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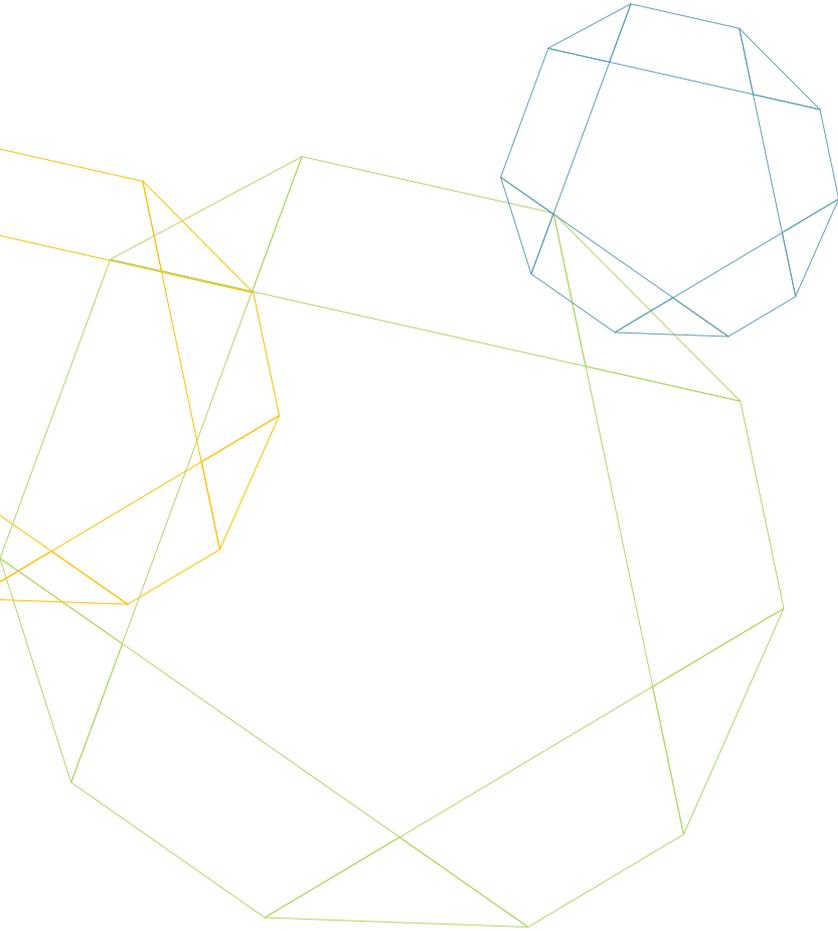
THE TRANSPARENCY DEBATE



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INTRODUCTION

There has been much debate within the music industry in recent years about the need for more transparency in the digital music market.

These discussions centre on the data and information all stakeholders in the streaming business - artists, songwriters, record producers and their managers, lawyers and accountants; record labels, distributors, music publishers and collective management organisations (CMOs) - need to truly capitalise on the potential of the rapidly growing streaming platforms.





INTRODUCTION

Most people agree that more transparency is needed. And many labels, distributors, music publishers, CMOs and DSPs* have been investing in portals and platforms to make it easier for artists and songwriters to access at least some of the data and information they need.

Indeed, some companies – especially in music publishing – are now using transparency as a USP when trying to win the business of music makers. Though when you speak to artists and songwriters – and their managers – most, while acknowledging the progress that has been made, argue that there is much more still to be done.

The political community in Europe has taken note of the music community's transparency debate. The draft European Copyright Directive – published last year and still working its way through the EU's law-making process – includes an article on transparency. It says that member states should “ensure that authors and performers 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”.

* DSPs: Digital Service Providers





But who needs to be more transparent about what, exactly?

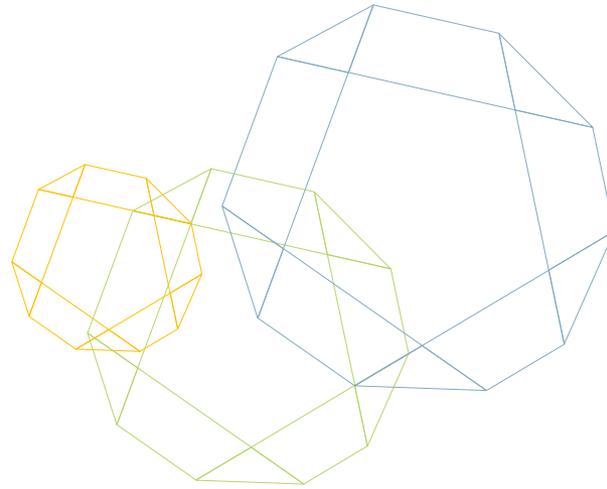
The word “transparency” covers a lot of different things, and to achieve progress, artists and songwriters – and their managers – need to be much more specific about what it is they need to know.

And then their key business partners in streaming – labels, distributors, publishers, CMOs and the DSPs – need to listen and use that information to inform the data and reporting portals that they are developing and building.

In this white paper, based on work CMU Insights has undertaken for the UK’s Music Managers Forum as part of the ‘Dissecting The Digital Dollar’ project, we consider what artists and managers need to know, and what business partners could and should be doing with that information.

This white paper focuses on artists and their labels or distributors, though much of what is discussed equally applies to songwriters and their publishers and CMOs.





THE TRANSPARENCY DEBATE

1. DISSECTING THE DIGITAL DOLLAR



DISSECTING THE DIGITAL DOLLAR

At the start of 2015, CMU Insights began work on a major research project for the Music Managers Forum (MMF) in the UK called 'Dissecting The Digital Dollar', which has resulted in a number of reports and guides.

The initial aim was to explain how streaming services were being licensed by the record companies, distributors, music publishers and CMOs, and how digital royalties were being calculated, reported and paid.

Whereas with iTunes, there were plenty of parallels between the sale of physical and digital product, with the streaming services the music rights industry had to develop a radically new licensing model.

The labels, distributors, publishers and CMOs did a decent job of constructing this model, but weren't so good at explaining how it worked to their artists and songwriters. Hence why the MMF wanted to educate the management community, so that they could better advise their clients on what was starting to become a really significant revenue stream.





DISSECTING THE DIGITAL DOLLAR

[‘Dissecting The Digital Dollar Part One’](#) was published in October 2015. As well as explaining how the streaming business worked in terms of rights and royalties, it also raised a number of issues with the current model.

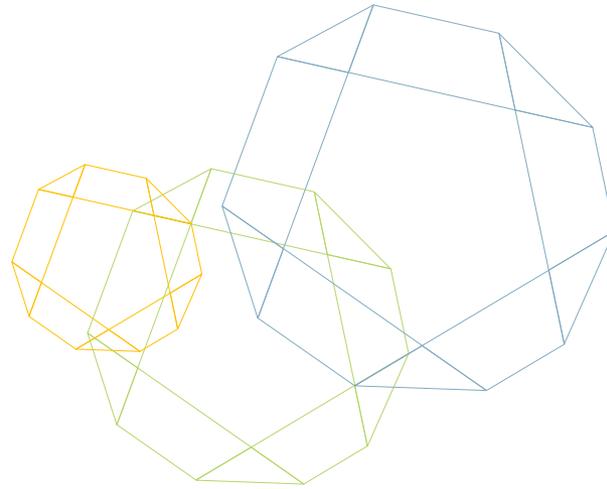
In 2016, MMF UK then organised a series of roundtable discussions involving artists, songwriters, managers, labels, publishers, lawyers and accountants – in the UK, US, Canada and France – to debate the various issues, and to consider the viewpoints of all the key stakeholders.

Those discussions were split into seven areas:

1. How streaming income is shared between different stakeholders
2. Whether ‘Performer ER’* should be paid on streaming income
3. How artists share in all elements of the music industry’s streaming deals
4. The need for more transparency in the streaming market
5. The role of the CMOs in licensing streaming services
6. How poor copyright data impacts on the payment of streaming royalties
7. The copyright safe harbour and its use by ‘opt-out’ streaming services

* ER : Equitable Remuneration





THE TRANSPARENCY DEBATE

2. THE TRANSPARENCY ISSUE



THE TRANSPARENCY ISSUE

For the managers taking part in the roundtables, transparency repeatedly came up as the key issue.

There is certain data and information artists and managers need to fully understand and capitalise on the streaming business, to assess the relative merits of different platforms, to audit the income they receive, and to help grow each artist's wider business beyond streaming.

Some managers also pointed out that having informed opinions on many of the other issues identified in the 'Digital Dollar' reports was hindered to an extent by the transparency problem.

Without knowing what's going on throughout the streaming value chain – from a track being streamed through to the artist being paid – it was hard to agree a position on many of the other key issues being debated.





THE TRANSPARENCY ISSUE

Artists and managers sit at one end of the streaming value chain, creating the content and sharing in the income. At the other end of the value chain is the music fan, consuming the content and buying subscriptions.

In the middle are the business partners necessary for the streaming business to operate: the DSPs themselves, and then the labels and distributors who manage and deliver the content and administer the recording rights, and the publishers and CMOs who administer the song rights.

Therefore, there are at least two layers of business partners between the music maker and the music consumer.

These business partners all play a key role, of course, in making the streaming business work, and as a result they share in the monies generated. But it's these business partners – labels and distributors in particular – that artists and managers rely on for access to the data and information they need.





THE TRANSPARENCY ISSUE

Thus, for artists and managers to get more transparency, they need to encourage and pressure their labels and distributors to put more effort and resource into sharing the required data and information.

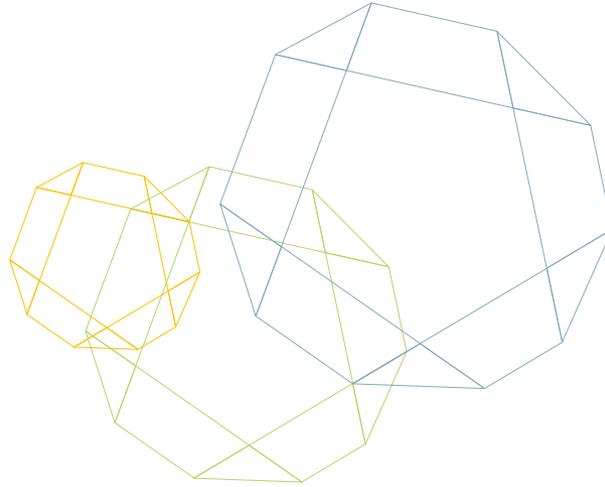
But which data and information?

As noted above, the word “transparency” covers a lot of different things. Artists and managers need to be much more specific.

With that in mind, as part of the next phase of the Digital Dollar project, earlier this year the MMF commissioned additional research from CMU Insights on the transparency issue, to better define what data and information it was that artists and managers needed.

The result of this new piece of research is contained in the Transparency Guide that the MMF is publishing this month.





THE TRANSPARENCY DEBATE

3. TRANSPARENT ABOUT WHAT, EXACTLY?



TRANSPARENT ABOUT WHAT, EXACTLY?

It's useful to split the data and information we're talking about here into three groups: Usage Data, Royalty Data and Deal Information.

Usage Data

How an artist's music is being consumed on the different streaming platforms. So how often tracks are being played, the source of those plays and demographic information about the people streaming the music. This data is required to inform the artist's wider business and marketing activity.

Good usage data starts with the DSP, which provides data to the label or distributor, which in turn passes it on to the artist and manager.

There is an awful lot of usage data, so task one is identifying what data is useful, and task two is working out how to provide and present that data in a way that is easy to digest and understand.





TRANSPARENT ABOUT WHAT, EXACTLY?

Actually, the DSP could provide some or all of this data directly to the artist and manager, and Spotify does through its Spotify For Artists platform.

Though artists and managers really need to compare this kind of data across all the platforms, which is where the usage data portals developed by the labels and distributors really add value.

Some labels and distributors have put a lot of effort into their usage data portals in recent years, and some are now competing on this service.

Though it's still early days, and there are many further refinements that could be made by even the pioneers in this space, while some other labels and distributors still need to catch up with their competitors.





TRANSPARENT ABOUT WHAT, EXACTLY?

Royalty Data

How much money an artist's music is generating on each different streaming platform, and how much the artist is then due under their record or distribution contract. For artists with complex record contracts – and especially record contracts that pre-date digital – this includes a clear explanation of how old contract terms are being applied on streaming income.

Artists and managers need this information to audit the income they receive, enable financial planning, and assess the relative commercial merits of different DSPs.

Although people often talk about the 'per stream rate' paid by different streaming platforms, in reality the way streaming royalties are calculated is a little more complicated than that, so simply knowing the number of streams doesn't mean an artist or manager knows what streaming income their music has generated.





TRANSPARENT ABOUT WHAT, EXACTLY?

Again, some labels and distributors have put a lot of effort into evolving their royalty reporting systems for the streaming age.

Everyone recognises that there are some big challenges here, given how much more royalty data is generated from the streaming business compared to downloads and CDs.

Though again, there is still much room for improvement, especially when it comes to income generated by sub-licensing partners and international subsidiaries, and explaining how payments are linked to contract terms.

Royalty information could also be provided more frequently, and usage data and royalty data could be more closely aligned.





TRANSPARENT ABOUT WHAT, EXACTLY?

Deal Information

This is information about the deals done between the labels and distributors and the DSPs, which is used to calculate how much income is due to any one track, and which also provides benefits to the label and distributor beyond payments made on specific streams.

Artist and managers need this key information in order to audit their income and to assess which DSPs an artist should prioritise.

This is the most controversial area of the transparency debate.

With usage and royalty data, the issue is generally about the label and distributor's ability to share data – so it's primarily a question of resource.

With deal information, the issue may be the label and distributor's willingness to share the information – so it may be a question of policy.





TRANSPARENT ABOUT WHAT, EXACTLY?

Different labels and distributors have different attitudes to sharing deal information with artists and managers, though all are usually bound to an extent by non-disclosure agreements (NDAs) in their DSP contracts.

Managers recognise that all commercial deals will require a certain level of confidentiality, though the question is to what extent artists and managers – and their accountants and auditors – could be brought ‘inside’ the NDA.

Generally the position of the management community is that being denied access to that basic deal information is a major hindrance, and that while there may be challenges in making that information available to every stakeholder in the streaming value chain, the music community at large needs to find a way to overcome those challenges.





TRANSPARENT ABOUT WHAT, EXACTLY?

USAGE DATA

Track plays

Source of plays

Skip information

Playlist adds

Library adds

Total listener numbers

Total fan numbers

ROYALTY DATA

Total income generated

Income type

Artist royalty rate

Discounts or deductions

Specific contract terms

Total monies due to artist

Payment dates

DEAL INFORMATION

Revenue share arrangement

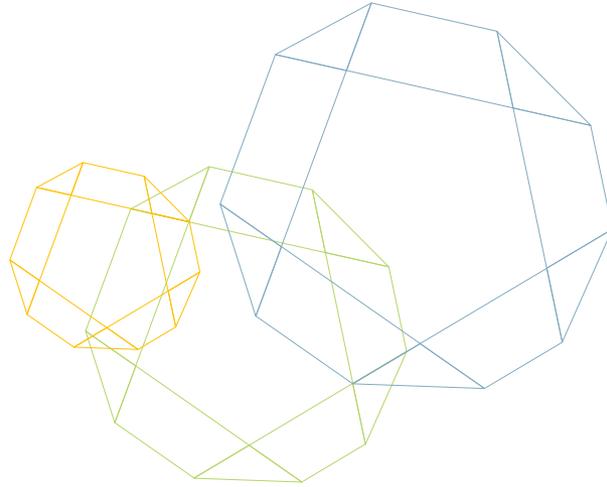
Minimum per stream

Other deal benefits

'Breakage' distribution

Equity sale distribution

Additional data feeds



THE TRANSPARENCY DEBATE

4. ACTION POINTS



ACTION POINTS

MMF publishes the [Transparency Guide](#) this month. What could the music community be doing with this guide?

Labels and distributors could use it to assess what data and information they are currently providing to their artists and consider where there is room for improvement. They could then directly consult artists and managers – the users of these data portals – before making any further investment.

Getting better at sharing data and information will require resource, and managers don't expect everything to be solved overnight.

But providing good data and information to artists and managers is part of being a label or distributor in the streaming age, and those that excel in this space will increasingly gain competitive advantage as a result.





ACTION POINTS

Artists and managers could use the guide to assess and feedback to the labels and distributors they are currently working with.

Managers could also spend some time working out what data and information they are already receiving, and how to make the most of it in order to inform and grow their artist's businesses.

The more managers start to capitalise on this data and information – to the benefit of their artists and the wider streaming business – the stronger the case is for labels and distributors to provide it.

The streaming services also have a key role to play in this – and in some cases it may be that it's the DSP rather than the label or distributor that needs to provide a data or information fix.

The DSPs could also look into how they could provide more data directly to artists and managers, an area where Spotify is generally way ahead of its competitors.



ABOUT THE AUTHOR

CHRIS COOKE is an editor, journalist and media entrepreneur.

He is co-Founder, MD and Business Editor of CMU, a service provider to the music industry. Best known for its media – **the CMU Daily, CMU Digest, CMU Trends and Setlist podcast** – the CMU business also provides training and consultancy to music companies, runs the CMU:DIY education programme for new talent, and presents insight sessions at music conferences around the world.

Hundreds of music industry professionals attend **CMU Insights training sessions** each year, with a regular programme of seminars and masterclasses staged in London, plus training events run for members of music business organisations like the BPI in the UK and IMRO in Ireland. CMU Insights also provides in-house training for a wide range of music companies.

Among the research and consultancy projects undertaken by CMU Insights, a flagship project has been **Dissecting The Digital Dollar for the UK's Music Managers Forum**, a series of reports, guides and tools designed to help artists and managers better understand the streaming business.

This report is brought to you by MIDEM

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