

MUSIC INDUSTRY — DEALS GUIDE — RECORDINGS



INTRODUCTION

MMF is publishing a series of deal guides, including this guide looking at how companies in the record industry work with artists around their recorded music – such as record labels, music distributors, and label and artist services companies.

It explores all the support and services an artist would expect if they signed a conventional record deal with a record label, and what the label usually wants in return in terms of rights and revenues.

It also considers which of those services can be accessed via a distributor or label / artist services business.

The guide also identifies ten options for artists when choosing a business partner to work with around their recorded music, from a DIY distributor to a major label, and explains the pros and cons of each approach.

This guide assumes a basic knowledge of music copyright and also references various categories of music rights data. We suggest other resources that cover these topics in more detail on page 27.

This guide has been produced in partnership with CMU, a company that helps people navigate and understand the music business.

Section One:

The Recorded Music Business

An artist's recordings generate income in a number of different ways, including when music is streamed; through the sale of downloads or physical discs; when recordings are played on the radio or in public at a pub, club, bar or cafe; and when music is synchronised into TV shows, films, games or ads.

This is possible because sound recordings are protected by copyright. Because of copyright, when any third party wants to make use of a recording – including digital platforms, radio stations, TV networks, movie studios, brands etc – they must get permission from the copyright owner. The copyright owner will usually charge a fee to grant permission, which is how copyright makes money.

Artists need business partners to help them release their tracks into the world and to generate income from the use of their recorded music.

Traditionally, the primary business partner was the record label, which would work with the artist to make the recordings in the first place, manage and market the release of the record, and then look for as many ways as possible to monetise the rights in the recordings.

In return for that support, the label wants to control – and possibly own – the copyright in all the recordings it releases, with the label and artist then sharing the money those rights generate.

For many artists, labels remain the key business partner around their recorded music. However, there are now other options, such as working with distributors or label / artist services businesses.

To understand the options available to artists, it's useful to understand all the support and services a label may provide, and then consider the other ways artists can access those services, and what alternative business partners want from artists in terms of rights and revenues.

SOUND RECORDING COPYRIGHT

REPRODUCTION

DISTRIBUTION

RENTAL

ADAPTATION

PERFORMANCE

COMMUNICATION

MAKING AVAILABLE ONLINE

RECORDING REVENUES

DIGITAL

STREAMING
SERVICES

USER-GENERATED CONTENT
+ SOCIAL MEDIA PLATFORMS

DOWNLOAD
STORES

PHYSICAL

CD

VINYL

OTHER (eg cassette)

SYNC

TV

FILM

GAMES

ADS + BRAND CONTENT

NEIGHBOURING RIGHTS

BROADCAST

PUBLIC PERFORMANCE

WHERE DOES PPL FIT IN?



With some uses of music, the industry employs collective licensing, meaning that a collecting society – aka a collective management organisation (CMO), performing rights organisation (PRO) or music licensing company – issues the licence and collects the money.

In the UK, the record industry's collecting society is PPL. With recorded music, collective licensing applies with radio, public performance (aka background music) and – in most countries – traditional network TV programmes. These are often called neighbouring rights revenues.

Under copyright law, in most countries, when the neighbouring rights are exploited, performers have a statutory right to payment - which means all performers on a track, including session musicians, need to be paid.

This is 'performer equitable remuneration' (ER) and is managed by PPL. This right to payment co-exists with the rights of the copyright owner, aka the rightsholder, who also needs to be paid.

If an artist is self-releasing their recordings, they join PPL as both a rightsholder and a performer, and receive both payments. If they work with a label, it will receive the rightsholder payment, but the artist will continue to receive their performer ER payments directly from PPL.

For the record industry worldwide, neighbouring rights revenues account for about 10% of income. Therefore artists need another business partner, such as a label or distributor, to help them access all the other revenue streams.

Section Two: What A Label Offers

If an artist signs a conventional record deal with a record label, they would expect the label to provide a wide range of support and services as part of the deal
The support and services might include:

ADVANCE



Upfront cash provided to the artist which is then recoupable from future income the artist will generate.

For new talent, this cash injection may allow an artist to focus on their music full time for the first time. The hope is that, by going full time, an artist can focus on growing their fanbase and, in turn, boost all of their revenue streams, including touring, publishing and merchandise as well as recordings.

The label isn't necessarily the only business partner to advance cash, though a label advance would traditionally be the most significant.

RECORDING COSTS



The label often organises and pays for the recording of the artist's music.

This would involve covering the costs associated with hiring studio space, record producers, sound and mastering engineers, and any session musicians

Under UK copyright law, by organising and paying for the recordings to be made, the label would be the default owner of the sound recording copyright in those tracks.

ARTIST DEVELOPMENT



The label may support the artist's creative development – ie A&R. This may be simply through informal feedback, or by funding songwriting and recording sessions, or by organising and funding collaborations with other artists, songwriters and record producers.



PRODUCT DEVELOPMENT

Once recording sessions are complete, various recorded music products will be created including single, album and EP releases.

The label will usually work in liaison with artist and management to decide what form these products will take, and then commission and pay for accompanying visuals such as photography, styling, artwork and videos.



DIGITAL DISTRIBUTION

The label arranges for completed tracks to be made available to all relevant download stores, music streaming services and other digital platforms that use music, including user-generated content and social media platforms.

With UGC and social platforms, that might involve delivering recordings to audio clip libraries, and/or to audio ID systems that monitor what music has been inserted into videos by users.

Some labels have their own infrastructure to deliver this content and deals in place with the digital services, while others will utilise the infrastructure and/or deals of third parties.



PHYSICAL MANUFACTURE & DISTRIBUTION

If physical products are to be released – ie CD or vinyl – the label will arrange for these products to be both manufactured and delivered to high street and mail-order retailers.

Again, labels may have their own physical distribution network or may utilise the infrastructure of third parties. Several logistics partners may be involved to get products from the factory to online retailers and the high street.



CONSUMER MARKETING

As a recording is first released a consumer-facing marketing campaign will be run to promote both the artist and the record.

Labels normally lead on this marketing activity, putting together a campaign plan in liaison with artist and management, and then delivering the campaign, either in house or by employing third party agencies.