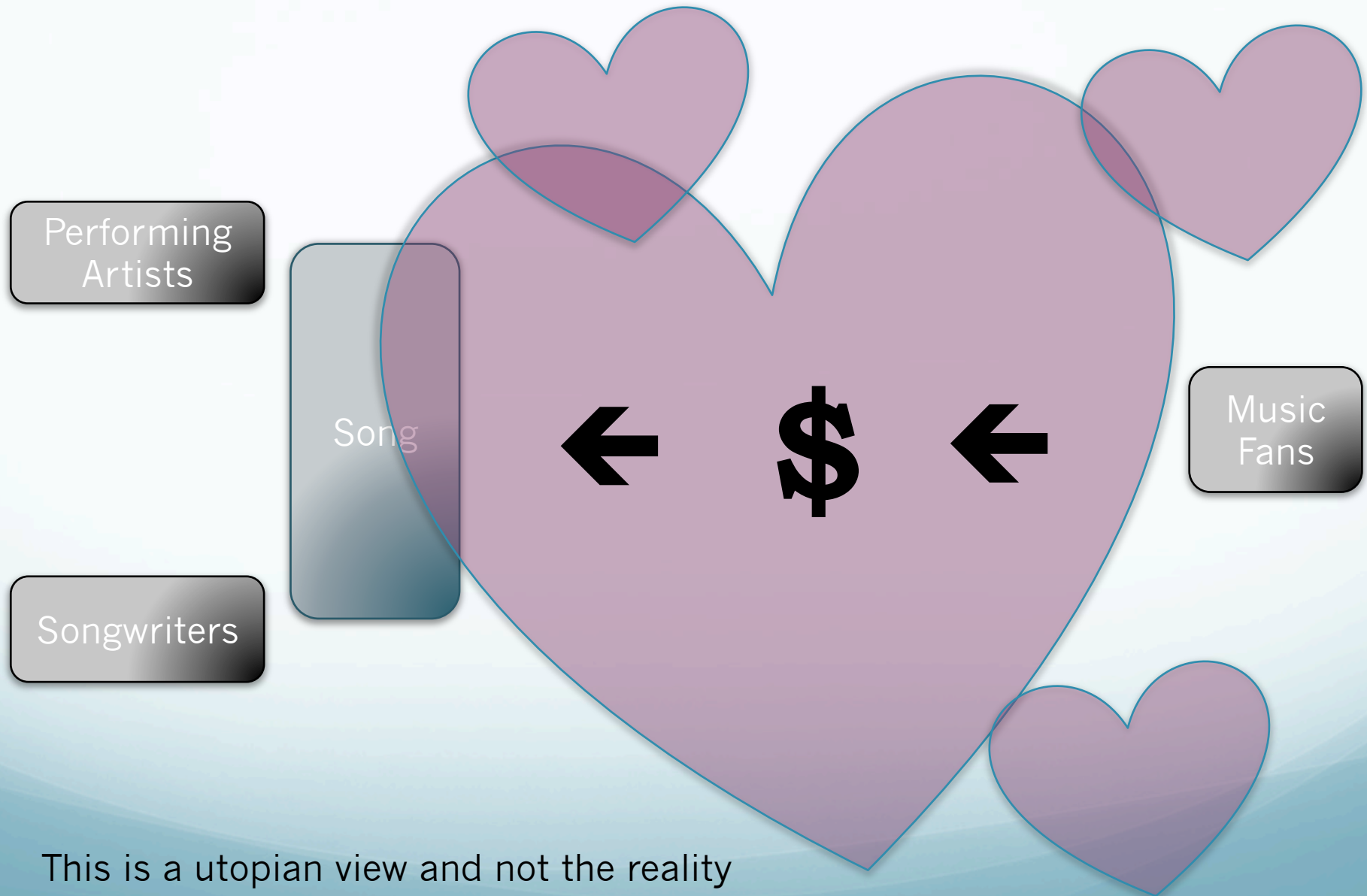


Music Industry: Value Chain, Licensing and Business Landscape

Vickie Nauman
For MIT Computational Law Course
Jan 2019

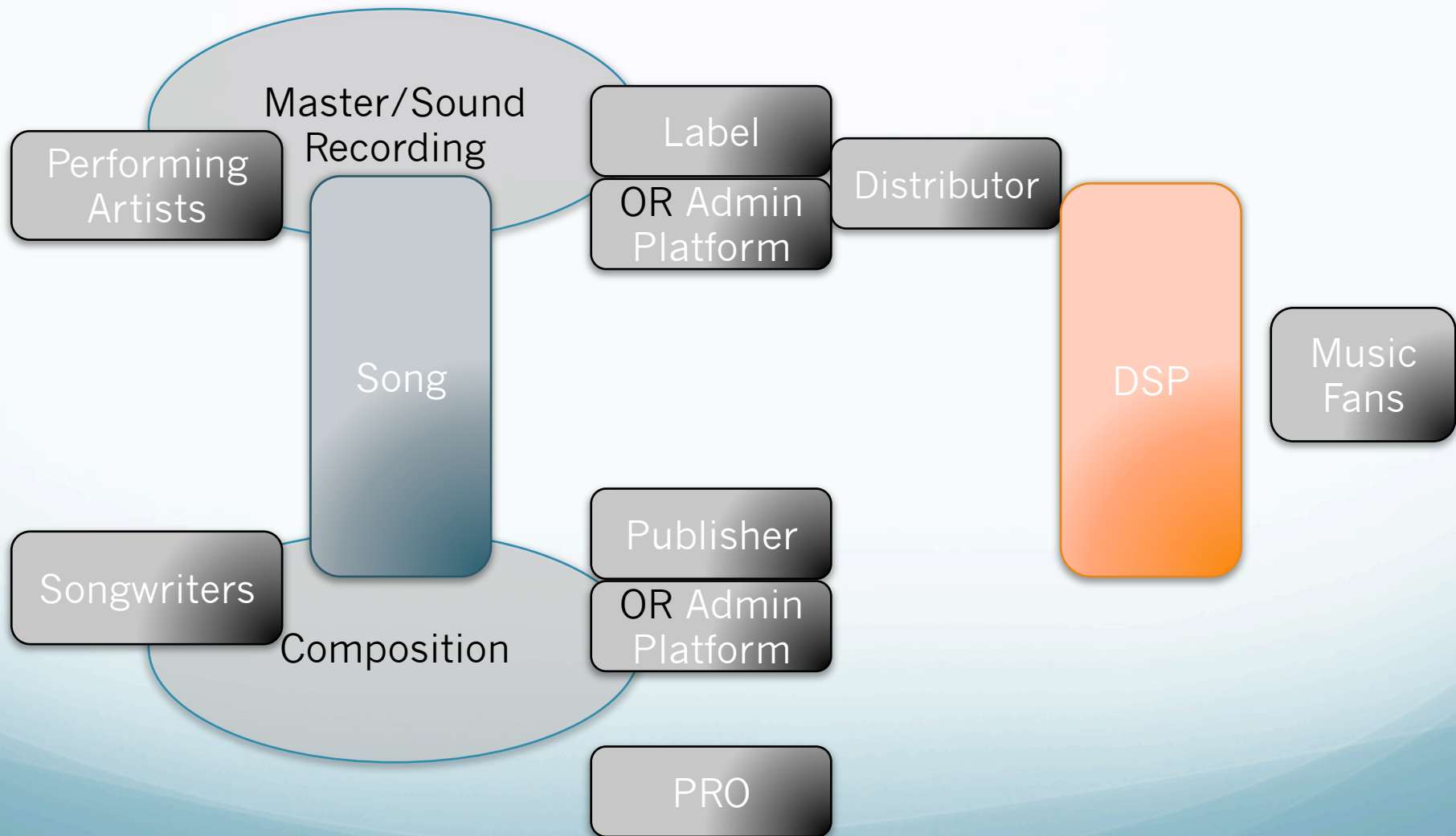
*acronym reference at end

Recorded Music Value Chain



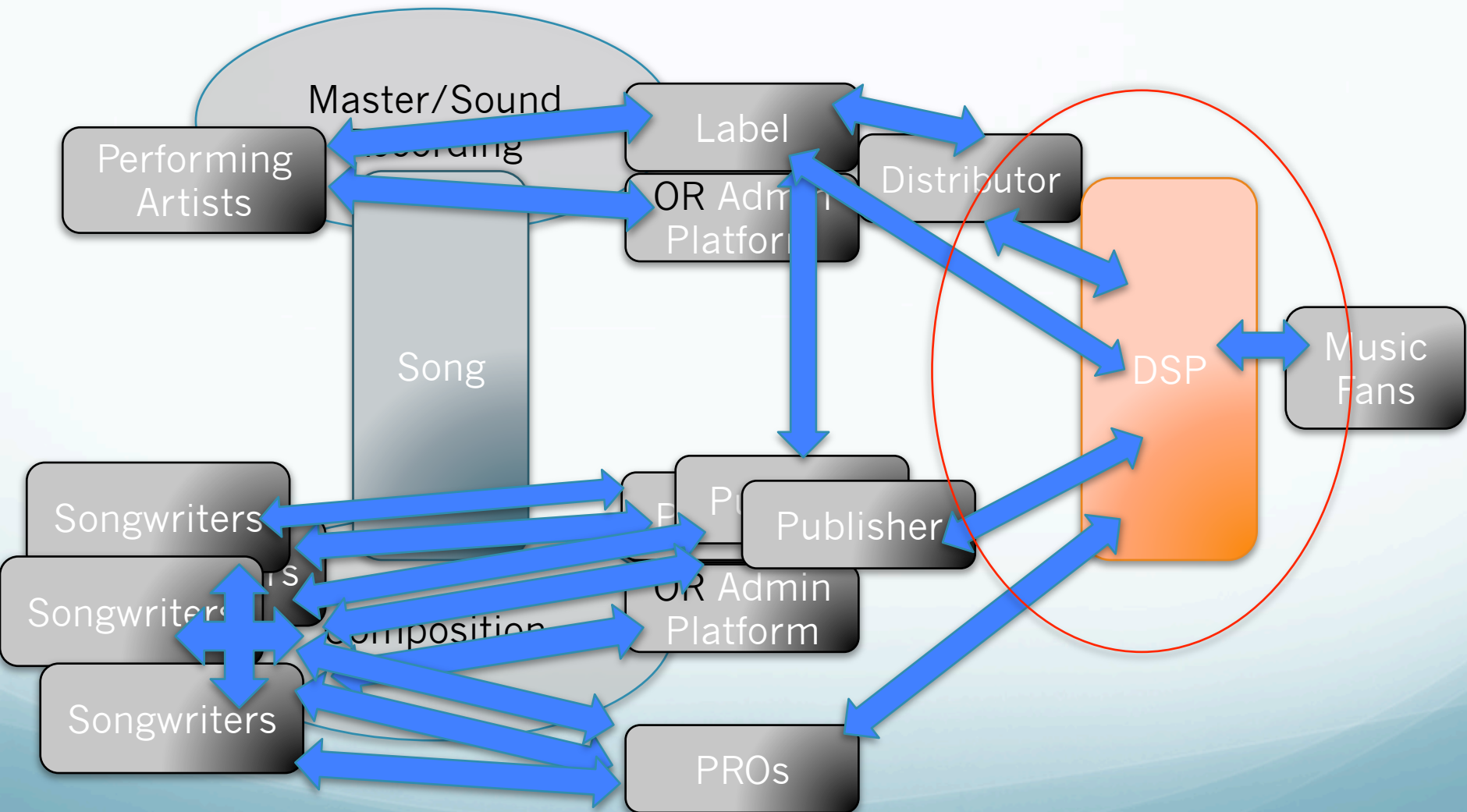
This is a utopian view and not the reality

Recorded Music Value Chain



This is a high level overview of the value chain, which is changing constantly

Contracts in Music Value Chain



The music industry has layers of complex contracts, so we will focus on DSPs

Music Licensing – DSP & Rightsholders

- Licensing & rights ownership for commercial exploitation of music is core to the industry
- Everyone wants money, fame and data
- Natural tension between licensees & licensors in any industry is natural...
- but...
- Digital upheaval and tech vs music power structure has created enormous tensions
- And debates are fierce about the VALUE of music

Two Examples of DSP Models

LICENSORS:

Label

Publisher

PROs

Synchronization – ie film/video/ad/game

Limited # songs licensed
Generally high fee; Negotiated rate

On demand streaming – ie Spotify

Full catalog music licensed from everyone
Mix of statutory/negotiated rates

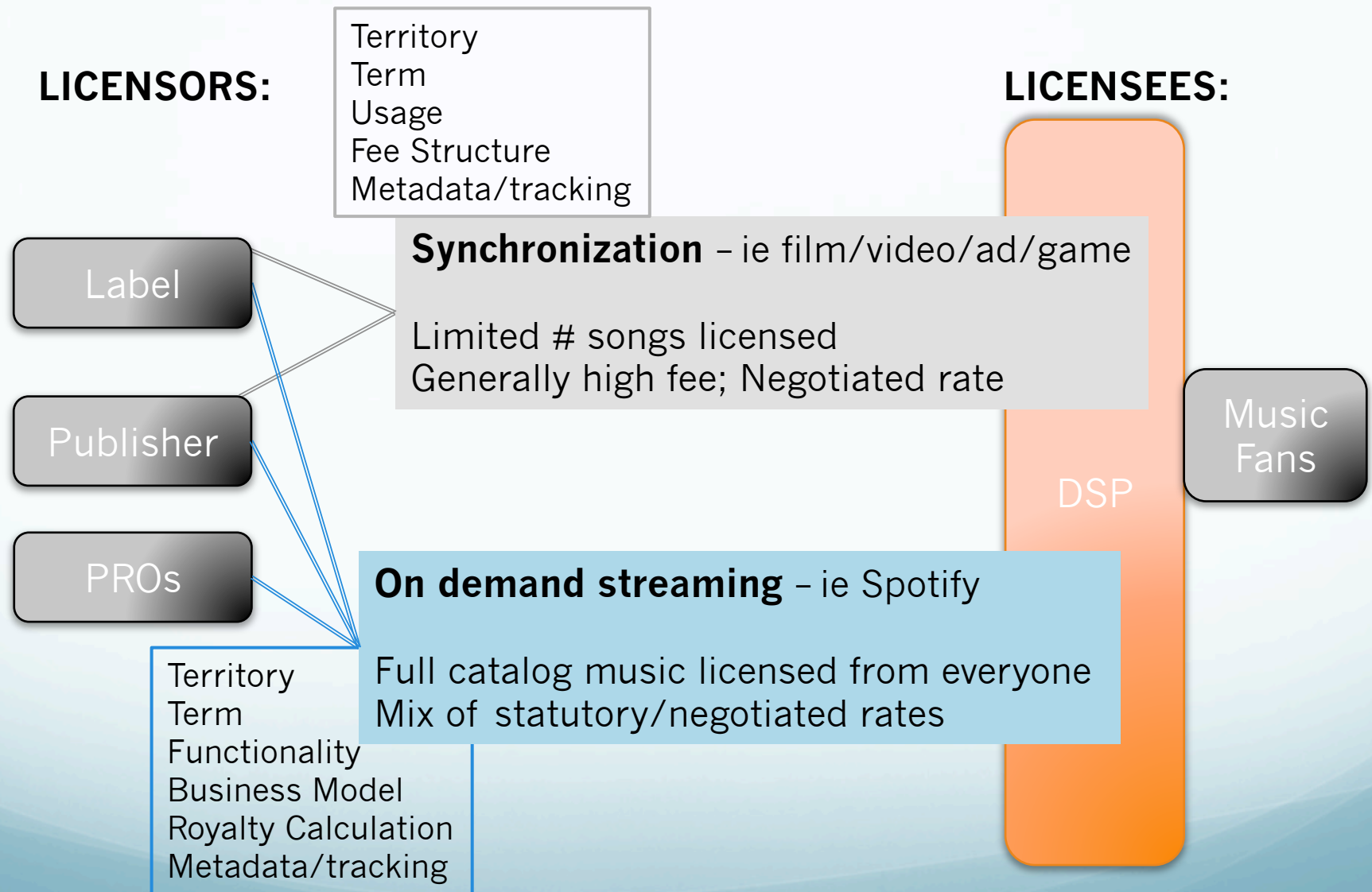
LICENSEES:

DSP

Music Fans

There are many different models for using music, and norms vary by country.

Key Deal Points of DSP Models



Music contracts are lengthy but these are high level deal points. Most are MFN.

Music Licensing – Conclusion

- Licensing & rights ownership for commercial exploitation of music is core to the industry → but roles and shifts in who does what for whom are undergoing massive change
- Everyone wants money, fame and data → money and data flow are still very tangled but transparency is emerging and the MMA is addressing some core issues
- The debates will continue about the value of music → but now that streaming services are growing and money is flowing, there is room for innovative new models, payment structures and approaches
- But the tanker in music turns slowly → innovation around smart contracts and efficiency is best done in baby steps

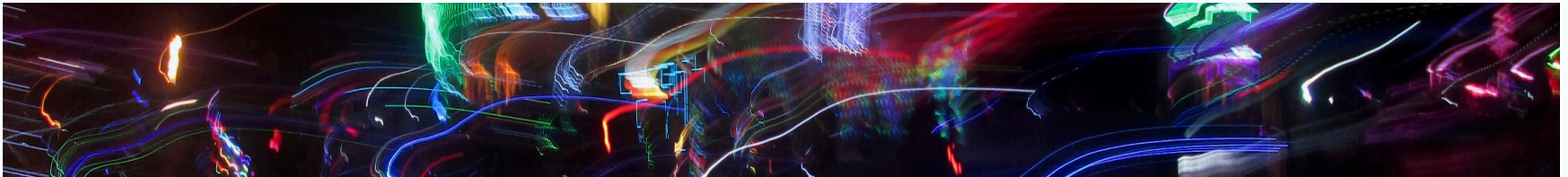
Acronym Reference

- DSP = Digital Service Provider; any company that is licensing music to make available to end consumers (Google, Spotify, brands, startups etc)
- MFN = Most Favored Nation; contracts with MFN clauses bind the licensee to provide all licensors with parity in economic terms
- PRO = Performing Rights Organization; agencies that collect songwriters' royalties for radio, in-store music etc; ASCAP, BMI, SESAC in the US and are country-specific throughout the world



THANK YOU!

CrossBorderWorks Consulting & Advisory Firm, Specializing in Music Tech



Vickie Nauman

Founder CrossBorderWorks

www.crossborderworks.com

vnauman@crossborderworks.com

www.linkedin.com/in/vnauman/

Strategic Advisor to Open Music Initiative from Berklee School of Music's