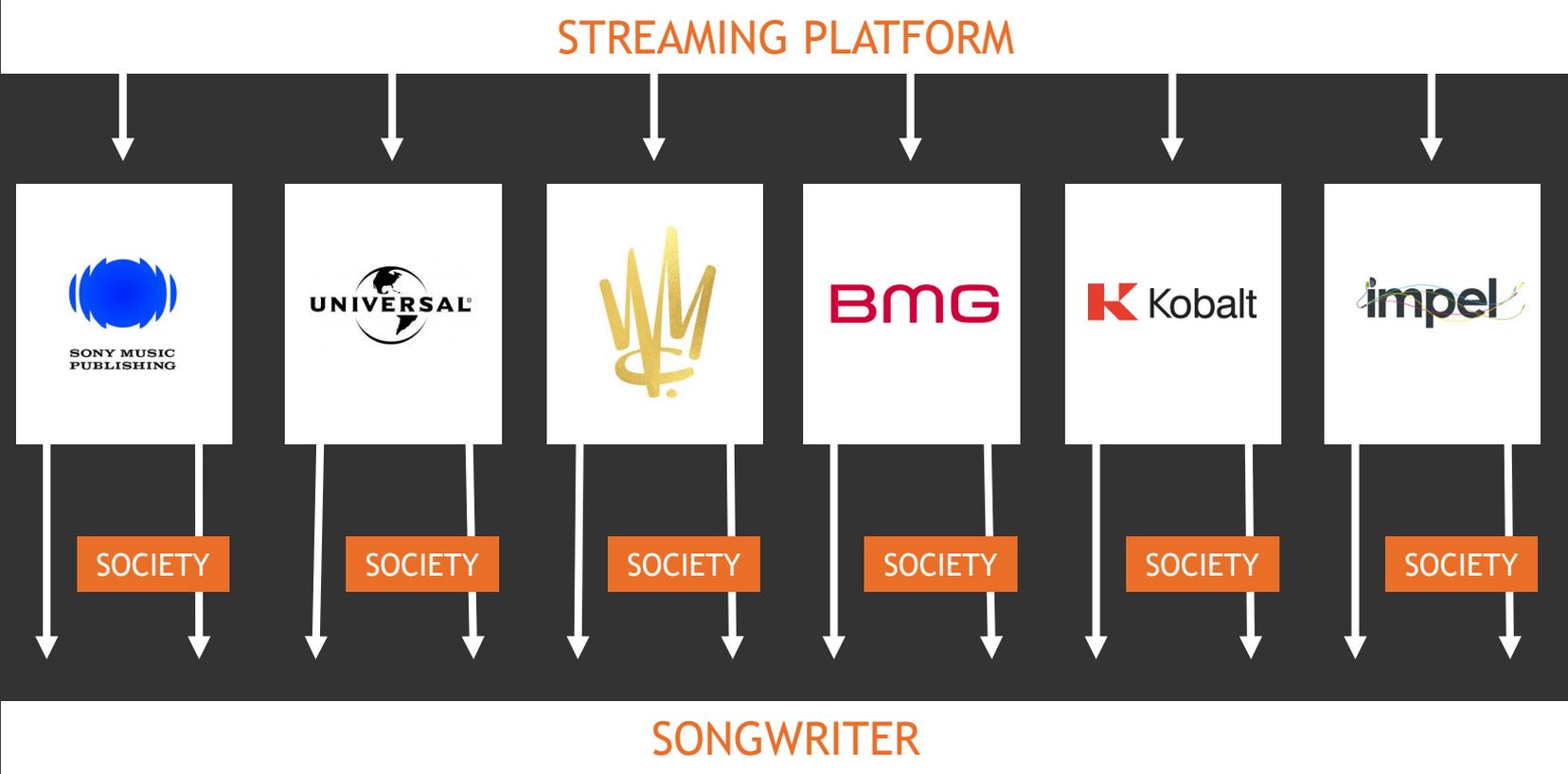


However, many publishers now license their Anglo-American repertoires through direct deals.

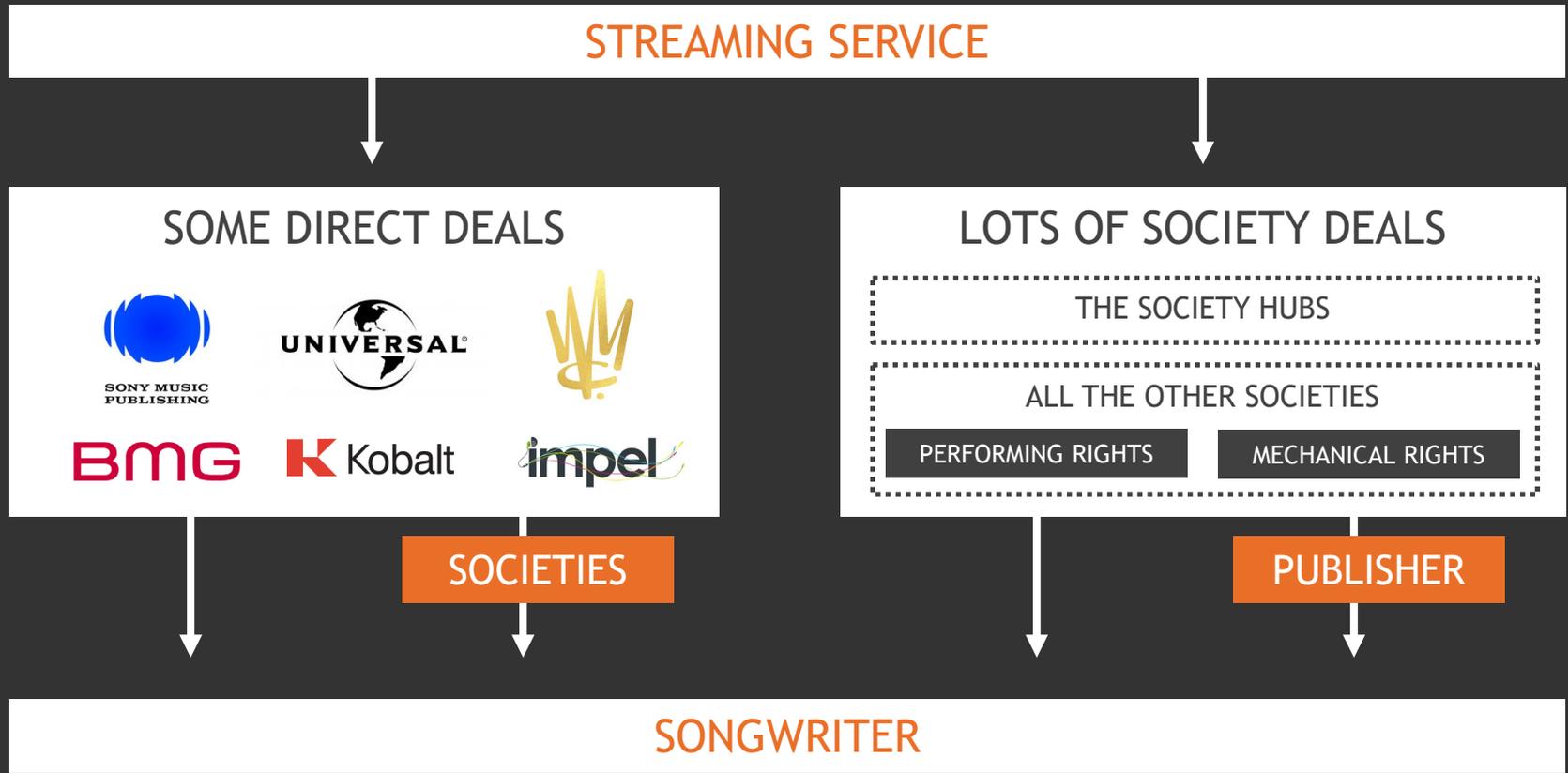
Technically publishers can only license mechanical rights - but they might bundle in performing rights by forming partnerships with relevant societies.

Some smaller publishers negotiate direct deals for Anglo-American repertoire via IMPEL.

# WHO DOES THE DEAL? SONG RIGHTS



# WHO DOES THE DEAL? SONG RIGHTS



WHAT IS  
THE DEAL?

# WHAT IS THE STREAMING BUSINESS MODEL?

**REVENUE SHARE**

**BASED ON TOTAL CONSUMPTION SHARE**

**CALCULATED COUNTRY BY COUNTRY**

**AND SEPARATELY FOR EACH SUBSCRIPTION TYPE**

## HOW DOES IT WORK?

**01: CALCULATE TRACK ALLOCATION**

**02: CALCULATE RECORDING SHARE**

**03: CALCULATE SONG SHARE**

**04: PAY LICENSING PARTNERS**

## TRACK ALLOCATION

**HOW MUCH MONEY DID WE MAKE?**

**WHAT % OF TOTAL LISTENING WAS THIS TRACK?**

**APPLY THAT % TO THE TOTAL MONEY MADE**

**THE TRACK NOW HAS AN ALLOCATION**

## REVENUE SHARE

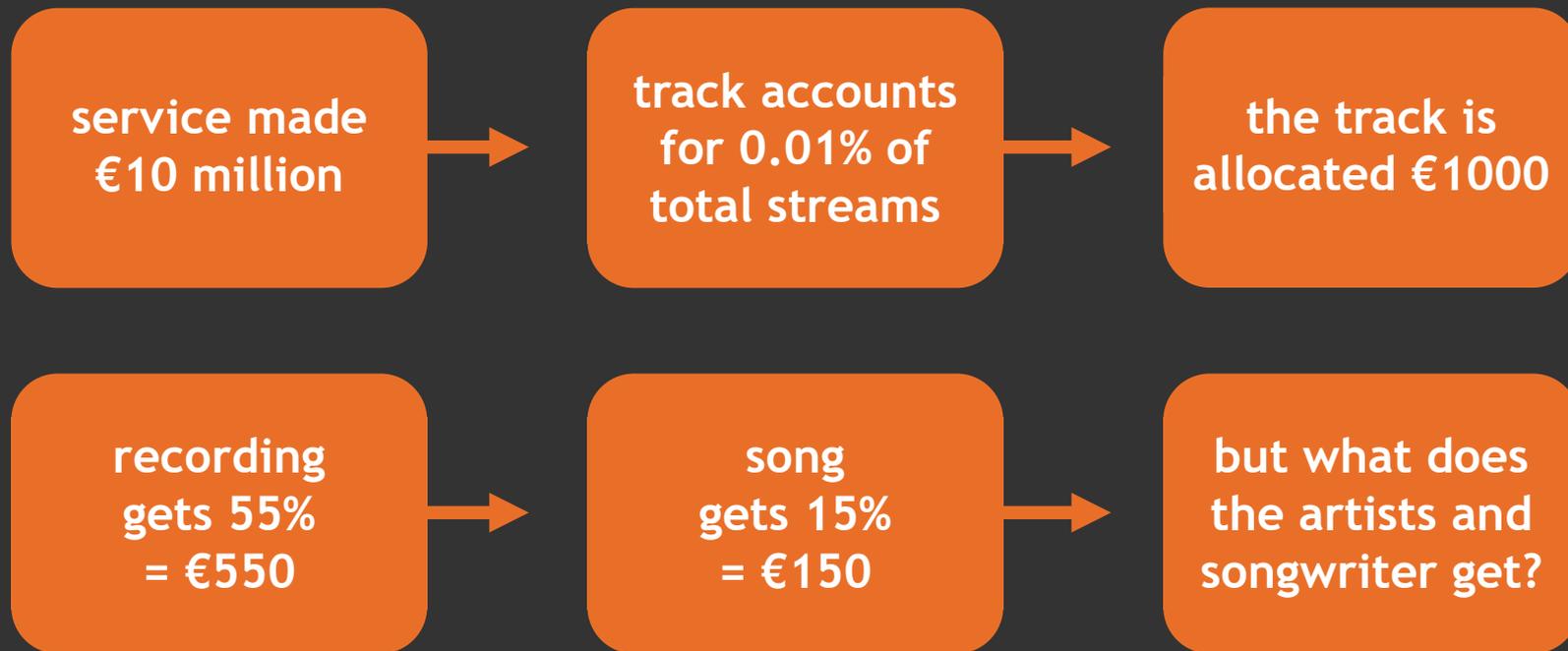
**TAKE THE TRACK ALLOCATION**

**PAY 50-55% OF IT TO THE RECORDING RIGHTS**

**PAY 10-15% OF IT TO THE SONG RIGHTS**

**STREAMING SERVICE KEEPS 30-35%**

## SO HOW IT WORKS...



# PAYING ARTISTS + SONGWRITERS

## RECORDING ROYALTIES

**SERVICE PAYS WHOEVER UPLOADED THE TRACK**

**PROVIDES PAYMENT AND USAGE REPORT**

**LABEL OR DISTRIBUTOR SHARES WITH ARTIST**

**SUBJECT TO EACH ARTIST'S CONTRACT**

# ARTIST PAYOUT

100%

< DIY DISTRIBUTOR

70-80%

< DISTRIBUTION DEAL

50%

< INDIE REV SHARE DEAL  
< FULL ARTIST SERVICES DEAL

20-25%

< MODERN LABEL ROYALTY DEAL

5-15%

< LEGACY LABEL ROYALTY DEAL

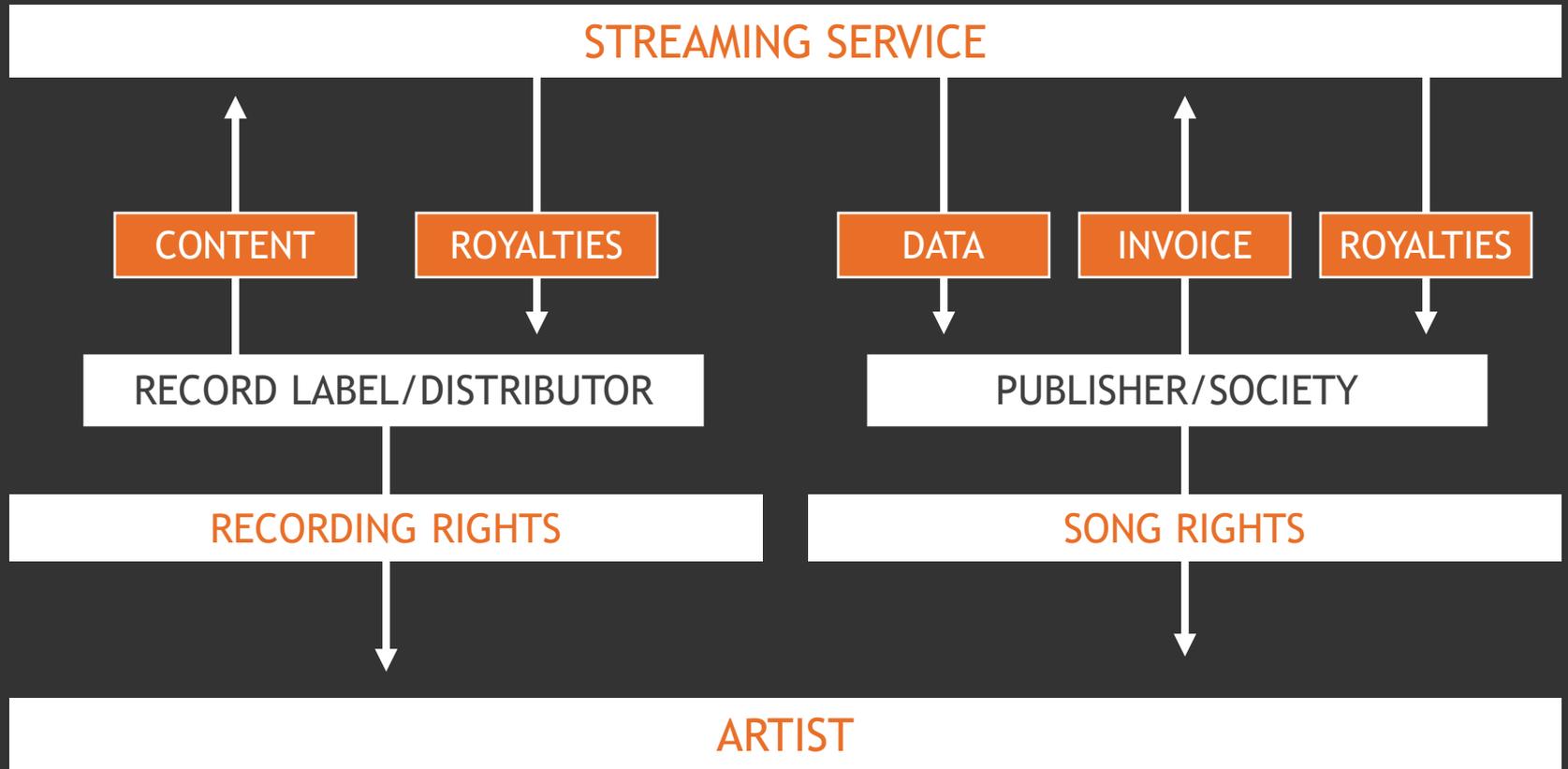
**WHAT SONGS HAVE BEEN STREAMED?**

**THE PLATFORM DOESN'T KNOW**

**SO SENDS LICENSOR FULL USAGE REPORT**

**EACH LICENSOR MUST THEN IDENTIFY ITS SONGS**

# PAYING STREAMING ROYALTIES



THE RECORDING



THE SONG

ISRC



ISWC

# ISSUES WITH THE CURRENT MODEL

# DIGITAL DOLLAR: CHALLENGES AND DEBATES

RECORDING / SONG SPLIT

ARTIST / LABEL SPLIT

PERFORMER ER

USER-CENTRIC SYSTEM

ROYALTY CHAINS

TRANSPARENCY

MUSIC RIGHTS DATA

SAFE HARBOUR

ALGORITHMS

ADAPTING TO THE MODEL

## HOW THE DIGITAL DOLLAR IS SPLIT (APPROXIMATELY)

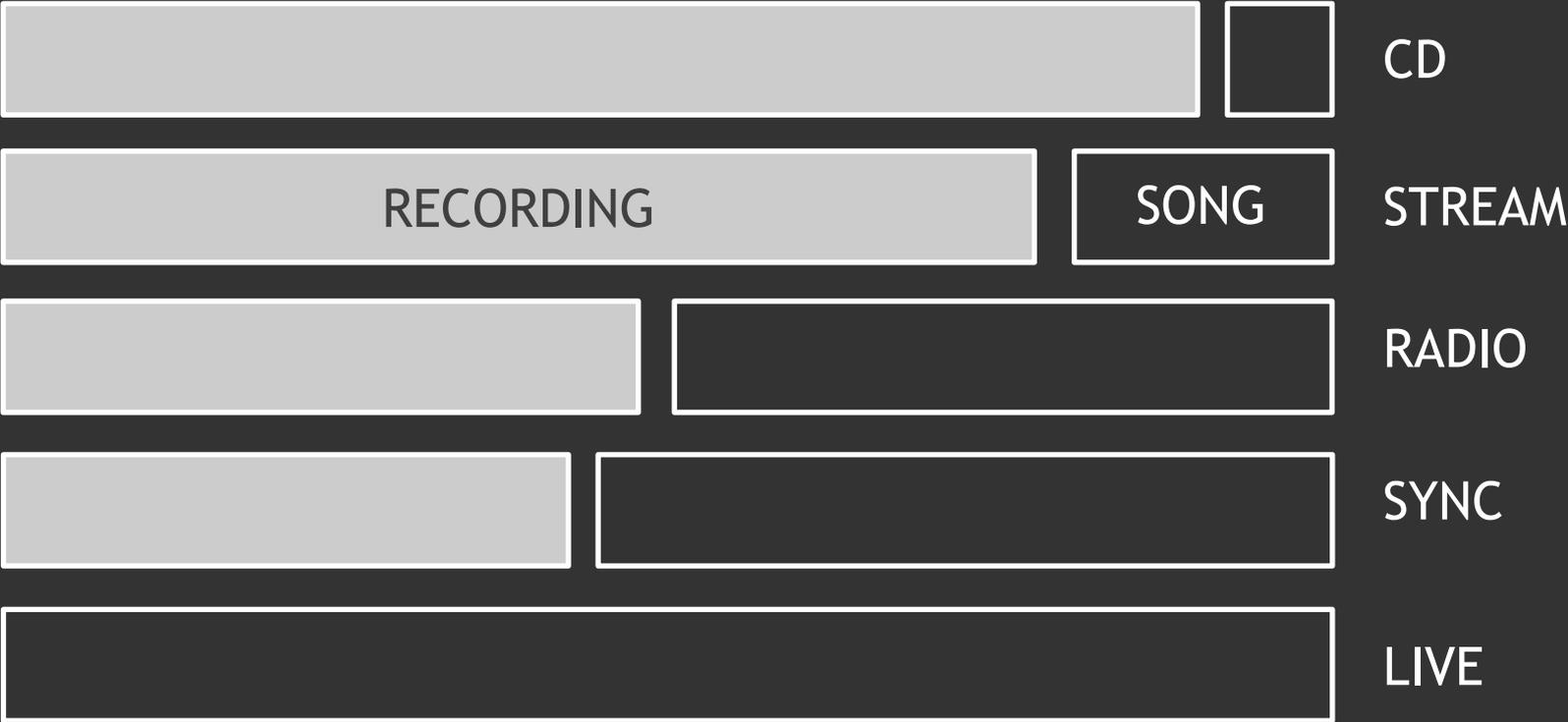
RECORDING

SONG

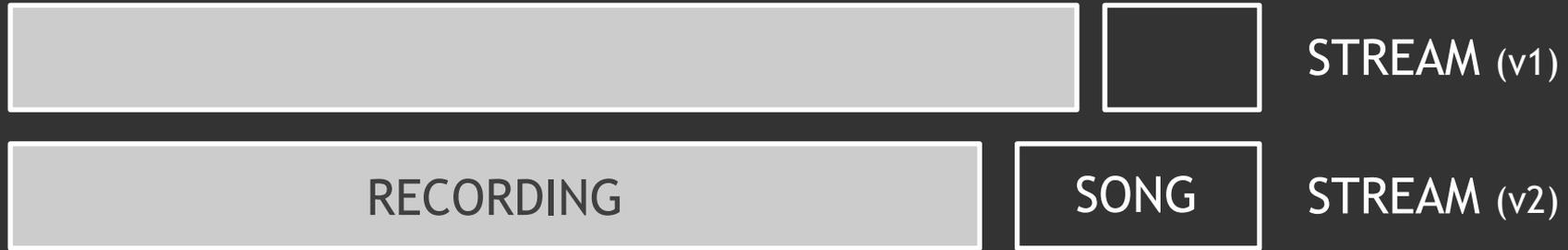
SERVICE

- Why does the recording get so much more?
- The starting point was the CD model.
- Songs always got a small slice of CD sales.
- Because of the label's costs and risk.

# HOW THE MONEY IS SHARED BY REVENUE STREAM



## RE-SLICING THE PIE



- Each streaming service's licensing deals come up for renewal every few years and over the last decade we have seen a slight re-slicing of the digital pie in favour of the song rights.

# THE DEBATE

## IN FAVOUR OF THE STATUS QUO

Labels still take the lead in getting music to market (and the associated risks).

There can be multiple versions of a song in the system (covers are bigger than ever).

The song share has already increased.

## IN FAVOUR OF A RESLICING OF THE PIE

The label's costs and risks are much lower in digital as compared to physical.

Streaming is comparable to radio where the song gets about the same as the recording.

Streaming simply isn't working for the songwriters.

# A USER CENTRIC APPROACH

subscriber  
pays €8



track accounts  
for 1% of  
user's streams



the track is  
allocated €0.08

recording  
gets 55%  
= €0.044



song  
gets 15%  
= €0.012



so every user's  
payment is split  
separately

## ARGUMENTS FOR THE USER-CENTRIC APPROACH

**IT SEEMS FAIRER**

**IT'S WHAT THE FANS WANT**

**WOULD BENEFIT MIDDLE-LEVEL ARTISTS**

**WOULD STOP SOME STREAM MANIPULATION SCAMS**

## ARGUMENTS AGAINST THE USER-CENTRIC APPROACH

**COSTS INVOLVED IN SETTING UP AND RUNNING IT**

**MAKES THE SYSTEM EVEN MORE COMPLICATED**

**WOULDN'T REALLY MAKE THAT MUCH DIFFERENCE**

**INDIE LABELS AND ARTISTS COULD LOSE OUT**

## OTHER POSSIBLE CHANGES TO ROYALTY DISTRIBUTION

**ARTIST GROWTH MODEL**

**PRO RATA TEMPORIS MODEL**

**ACTIVE ENGAGEMENT MODEL**

**USER CHOICE MODEL**

**CMU**

# User-Centric Model: State of Play

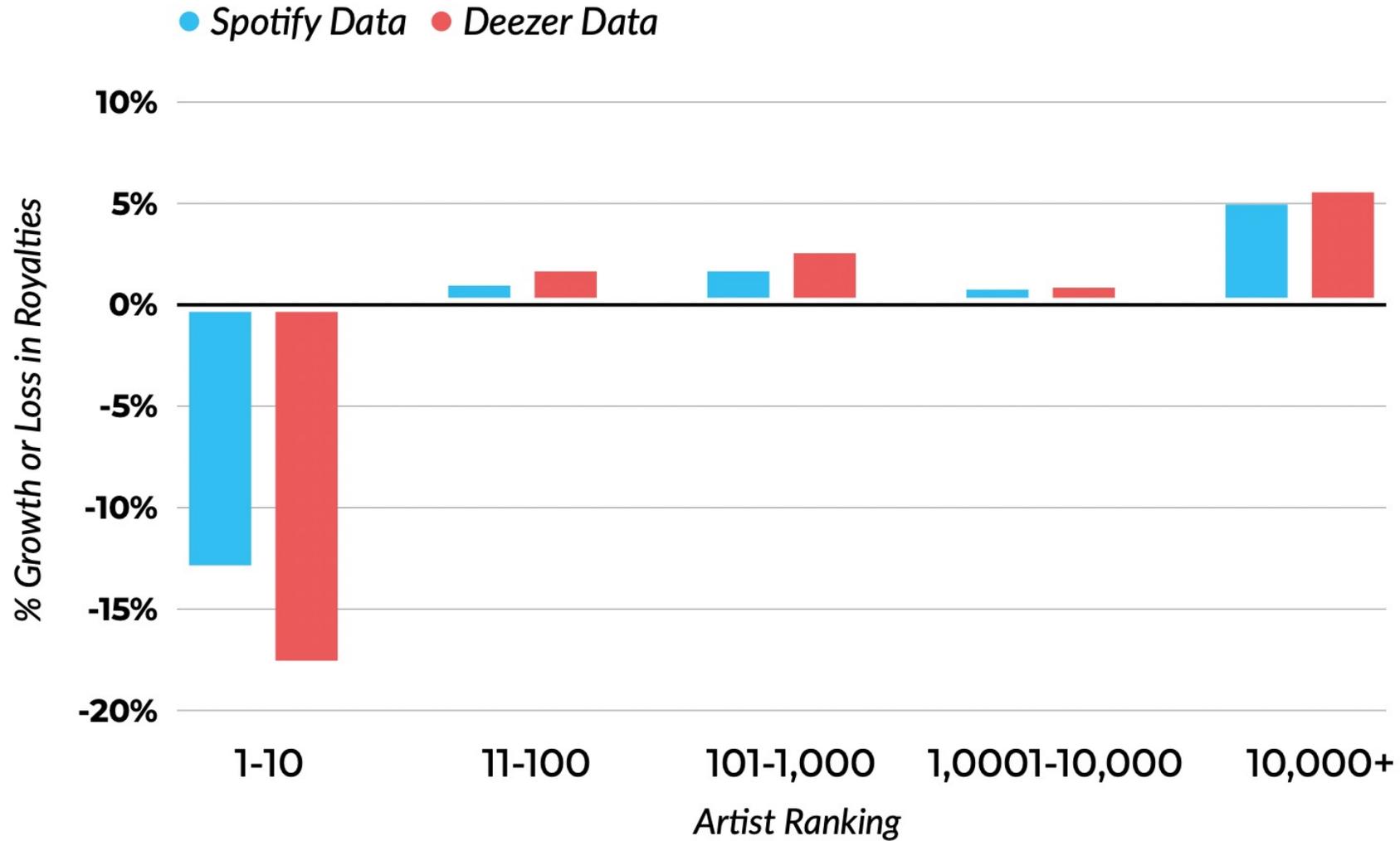


# Current Situation

- Several studies on the user-centric distribution system have been made during the past few years
- However, these are based on artists' shares as works are a very complex topic for proper analysis
- Similar kind of results: **no silver bullets & uncertain and even undesired consequences**



## User-centric Payouts: Impact on Artists By Ranking





# The Results of the NMC/Deloitte Study

- **Winners:** classical, metal, blues, jazz
- **Losers:** hip-hop, rap, big hits of today
- **BUT in average:** not clear, who would be the winners and losers even in these genres
- Long tail artists (10,000+) would benefit – at best – only few extra euros per year
- The results depend on the interplay of multiple factors
  - Results will vary per individual artist even within the same genre
  - Depends on the behaviour of the fans → not predictable



# Main Challenges of Implementation

- The uptake of user-centric distribution system would require big enough common incentives
  - Small (internal) changes are not enough for big catalogue holders
  - They are insignificant for major labels and publishers, which are part of the same corporations

→ Requires also other than financial incentives
- Will not increase the size of the cake as such → Zero sum game
- All parties should accept the model and implement it simultaneously
- Who would cover the expenses of the transformation?
- New kind of black box money: paying customers who do not use the service → How should the money be distributed?



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