

CMU INSIGHTS

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STREAMING BUSINESS KEY CHALLENGES

CMUinsights.com/conferencenotes-spot2017



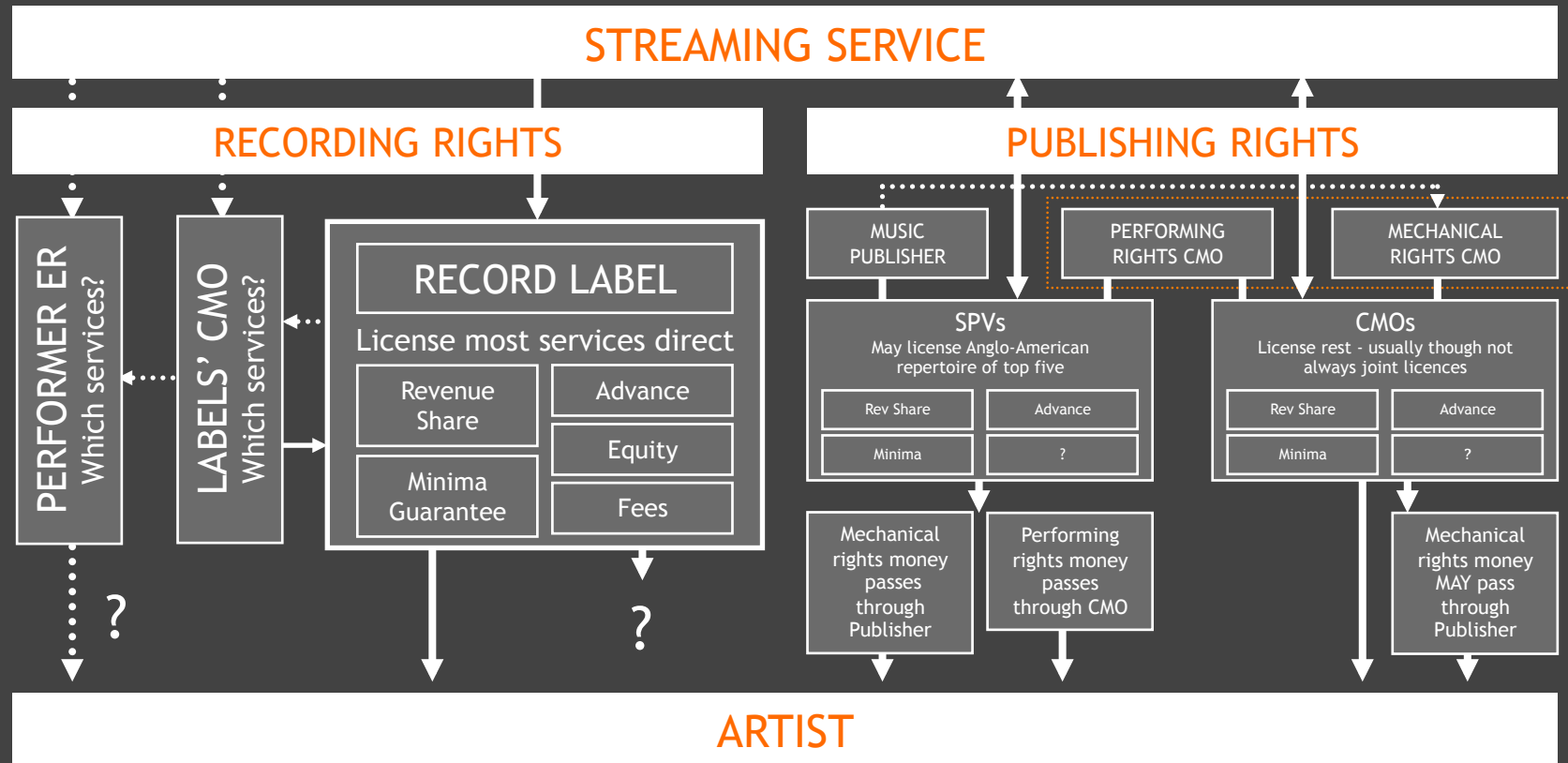
DISSECTING THE DIGITAL DOLLAR

Commissioned by the Music Managers Forum

PART ONE: Explains how streaming services are licensed and raises key issues.

PART TWO: Summarises a series of roundtables where artists, managers and industry execs discussed the issues around streaming.

DIGITAL LICENSING



DIGITAL DOLLAR CHALLENGES

SUSTAINED LISTENING

CONVERTING FREEMIUM

DATA

SAFE HARBOURS

PLATFORM PROFITABILITY

DIGITAL PIE

TRANSPARENCY

DIGITAL DOLLAR CHALLENGES

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TRANSPARENCY

THE SHIFT TO STREAMS

CD



DOWNLOAD
(a la carte)



STREAMS
(subscription
& ad-funded)



THE RECORDED MUSIC MARKET (2016 GLOBAL - IFPI FIGURES)

The shift to streaming is still ongoing...



But it is streaming that is driving the return to growth.

PLATFORM PROFITABILITY

- Streaming revenue now key for the record industry.
- But streaming services are still loss-making.
- Why?
 - Costs of aggressive growth strategies.
 - Costs associated with being a tech start-up.
 - Advances and minimum guarantees paid to music industry.
- Most streaming platforms in the scale game.
- Can they reach the scale where they become profitable?
- If not - then what?

DIGITAL DOLLAR CHALLENGES - COMING UP NOW

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DIGITAL PIE

TRANSPARENCY

THE STREAMING DEAL

LABEL/PUBLISHER/CMO

Revenue
Share

Advance?

Minima
Guarantee

Equity?

Fees?

THE STREAMING DEAL

- Core streaming deal is revenue share based on consumption share.
- Every deal is different, and the rates are usually secret.
- Although, generally...

LABEL: revenue share of 55-60%

PUBLISHER: revenue share of 10-15%

- Which means the money is split approximately like this...

DIGITAL PIE

- Is this a fair split?
- If not - what would be a fair split?
- How could we re-slice the pie?
 - The big publishers have pushed up their share on Anglo-American repertoire.
 - For new artists, are more favourable services deals an option?
 - For heritage artists, performer ER on streams or contract adjustment mechanism?
- Will services ultimately push for a bigger cut - or start charging fees?
- Will labels ultimately see their cut of the pie shrink?

DIGITAL DOLLAR CHALLENGES - COMING UP NOW

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PLATFORM PROFITABILITY

DIGITAL PIE

TRANSPARENCY

TRANSPARENCY

- Artists receive reporting and royalties from labels and distributors.
- Songwriters receive reporting and royalties from publishers and CMOs.
- The quality of usage and royalty reporting varies greatly.
 - How willing is the business partner to share information?
 - How able is the business partner to share information?
- Even with good reporting, are there reporting standards?
- Key elements of most deals between label/distributor/publisher/CMO and the DSPs are secret - eg revenue share and minimum guarantees.

WHAT DO WE NEED TO KNOW?

HOW OFTEN
WERE YOU
STREAMED?

By service?
By product?
By country?
Real time?

WHAT WERE
THOSE
STREAMS
WORTH?

What metric
was used to
work this out?

WHAT WAS
THE BUSINES
PARTNER OR
CMO PAID?

By service?
By product?
By country?
Verifiable?

WHAT ARE
YOU BEING
PAID AND
WHY?

What split?
Deductions?
Which contract
terms?

WHAT DO WE NEED TO KNOW?

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TRANSPARENCY CAMPAIGN IN THE UK

- Single biggest issue during ‘Digital Dollar’ roundtables.
- Music creatives in the UK are calling for full transparency.
- Music creative organisations tried to negotiate a ‘code of conduct’ with the majors and industry trade bodies, without success.
- They have now called on government to intervene.
 - Draft European Copyright Directive includes a transparency clause.
 - Transparency raised during Digital Economy Bill debates.
 - Music creatives proposing government instigate roundtables.

COPYRIGHT REFORM IN EUROPE

ARTICLE 14 OF DRAFT EUROPEAN COPYRIGHT DIRECTIVE

Member States shall ensure that authors and performers receive on a regular basis and taking into account the specificities of each sector, timely, adequate and sufficient information on the exploitation of their works and performances from those to whom they have licensed or transferred their rights, notably as regards modes of exploitation, revenues generated and remuneration due.

The obligation in paragraph 1 shall be proportionate and effective and shall ensure an appropriate level of transparency in every sector. However, in those cases where the administrative burden resulting from the obligation would be disproportionate in view of the revenues generated by the exploitation of the work or performance, Member States may adjust the obligation in paragraph 1, provided that the obligation remains effective and ensures an appropriate level of transparency.

COPYRIGHT REFORM IN EUROPE

ARTICLE 14 OF DRAFT EUROPEAN COPYRIGHT DIRECTIVE

Member States may decide that the obligation in paragraph 1 does not apply when the contribution of the author or performer is not significant having regard to the overall work or performance.

Paragraph 1 shall not be applicable to entities subject to the transparency obligations established by Directive 2014/26/EU.

PARLIAMENTARY DEBATE IN THE UK

AMENDMENT TO DIGITAL ECONOMY BILL

Authors, artists and performers shall receive on a regular basis timely, adequate and sufficient information on the exploitation of their works and performances from those to whom they have licensed or transferred their rights as well as subsequent transferees or licensees, [including] information on modes of exploitation, revenues generated and remuneration due.

Any such code of practice is to provide that each creator is to be entitled to a statement of income generated under such licence or transfer arrangements at regular intervals during each annual accounting period, and provide an explanation as to how the creator's remuneration has been calculated referencing any contract terms relevant to the calculation.

UK MUSIC CREATIVES CALL FOR ACTION

“We welcome the acknowledgement of parliamentarians that intervention is required to guarantee greater clarity to music-makers - and ensure that a fairer share of the commercial growth from services that use our music goes back to the artists, songwriters and producers that created it. This has been an issue of internal industry discussion for some time, and we are therefore delighted that UK politicians are recognising the challenges faced by our members with the continued secrecy surrounding commercial licensing deals. The EU has accepted the need to legislate for transparency and it is imperative that the UK government commits to introduce back-stop powers in the event of Brexit”.

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