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CMU GUIDE: MUSIC STREAMING EXPLAINED

**#01: there are many different
kinds of digital music services
– different kinds of services
operate different models**

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

Premium streaming services currently generate the most money for the record industry – these services all operate on basically the same model.

**#02: digital services license
recordings and songs
separately from music industry
companies and organisations**

THE CORE MUSIC RIGHTS

RHYTHM

LYRICS

MELODY

SONGS



THE SONG RIGHTS
aka the publishing rights

PERFORMANCE

PRODUCTION

MASTERING

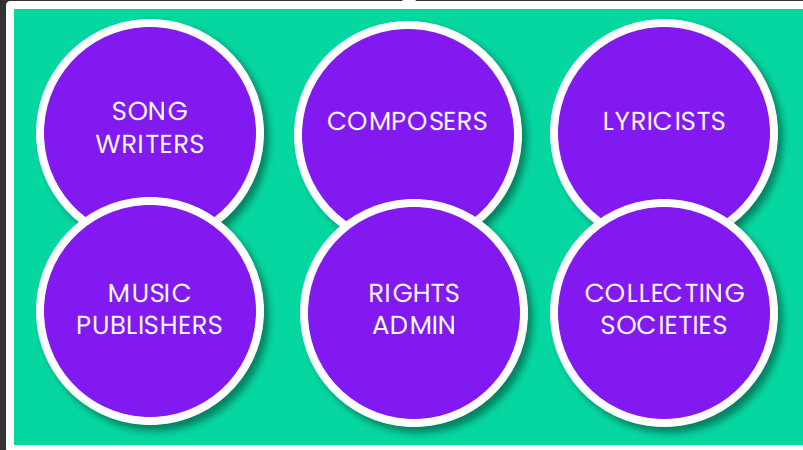
RECORDINGS

THE RECORDING RIGHTS
aka the master rights



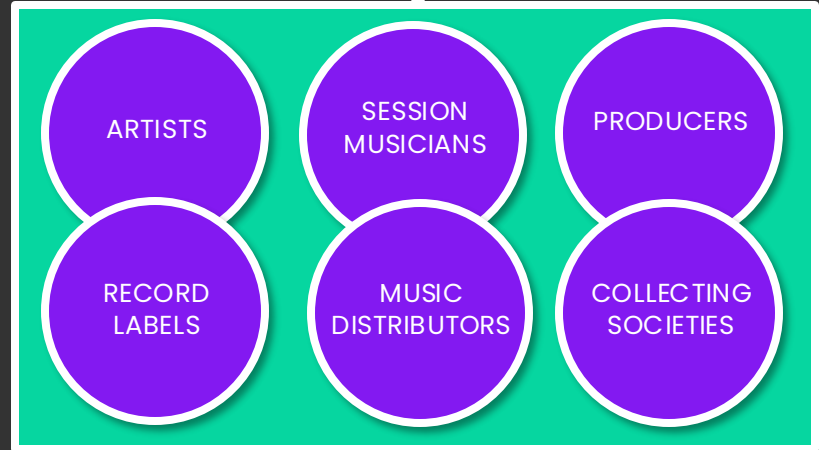
THE MUSIC RIGHTS INDUSTRIES

SONGS



MUSIC PUBLISHING SECTOR

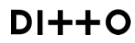
RECORDINGS



RECORD INDUSTRY

DIGITAL LICENSING

RECORDINGS

 UNIVERSAL	 WARNER MUSIC	 The Orchard	
 SONY MUSIC		 AUDIOSALAD	
 MERLIN			

licensed by labels + distributors



SONGS

 SONY MUSIC PUBLISHING			
 UNIVERSAL			
			

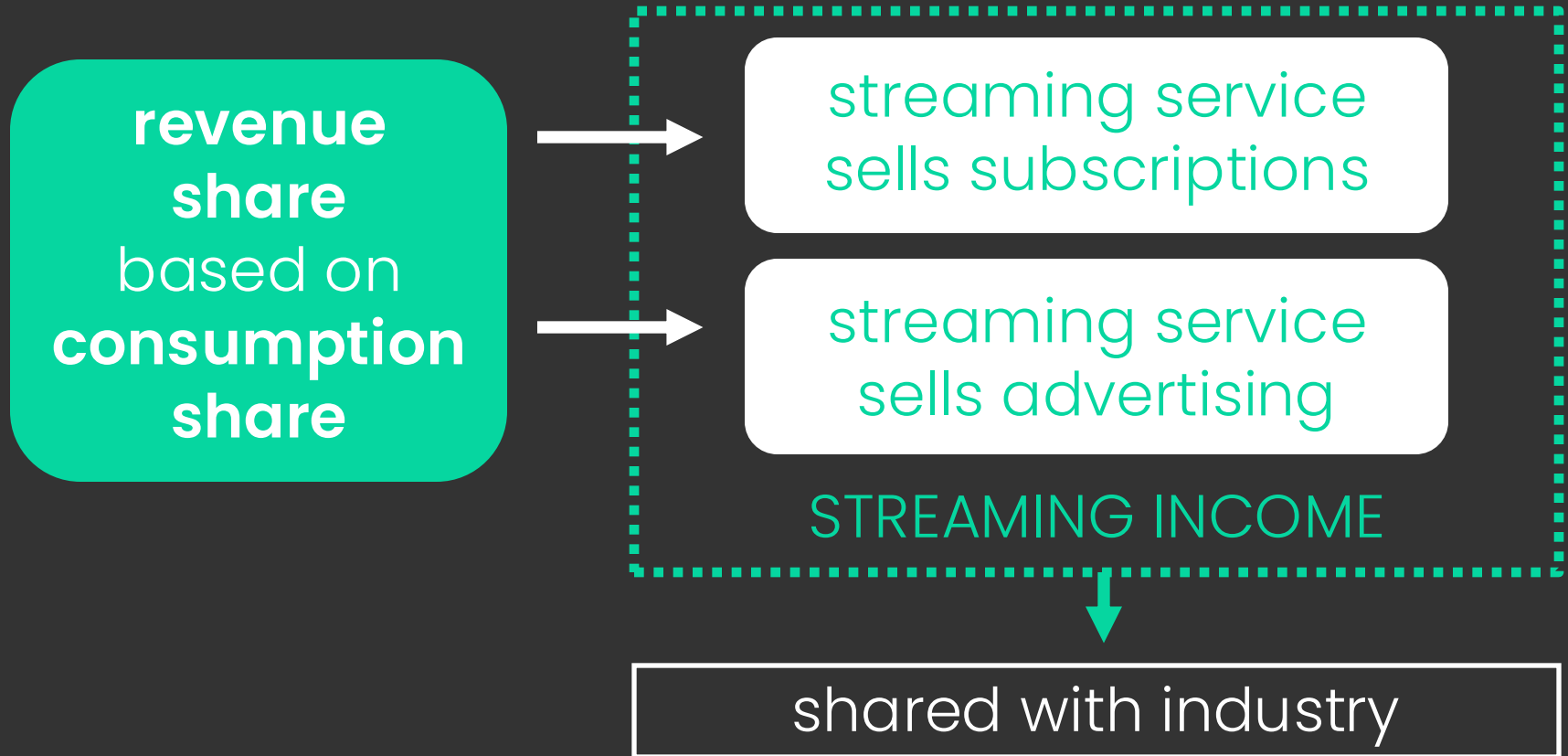
licensed by societies, publishers + hubs



THE STREAMING SERVICES

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

THE STREAMING BUSINESS MODEL



HOW DOES IT WORK?

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



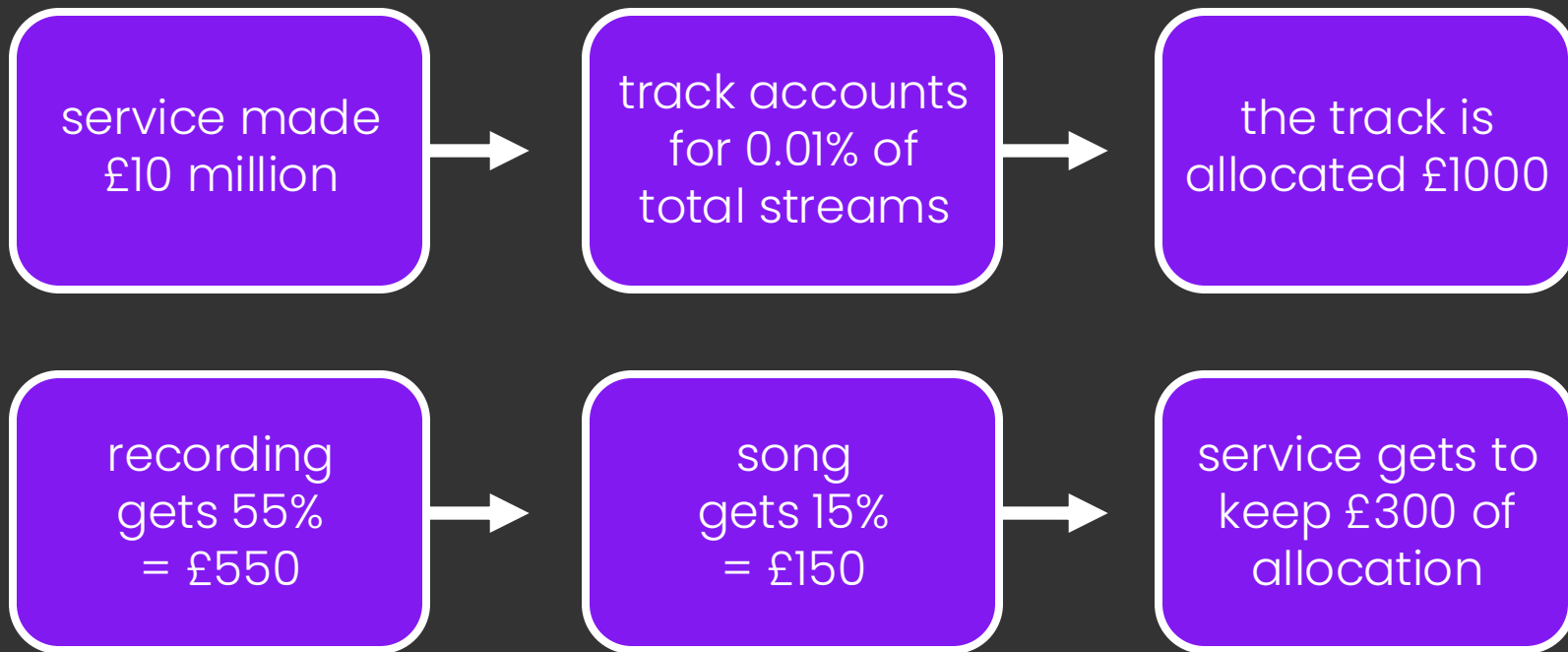
Track gets allocation based on consumption

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

**#04: what the artist earns
depends entirely on their deals
with their business partners**

CALCULATING PAYMENTS

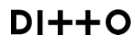
STEP ONE:
TRACK
ALLOCATION

STEP TWO:
REVENUE
SHARE

STEP THREE:
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ROYALTY

CALCULATING PAYMENTS: ARTIST ROYALTY

RECORDINGS

licensed by labels + distributors



pays artist a royalty based on
record or distribution deal

SONGS

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%

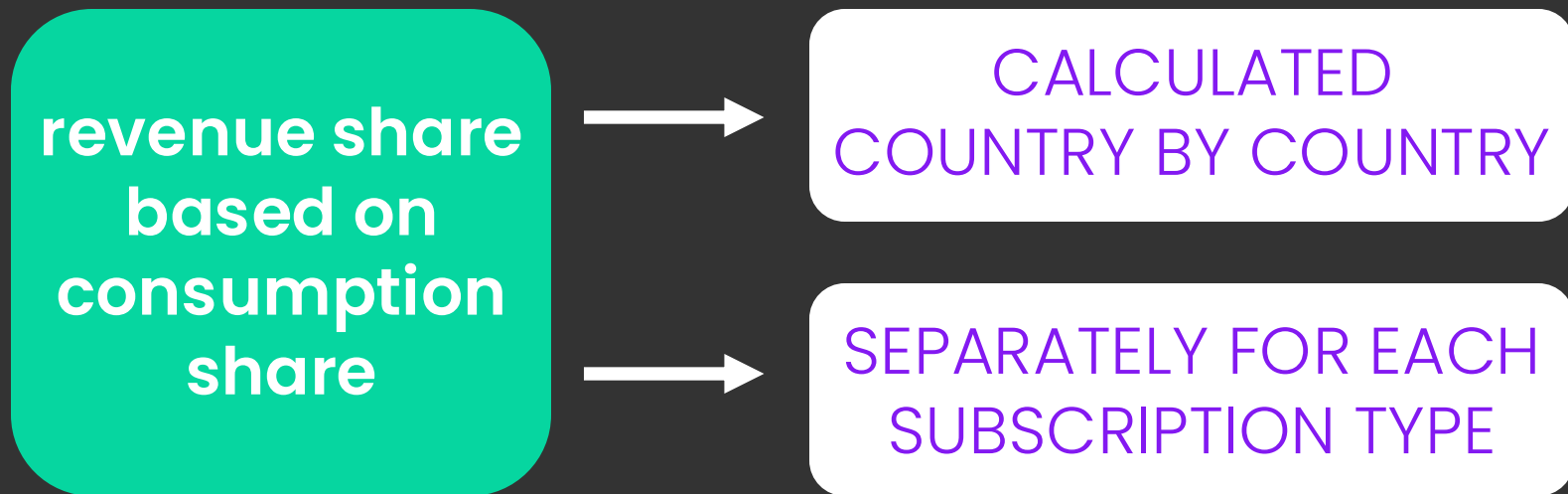
< modern label royalty deal

5-15%

< legacy label royalty deal

**#05: royalties are calculated
separately by country and
by subscription type**

CALCULATING CONSUMPTION SHARE



This means any per-play average pay-out will differ by country and subscription type – making global averages misleading.

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