

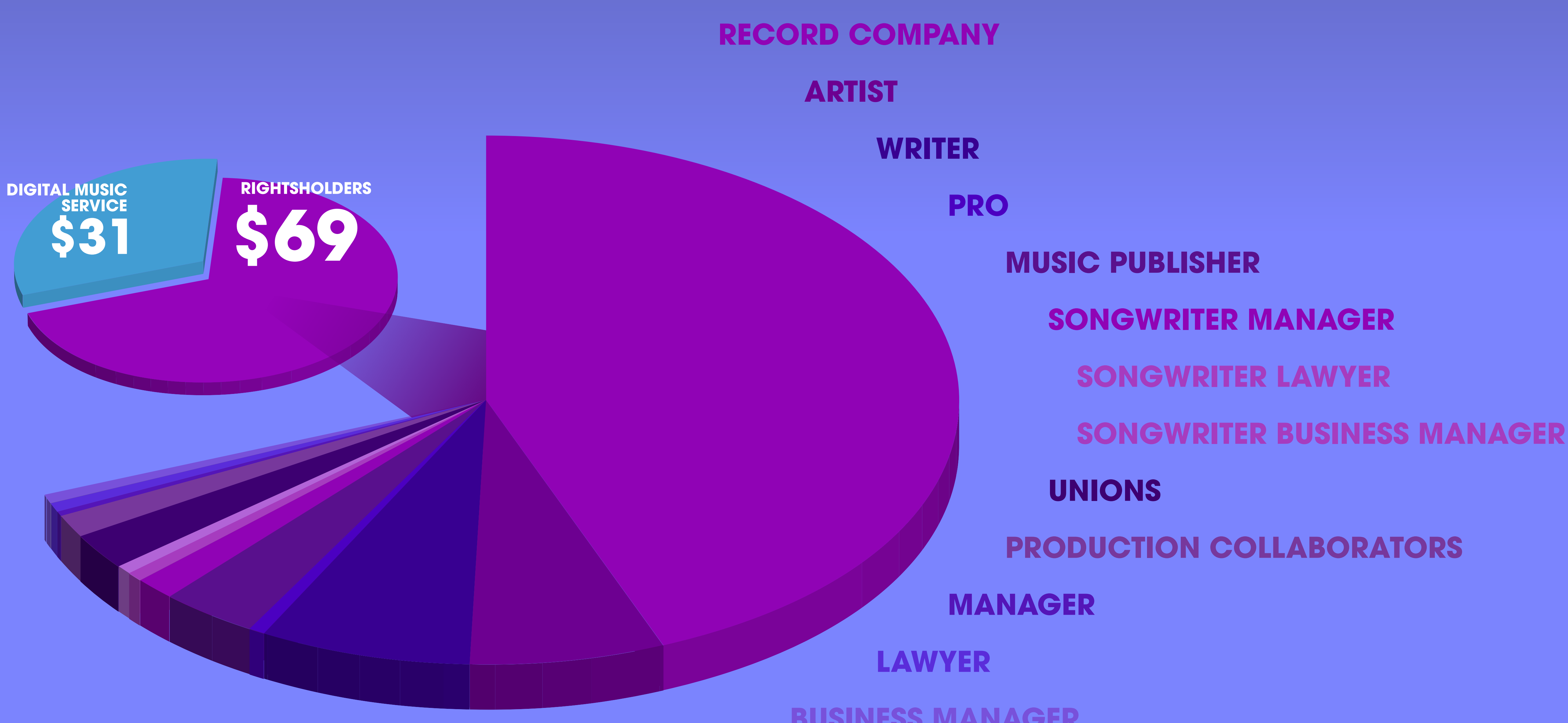
U.S. ON-DEMAND SUBSCRIPTION AUDIO STREAMING REVENUE

Who Gets Paid and How Much?

The flow of money from subscription on-demand streaming services is a complicated process that involves payments from subscribers to services, services to rightsholders and administrators, and rightsholders and administrators to creators and their collaborators. This graphic illustrates that flow through many of those parts—recording artists, songwriters, mechanical and performing rights organizations, publishers, record companies, and many others—by relying on general industry benchmarks. No graphical representation of the modern music business can fully account for every variation in the marketplace including the recoupment of advances, differences in contracts and fees, and changes over time to various statutory rates.

Revenue collected from consumer

\$100



Song Rightsholders (a)

\$13.31

Performing Rights Organization (b) **-\$0.67**

Mechanical Licensing Collective (c) **\$0.00**

Music Publisher (Perf) (d) **-\$1.50**

Music Publisher (Mech) (e) **-\$1.66**

Manager (i) **-\$1.42**

Lawyer (i) **-\$0.47**

Business Manager (i) **-\$0.47**



Songwriter(s)
Ends up with

\$7.11

Recording Rightsholders (a)

\$55.21

Record Company (f) **-\$43.54**

Unions (g) **-\$0.63**

Production Collaborators (h) **-\$2.21**

Manager (i) **-\$1.33**

Lawyer (i) **-\$0.44**

Business Manager (i) **-\$0.44**

Artist(s)
Ends up with

\$6.63

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FOOTNOTES

The graphic illustrates how the revenue is divided up between the different parties. It does not reflect the order of payment.

(a) The graphic begins with the digital music service receiving \$100 in revenue. A portion is then paid to song rightsholders and recording rightsholders, and the digital music service keeps the remaining portion. The way the total amount due to song rightsholders for the rights in their works in this infographic is calculated, using the Copyright Royalty Board (CRB) mechanical royalty rate that was understood to have applied in July 2020, is the higher of 13.3% of revenue, or 24.1% of the amount paid to the recording rightsholders. These rates are the subject of ongoing legal proceedings. In order to illustrate an example where a 24.1% rate applies, assuming we start with \$100 of revenue, the amount due to song rightsholders must be more than \$13.30. The value on the graphic assumes \$13.31. Using this value, a derived amount due to recording rightsholders can be calculated as \$55.21 (24.1% of \$55.21 = \$13.31). Which leaves \$31.48 with the digital music service.

(b) Performing Rights Organizations (PROs) keep an administrative fee, deducted from the performance royalties that they collect. The value on this graphic attributed to performance royalties is about half of the total amount due to song rightsholders, therefore the value is \$6.66 (\$13.31/2). The administrative fee taken by the two largest PROs, ASCAP and BMI, is 10%. The value on this graphic is calculated as 10% of the total performance royalties. PROs conduct surveys to monitor uses of musical works and make payments according to complex formulas based on the survey data.

(c) The Mechanical Licensing Collective (MLC), which will collect and administer statutory mechanical royalties beginning in 2021, is not permitted to keep an administrative fee, per the US Copyright Law. Its operating costs are paid for by the digital music services separately from the mechanical royalties that the MLC collects. The value on this graphic attributed to performance royalties is \$6.66, therefore the value on this graphic attributed to mechanicals is \$6.65 (\$13.31 - \$6.66). If there are issues matching the data received from digital music services with data received from music publishers, royalties generated by streams of a particular song may not make their way to the specific rightsholders of the song.

(d) Most songwriters who are also artists, or are already well established, usually enter into co-publishing agreements with music publishers. Performance royalties are typically paid out by the PRO as follows: 50% of the revenue is considered the music publisher share, and 50% of the revenue is considered the songwriter share. In a co-publishing scenario, the music publisher share is split equally between the music publisher and the songwriter's own music publishing entity, with each keeping 50%. The end result is that the music publisher gets 25%, the songwriter's own music publishing entity gets 25%, and the songwriter gets 50%. The songwriter is effectively getting 25% + 50% = 75%. The value on this graphic used to calculate the amount of performance royalties kept by the music publisher is 25%. In cases where the songwriter does not have a co-publishing agreement, the music publisher will retain a greater percentage of the publisher share.

(e) Most songwriters who are also artists, or are already well established, enter into co-publishing agreements with music publishers. Mechanical royalties are typically split as follows after they are collected by the music publisher: 50% of the revenue is considered the music publisher share, and 50% of the revenue is considered the songwriter share. In a co-publishing scenario, the music publisher share is split equally between the music publisher and the songwriter's own music publishing entity, with each keeping 50%. The end result is that the music publisher gets 25%, the songwriter's own music publishing entity gets 25%, and the songwriter gets 50%. The songwriter is effectively getting 25% + 50% = 75%. The timing of these payments to the songwriter will be impacted by whether or not they received an advance payment from the music publisher, and when the advance is fully recouped against royalties due. The value on this graphic used to calculate the amount of mechanicals kept by the music publisher is 25%. In cases where the songwriter does not have a co-publishing agreement, the music publisher will retain a greater percentage of the publisher share.

(f) Artist royalty rates in a typical recording agreement are in the range of 15-20% for newly signed artists, leaving the record company with 80-85% of revenue. Superstar artists with leverage may receive a much greater percentage of the amount paid to the record label, such as 50% of the net profits; in addition, artists whose recording agreements pre-date the era of digital streaming may be entitled to a greater percentage of royalties depending upon the language in their agreements. Royalties due to other production collaborators, such as producers, mixers, guest artists, and sample owners, are usually deducted out of the artist's royalties. The value on this graphic is calculated using 80% of the revenue due to recording rightsholders less the cost of union royalties. In cases where the artist has entered into a profit-sharing deal or joint-venture arrangement with the record company, the artist receives a higher percentage of revenue.

(g) AFM and SAG-AFTRA are each paid .55% of what the record company receives in streaming revenue in the US. SAG-AFTRA also receives an additional payment of 13% of 50% of .55%. The value on this graphic is calculated as .55% + .55% + .0003575% of the amount the record company receives. This value is not deducted from the artist's royalties.

(h) Production collaborators includes producers and mixers, and may include guest artists, and sample owners. Producer royalty rates are typically in the range of 3-4%. Mixer royalties are typically 1%. The value used on this graphic is 3% for the producer + 1% for the mixer = 4% of the amount the record company receives. The royalty rates paid to guest artist(s) and the owners of recording samples vary and can significantly increase the cost of this category of royalties. These royalties are typically deducted from the artist's royalties. If a production collaborator is paid a flat fee instead of a royalty, the flat fee is deductible from the artist's royalties.

(i) Management teams include managers, business managers, and attorneys. Managers typically earn a commission of 15-20% of the artist's earnings from all entertainment-related activities, including record royalties and song royalties. Business managers and attorneys are typically paid a commission of 5% each, if they are paid on a commission basis. Sometimes they are paid on a flat fee basis instead. The value on this graphic is calculated as 25% (15%+5%+5%) of the recording royalties due to the artist after production collaborators have been deducted, plus 25% of the song royalties due to the songwriter. The graphic assumes the artist and songwriter are the same person.

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Title 17 United States Code Section 115(d)(7)(D) <https://www.copyright.gov/title17/92chap1.html#115>.