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 service, services to rightsholders and administrators, and rightsholders and administrators to creators and their collaborators. This graphic is structured to navigate through tiers of these paid recording sales, songwriters, mechanical and performing rights organizations, publishers, record companies, and many others. It may rely 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

Songwriter(s) ends up with $7.11

Recording Rightsholders

Artist(s) ends up with $6.63

Performing Rights Organization
Mechanical Licensing Collective
Music Publisher (Perf)
Music Publisher (Mech)
Manager
Lawyer
Business Manager
Record Company
Unions
Production Collaborators
Manager
Lawyer
Business Manager

Revenue collected from consumer:

$100

$31

$69

$13.31

$55.21

$7.11

$6.63

Performing Rights Organization ($)
Mechanical Licensing Collective ($)
Music Publisher (Perf) ($)
Music Publisher (Mech) ($)
Manager ($)
Lawyer ($)
Business Manager ($)
Record Company ($)
Unions ($)
Production Collaborators ($)
Manager ($)
Lawyer ($)
Business Manager ($)
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 sliced amount due to recording rightsholders can be calculated as ($6.65 x 48.1%) + ($13.31 x 15.3%). Which leaves $31.48 of the digital music service.

(b) Performing Rights Organizations (PROs) keep an administrative fee, deducted from the performance royalties that they collect. The value on the graphic attributed to performance royalties is about half of the total amount due to song rightsholders, therefore the value is $6.68 ($13.31/2). The administrative fee taken by the two largest PROs, ASCAP and BMI, is 15%. The value on the graphic is calculated as 15% of the total performance royalties. PROs conduct surveys to measure usage of musical works and make payments according to correctly formulated 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. By operating costs are paid for by the digital music services separately from the mechanical royalties that the MLC collects. The value on the graphic attributed to performance royalties is $6.66. Therefore the value on the graphic attributed to mechanics is $6.68 ($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: 90% of the revenue is considered the music publisher share, and 10% of the revenue is considered the songwriter share. A co-publishing agreement means will split royalty 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 the 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 paid out 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 getting 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 testing 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 the 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 publisher share. The value on the graphic used to calculate the amount of revenue due to recording rightsholders 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.

(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% + .003375% of the total amount the record company receives. This value is not deducted from the artist's royalties.

(h) Producer royalty rates in a typical recording agreement are in the range of 10-20% for newly signed artists, leaving the record company with 80-90% of revenue. Superstar artists with leverage may receive a much greater percentage 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 publisher rightsholders must be more than $24.10. The value on the graphic assumes $24.11. Using this value, a sliced amount due to recording rightsholders can be calculated as ($6.65 x 48.1%) + ($24.11 x 15.3%). Which leaves $31.48 of the digital music service.

Sources


