



THE DIGITAL MARKET + DIGITAL LICENSING

where
digital
fits in

copyright
basics

licensing
recordings

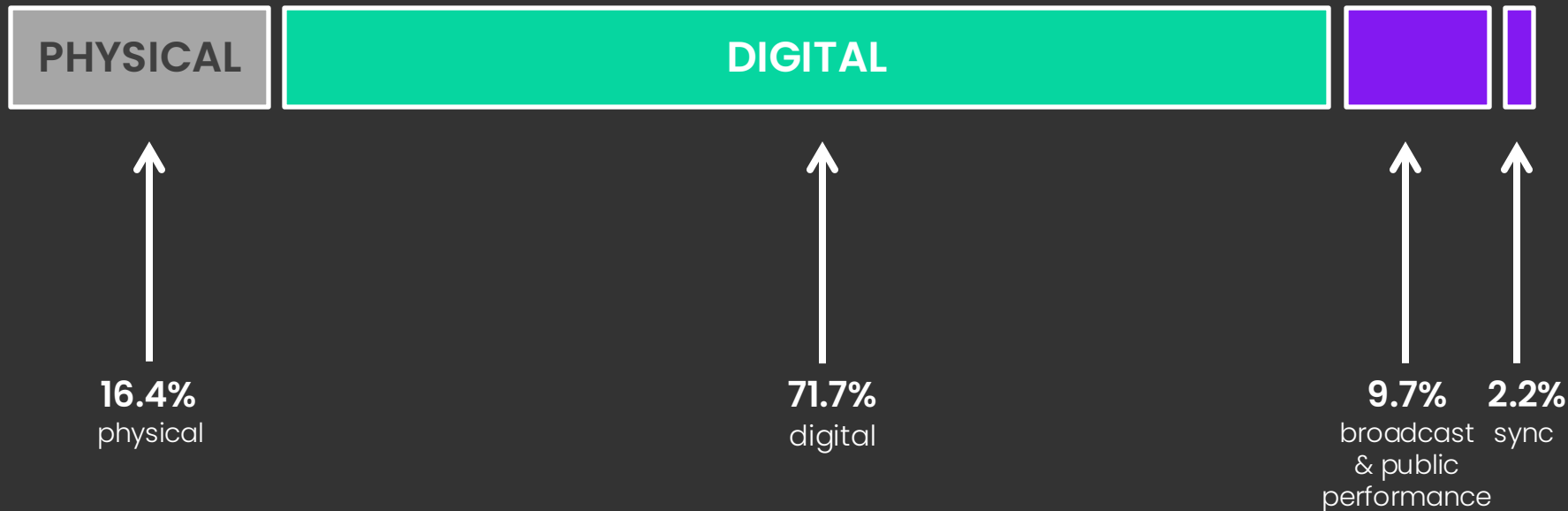
licensing
songs

how the
deals work

processing
song
royalties

**#01: premium streaming
is currently the biggest
revenue generator for
the global record industry**

GLOBAL RECORDED MUSIC REVENUES



THE DIGITAL MARKET TODAY

DOWNLOAD STORES



PREMIUM STREAMING

GLOBAL
SERVICES



REGIONAL
SERVICES



FREE STREAMING



UGC + SOCIAL PLATFORMS



ONLINE
RADIO

MUSIC
PODCASTS

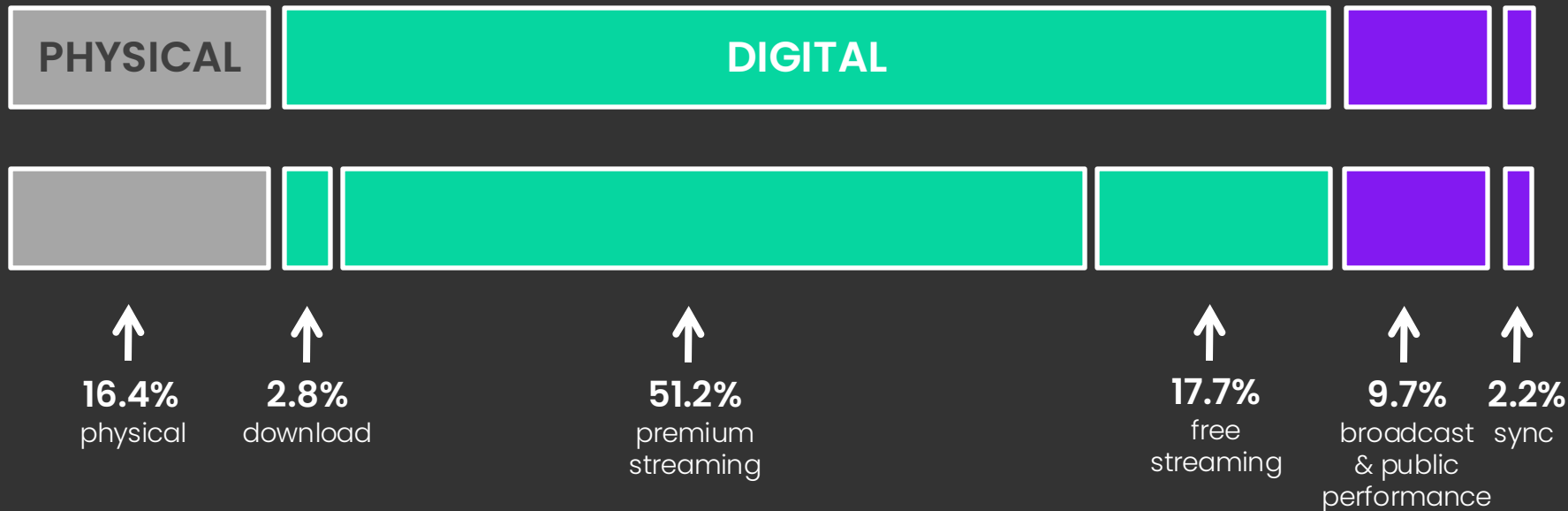
LIVE
STREAMING

FITNESS
APPS

GAMING
PLATFORMS

META
VERSE

GLOBAL RECORDED MUSIC REVENUES



**#02: streaming services need
licences from the music
industry to reproduce
and make available
songs and recordings**

THE CORE MUSIC RIGHTS

RHYTHM

LYRICS

MELODY

SONGS



THE SONG RIGHTS

*aka the publishing rights
or author rights*

PERFORMANCE

PRODUCTION

MASTERING

RECORDINGS

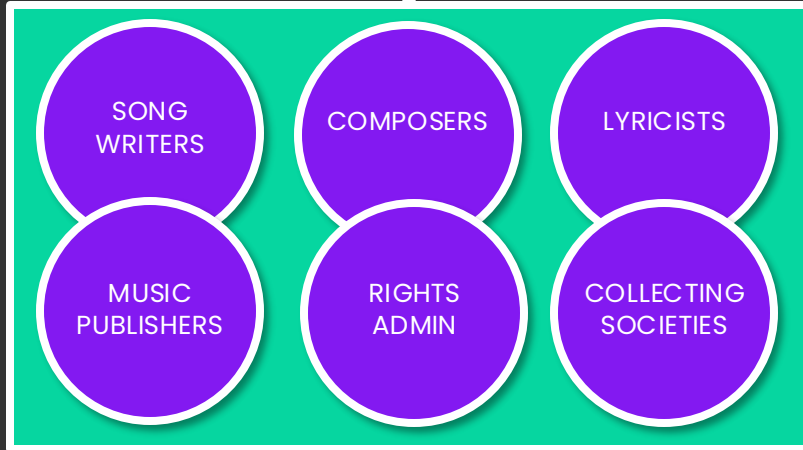
THE RECORDING RIGHTS

*aka the master rights
or neighbouring rights**



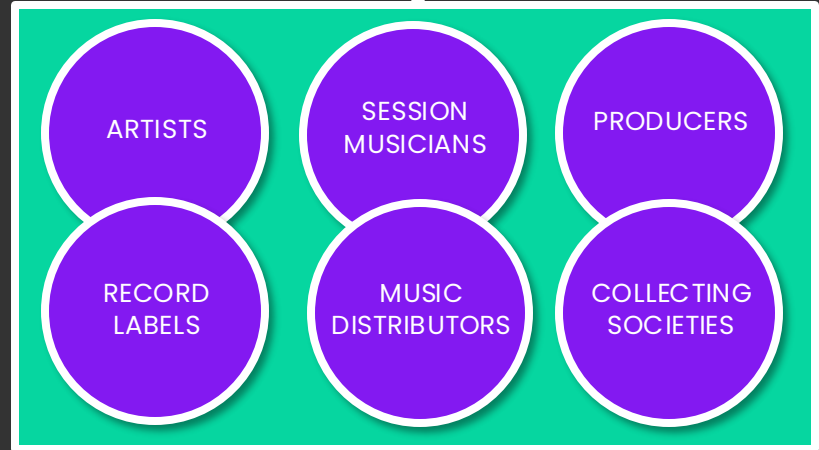
THE MUSIC RIGHTS INDUSTRIES

SONGS



MUSIC PUBLISHING SECTOR

RECORDINGS



RECORD INDUSTRY

COPYRIGHT CONTROLS

REPRODUCTION

DISTRIBUTION

RENTAL

ADAPTATION

PERFORMANCE

COMMUNICATION

COPYRIGHT CONTROLS

REPRODUCTION

DISTRIBUTION

RENTAL

ADAPTATION

PERFORMANCE

COMMUNICATION

MAKING AVAILABLE

COPYRIGHT CONTROLS

MECHANICAL RIGHTS

REPRODUCTION

DISTRIBUTION

RENTAL

ADAPTATION

PERFORMANCE

COMMUNICATION

PERFORMING RIGHTS OR NEIGHBOURING RIGHTS*

**WHEN A THIRD PARTY WANTS
TO EXPLOIT YOUR CONTROLS**

THEY MUST GET YOUR PERMISSION

YOU USUALLY CHARGE FOR THAT PERMISSION

=LICENSING

WHEN A THIRD PARTY WANTS TO EXPLOIT YOUR CONTROLS

DIRECT LICENSING

DIRECT DEAL

You do a deal
with licensee

THIRD PARTY DEAL

An agent does
deal with
licensee

COLLECTIVE LICENSING

COLLECTING SOCIETY DEAL

You allow a collecting society
to license on your behalf

WHAT DO STREAMING SERVICES NEED TO LICENSE?



RECORDING RIGHTS

SONG RIGHTS

So needs deals with the record industry

And with the music publishing sector

WHAT DO STREAMING SERVICES NEED TO LICENSE?



REPRODUCTION (MECHANICAL RIGHTS)

MAKING AVAILABLE (PERFORMING RIGHTS)

With recordings, each deal covers both*

With songs, may require two deals

#03: labels and distributors license recordings

DEALS: RECORDING RIGHTS

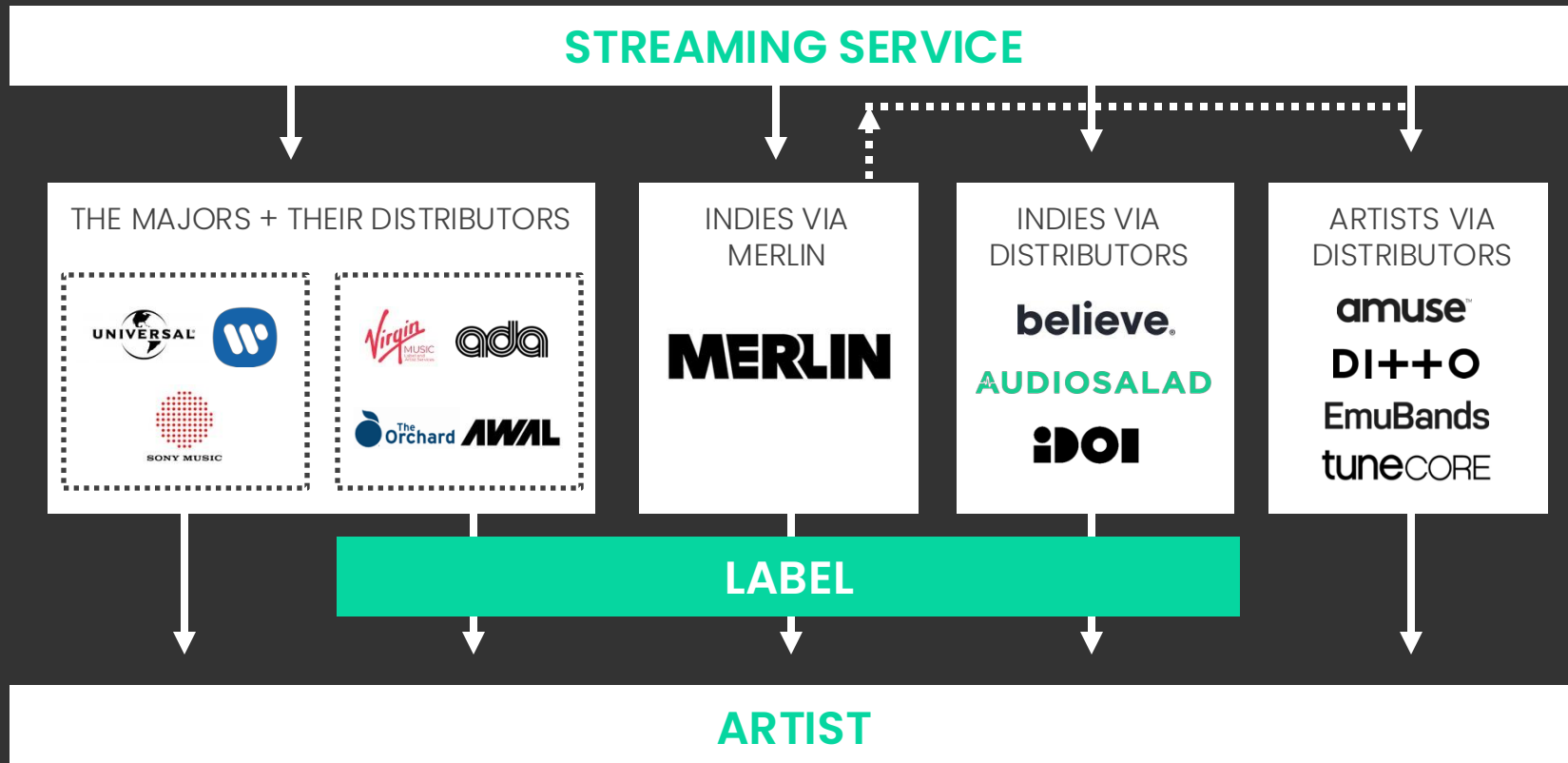
Streaming platforms license recording rights through direct deals with record labels.

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.

DEALS: RECORDING RIGHTS



**#04: both collecting societies
and publishers license songs**

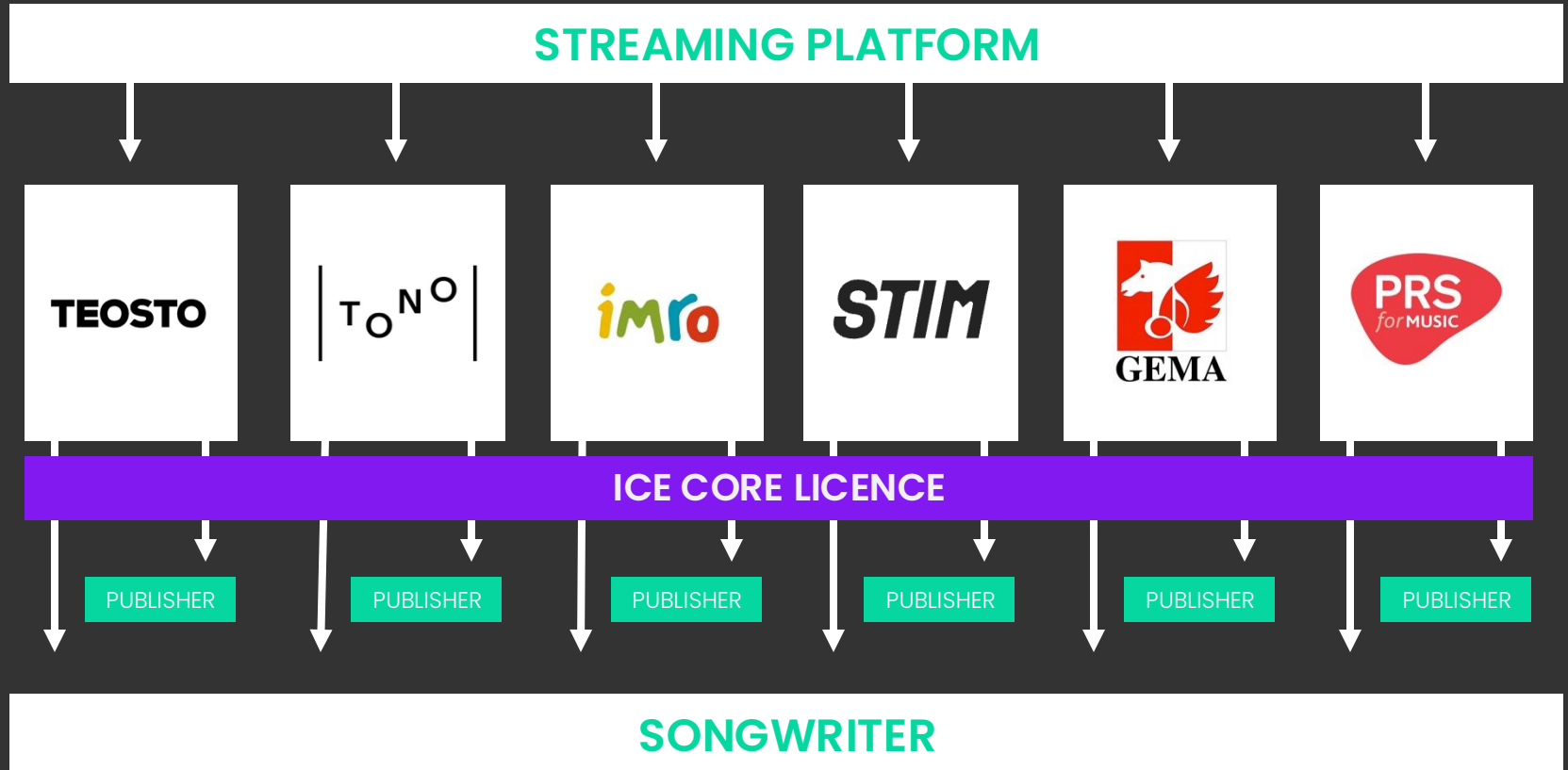
DEALS: SONG RIGHTS

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

The music industry has set up separate societies in every country – that's a lot of societies.

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

DEALS: SONG RIGHTS VIA SOCIETIES + LICENSING HUBS



DEALS: SONG RIGHTS VIA COLLECTING SOCIETIES

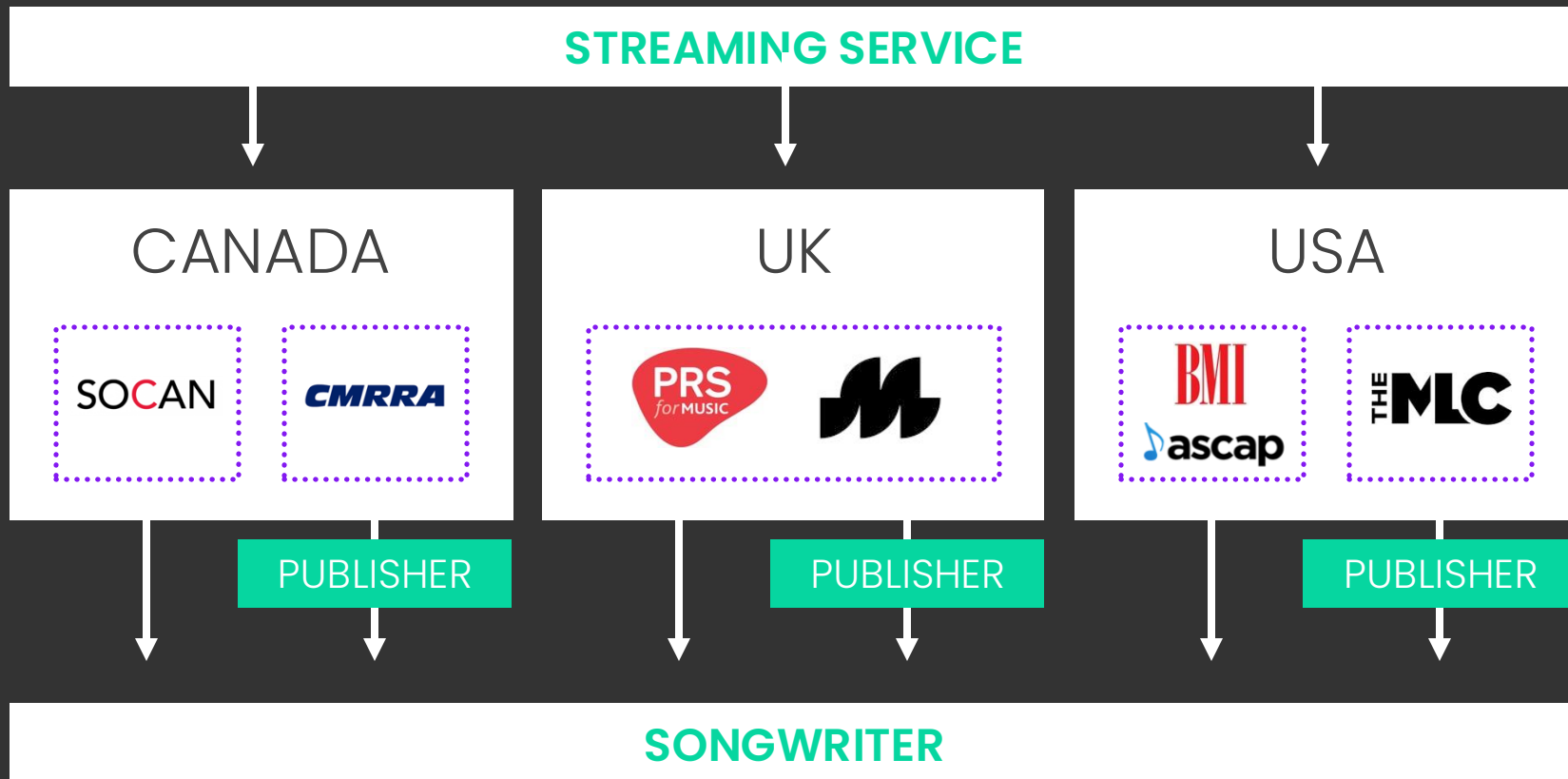
In some countries there are separate societies for mechanical rights and performing rights.

eg in the UK MCPS and PRS respectively.

Remember – a platform needs both covered.

The two societies may collaborate on digital – or they may not – depends on the market.

DEALS: SONG RIGHTS VIA COLLECTING SOCIETIES



DEALS: SONG RIGHTS VIA PUBLISHERS

However, many publishers license their Anglo-American repertoires through direct deals into many (probably most) markets.

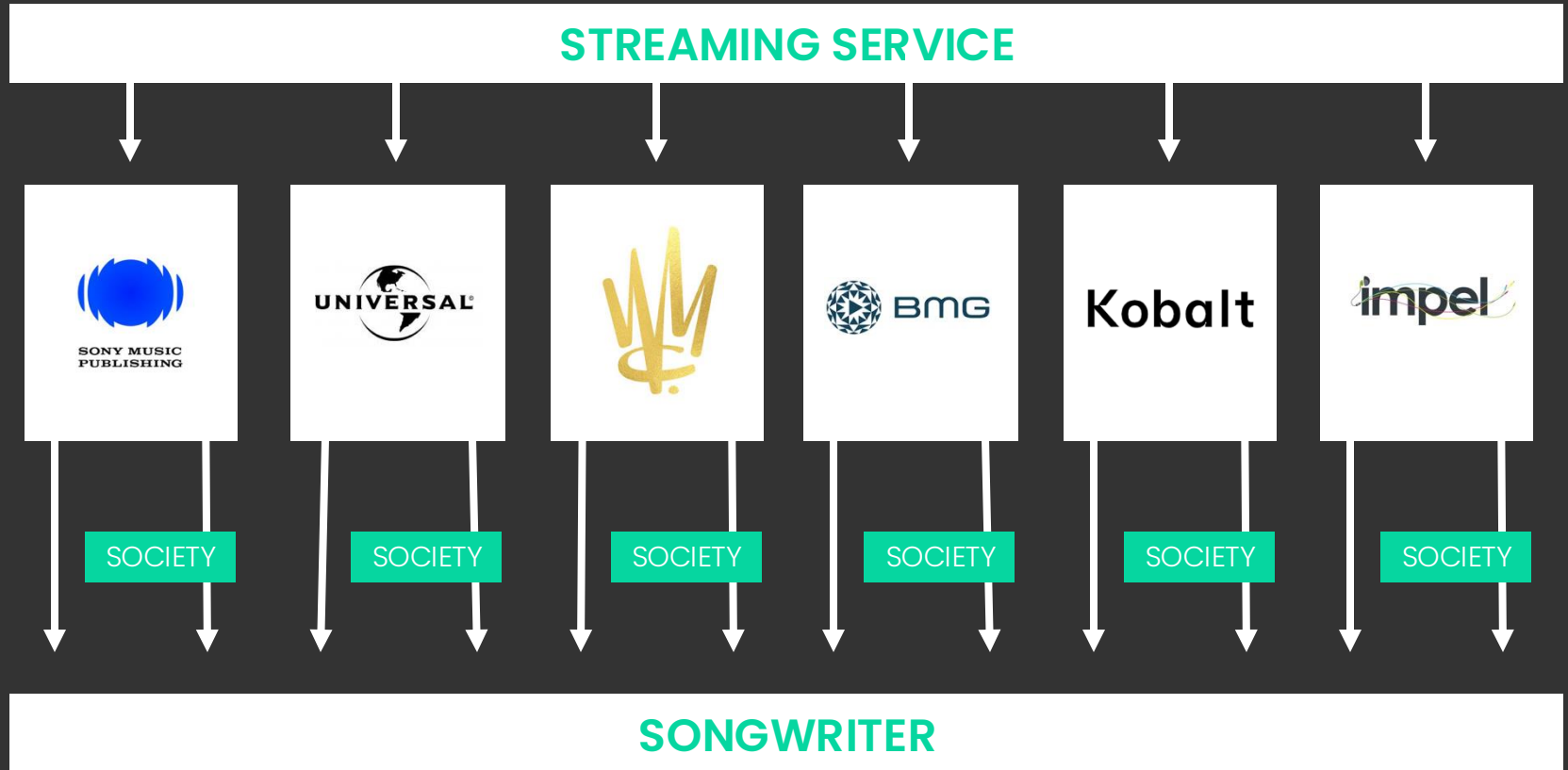
Some smaller publishers achieve this via an organisation called IMPEL.

Where this happens, these rights will not be included in the collecting society deals.

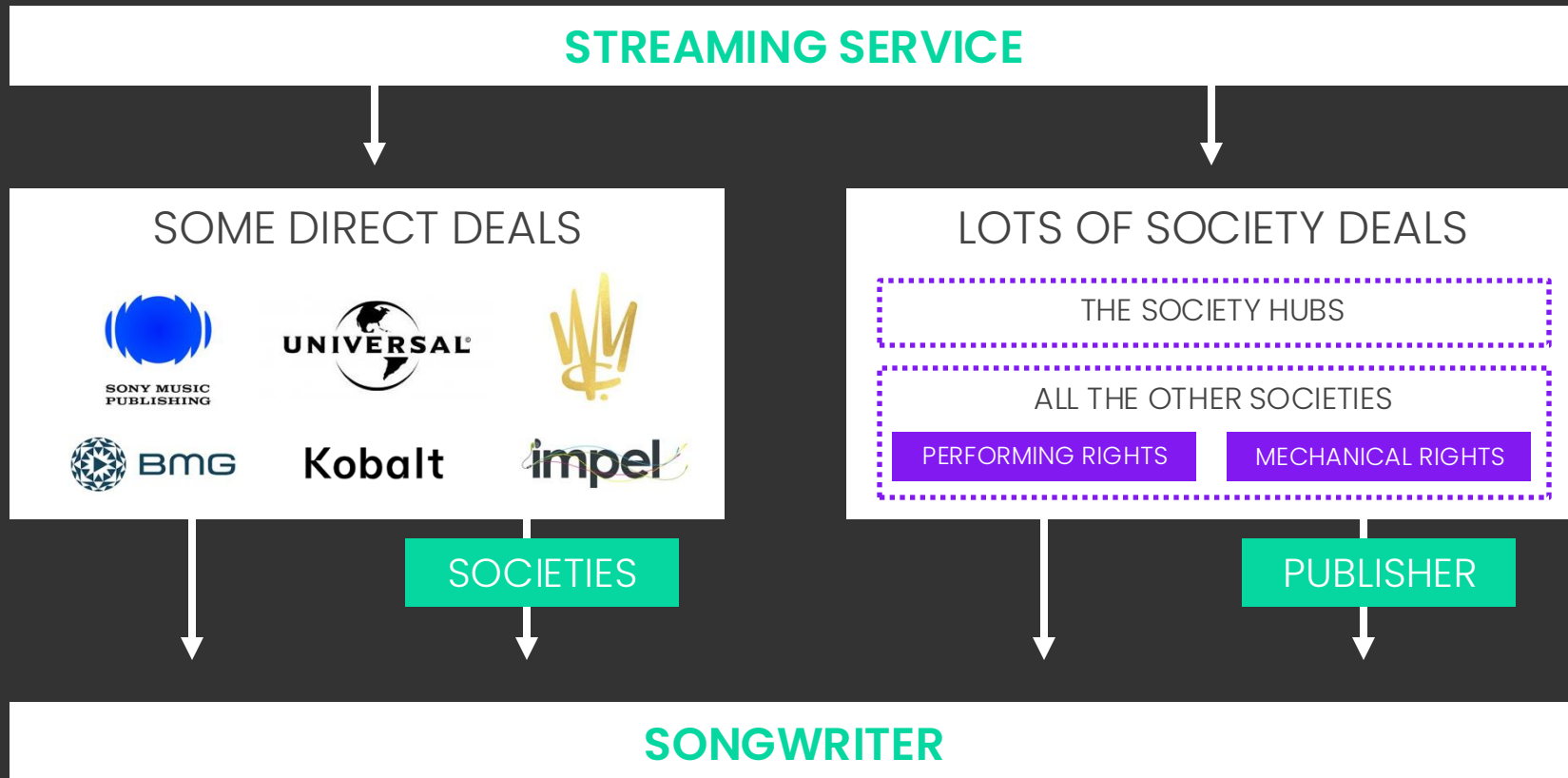
DEALS: SONG RIGHTS VIA PUBLISHERS

Technically publishers can only directly license the mechanical rights in the songs they publish. But the services also need the performing rights. Many publishers form a JV with a society via which they get permission to bundle the performing rights into their deals – though the ‘writer’s share’ is still paid through the society.

DEALS: SONG RIGHTS VIA PUBLISHERS

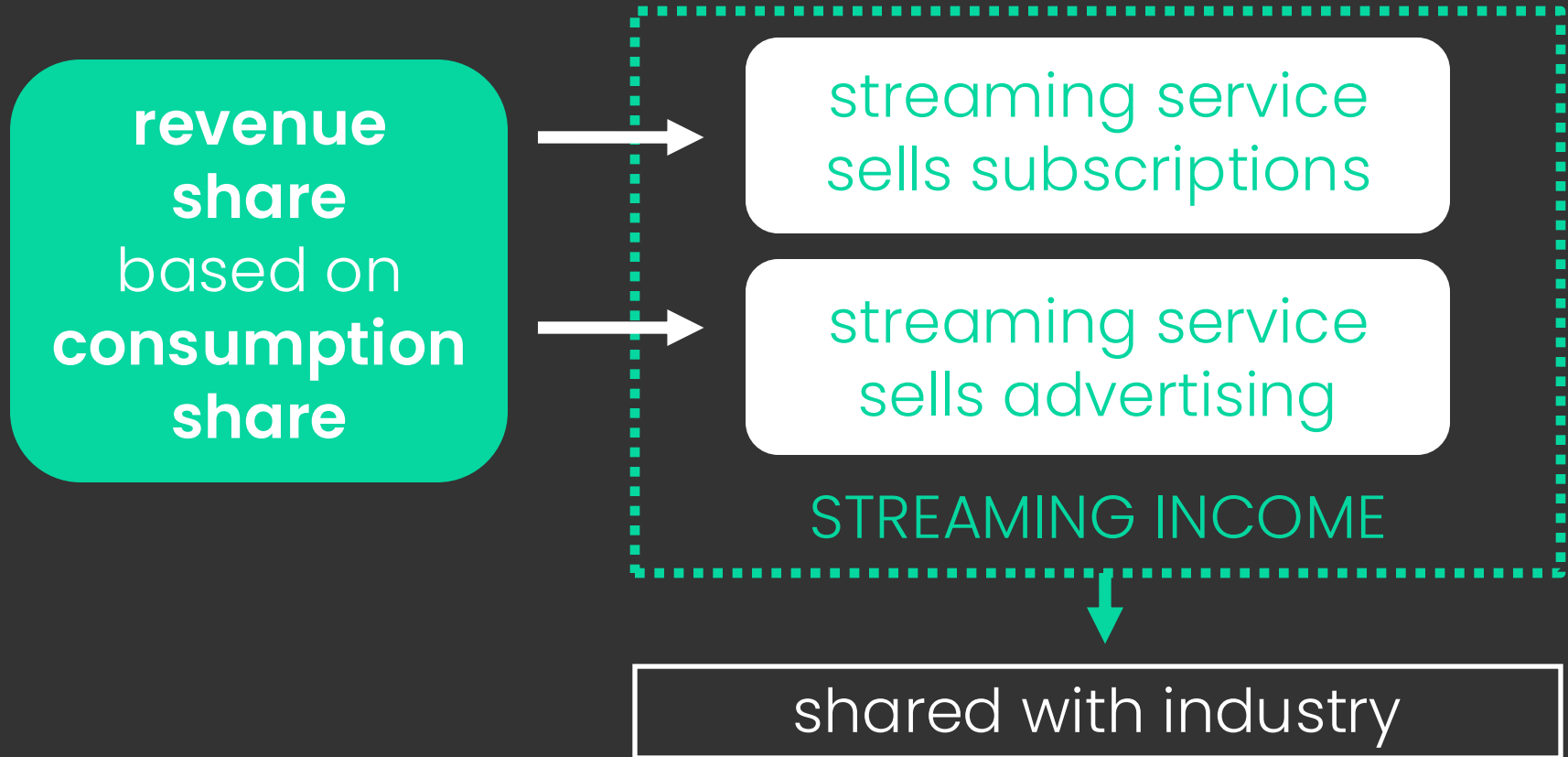


DEALS: SONG RIGHTS



**#05: the subscription streaming
licensing model is revenue
share based
on consumption share**

THE STREAMING BUSINESS MODEL



CALCULATING PAYMENTS

STEP ONE:
TRACK
ALLOCATION

STEP TWO:
REVENUE
SHARE

STEP THREE:
ARTIST
ROYALTY

CALCULATING PAYMENTS: PLAYS + REVENUE



A play is counted at 30 seconds

For each market + subscription type...

The service calculates all the plays

The service calculates all its revenue

CALCULATING PAYMENTS: TRACK ALLOCATION + REVENUE SHARE



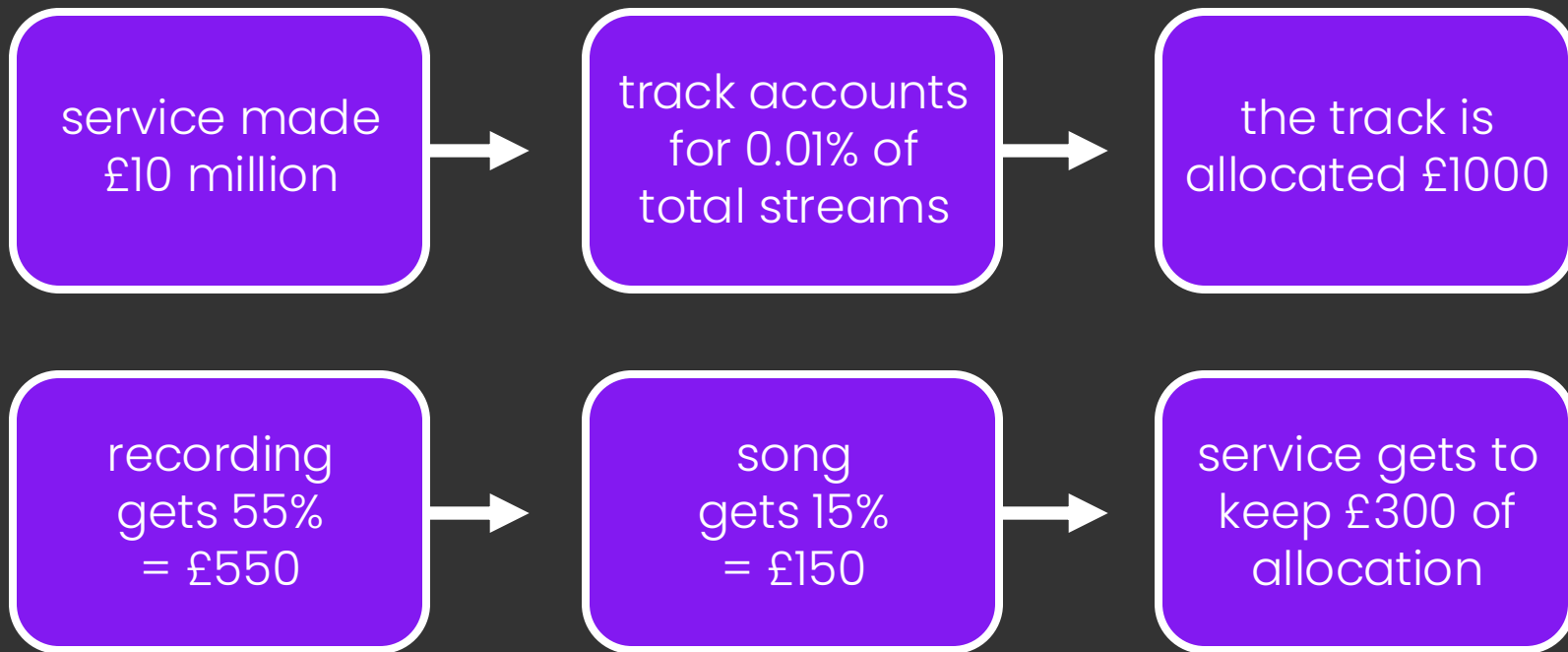
Track gets allocation based on consumption

0.1% of all streams > 0.1% of all revenue

Licensors then paid a share of allocation

50-55% to recording > 10-15% to song

CALCULATING PAYMENTS: TRACK ALLOCATION + REVENUE SHARE



CALCULATING PAYMENTS: ALLOCATION RULES + THRESHOLDS



There are now track allocation rules

Some plays count as double plays

Some plays count as a fraction of a play

Thresholds to be allocated any money

CALCULATING PAYMENTS: SPOTIFY RULES



Functional audio play = 0.2 play

Track must get 1000 plays in twelve months

From at least 50 unique users

To be allocated any money at all

CALCULATING PAYMENTS



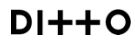
STEP ONE:
TRACK
ALLOCATION

STEP TWO:
REVENUE
SHARE

STEP THREE:
ARTIST
ROYALTY

CALCULATING PAYMENTS: ARTIST ROYALTY

RECORDINGS

 UNIVERSAL	 WARNER MUSIC	 The Orchard	 ada
 SONY MUSIC	 believe.	 AUDIOSALAD	 Virgin MUSIC
 MERLIN	 DI++O	 iDOI	 EmuBands

licensed by labels + distributors



pays artist a royalty based on
record or distribution deal

SONGS

 SONY MUSIC PUBLISHING	 impel	 SOCAN	 BMG
 UNIVERSAL	 THE MLC	 PRS for MUSIC	
 sacem	 imro	 Kobalt	 Ice

licensed by societies, publishers + hubs



pays songwriter a royalty based on
publishing deal + society rules

CALCULATING PAYMENTS: ARTIST ROYALTY

100%

< DIY distributor

70–80%

< distribution deal

50%

< full artist services deal
< indie profit share deal

20–25%

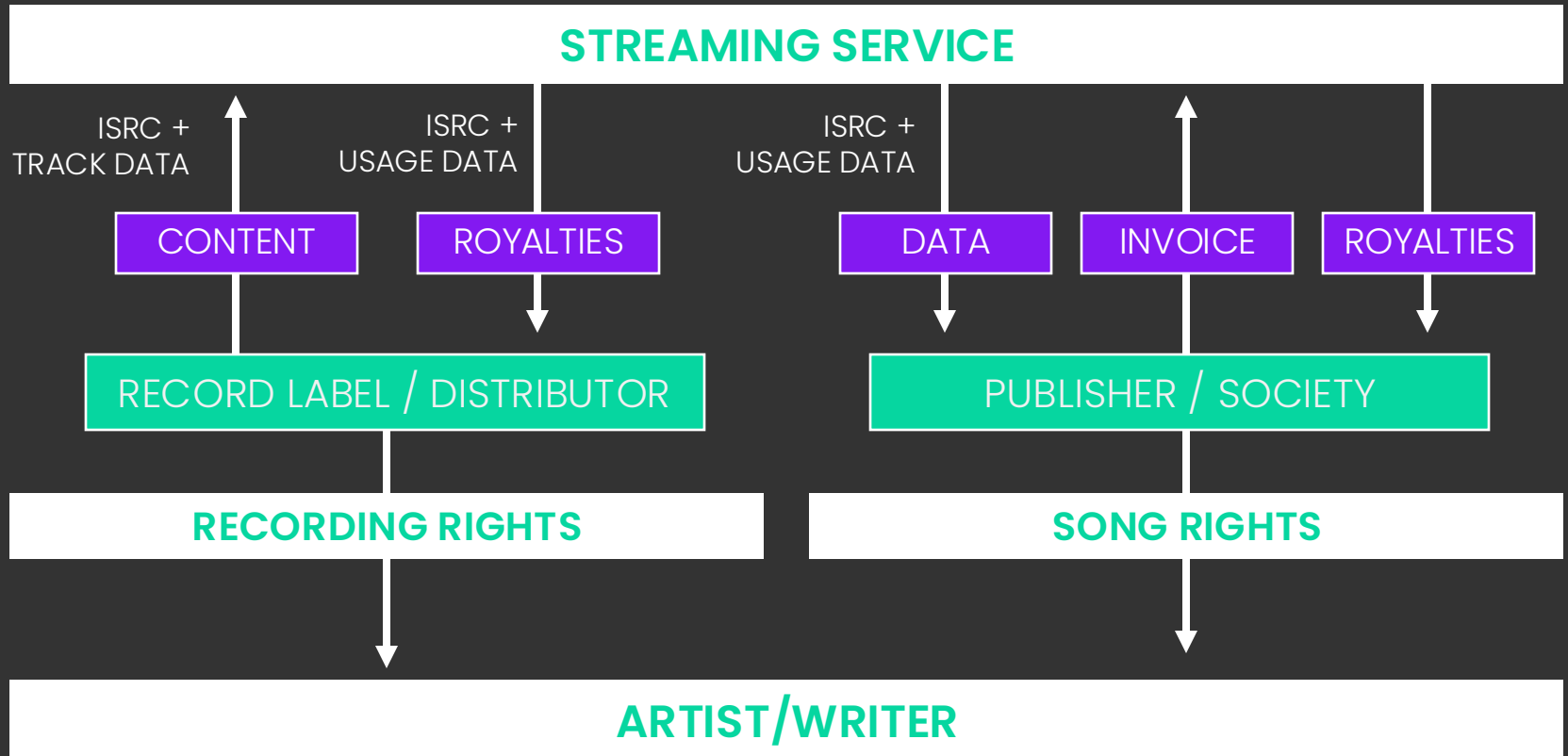
< modern label royalty deal

5–15%

< legacy label royalty deal

**#06: with the songs,
licensing entities need
to claim what they are due**

THE SONG ROYALTIES CHALLENGE: THE PROCESS



THE SONG ROYALTIES CHALLENGE: MATCHING WORKS

THE RECORDING



THE SONG

THE SONG ROYALTIES CHALLENGE: MATCHING WORKS

ISRC



ISWC

MATCHING WORKS



Some song royalties go unclaimed

We need a system for dealing with this

Often managed by a collecting society

Which provides a 'mop-up' licence

A QUICK RECAP

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**#02: streaming services need
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