

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.

An album marketing campaign will likely include a wide range of social and digital activity, as well as reaching out to media contacts and other influencers, and possibly advertising, in store and industry events, and publicity stunts.

Because the artist's live activity also boosts their profile, the label may provide 'tour support', ie help cover the costs of touring, though this money will usually be recoupable from future royalties.

For the label, the priority of the campaign is generating streams and sales of the record, though for the artist – especially with new talent – the album campaign is as much about building their brand and fanbase, so to grow their other revenue streams as well.

B2B MARKETING



In addition to the consumer-facing marketing campaign, the label will also promote the artist and their recordings to a music industry audience.

This traditionally meant sales activity to persuade retailers to stock the record. In the digital domain, streaming services allow any recordings to be pushed into their platforms, so the B2B marketing is more about ensuring a track has prominence.

That might include securing playlisting or other editorial support from the streaming service, using promotional and advertising tools within the streaming service's platform, and informing the service's algorithm about the release.

SOCIAL + CONTENT



Digital activity is at the centre of most music marketing campaigns today. This will usually involve creating visual and video content, and then pushing that content out through different digital and social channels, utilising advertising and promotional tools provided by social platforms, and possibly forming alliances with influencers who have relevant audiences on those platforms.

The label will usually utilise the artist's existing channels and profiles on social media as part of this work, and may have their own social media or direct-to-fan channels that can be utilised as part of the marketing campaign.

Because the label is using the artist's digital and social channels, there needs to be an agreement about how that will work.

So, to what extent the label or its digital marketing agency has direct control over these channels, and to what extent the artist or management will continue to control these channels but utilise content, advertising budget and possible advertising expertise from the label or its agency.



PRESS + PROMOTIONS

Securing support from music media remains an important part of marketing new releases – which means securing editorial from music blogs, magazines and websites, and editorial and airplay from music radio, and – for some genres – support from relevant club DJs.

This may also include pitching music to the people who curate third party playlists on the streaming services and to the makers of relevant podcasts.

The label usually takes responsibility for this activity, either utilising in-house teams or hiring the services of external agencies. Traditionally this activity is split into two – with press/PR handling blogs, magazines and websites, and promotions/plugging handling radio, TV and clubs.



DATA + ANALYTICS

Digital marketing should be data-lead, using various sources of usage and fan data to gain insight about the fanbase, assess the success of marketing activity and target the message on digital platforms.

Artists have access to data about their own music and fanbase, but a label has access to timely data from across its entire roster and catalogue, allowing for enhanced insights and targeting.

Although a label can deliver great value to the artist through its use of data and analytics, the artist needs to ensure they also have access to any data relating to their music and fanbase, and the rights to utilise that data.

The label must ensure that when it is directly gathering fan data, any data and privacy statement allows for that data to be shared with the artist and their management team. The MMF's 'Fan Data Guide' has more information about how to safeguard your artist's data rights.

RIGHTS DATA + NEIGHBOURING RIGHTS

When a recording is released, a set of metadata should accompany the release and this should be provided to any digital platform that receives the music.

This includes the unique identifier for each track (the International Standard Recording Code or ISRC) and the unique identifier for each product (a UPC, which is basically a barcode). So an EP with four tracks would have an ISRC for each recording but a single UPC for the release. A label will usually provide these codes.

Each recording also needs to be logged with the record industry's collecting societies, so that they can collect income in those scenarios where collective licensing applies (which – as explained on page 5 – includes radio, public performance and, in most countries, TV).

It is usually the rightsholder's responsibility to log each recording. When doing so, they should also log the name and unique identifier (International Performer Number or IPN) for every performer who appears on the track, including session musicians.

Performers are usually due equitable remuneration in the scenarios where collective licensing applies, which is paid directly by the societies, but for these payments to be made each performer needs to be listed and uniquely identified.

Even where a label is logging this data, artists and their managers should check at least the PPL database to ensure recordings have been logged and all performers have been correctly identified. It is advisable that managers have full access to their artists' PPL accounts by setting up a third party mandate.



SYNC

Beyond generating revenue through the streaming and sale of the artist's recordings, the label may also seek opportunities to have tracks synchronised into TV programmes, movies, games and adverts, as well as brand content on social and digital platforms. This work involves pitching tracks to music supervisors and negotiating deals with potential sync clients.

Some labels are more proactive than others when it comes to sync, though most will usually be pitching tracks from across its catalogue to potential sync clients, rather than specifically seeking opportunities for any one artist at any one time.

Where music is used by a sync client, the label will usually then negotiate the licensing deal with that client. The exception is the use of music in programmes on traditional TV networks, where usage is often covered by blanket licences issued by the record industry's collecting societies, so in the UK that is PPL.

There are exceptions to this however, such as theme music and TV productions that originate in the US or are produced by the big global streaming platforms. In those scenarios TV sync often begins with direct deals, like movies, games and ads.

OTHER COMMERCIAL OPPORTUNITIES



The label may also be seeking other commercial opportunities that benefit both it and the artist. This might include partnerships with media, brands or digital platforms that go beyond traditional marketing or sync.

Depending on the deal, the label may also have some involvement in an artist's other revenue streams, such as touring, merchandise or brand partnerships. In that circumstance it would be providing additional support in those areas too.

Section Three: What A Label Wants

Every record deal is different, but most labels will be looking for three, or possibly four, key things in return for the support and services they offer to artists.

EXCLUSIVITY



A label will usually want some sort of exclusivity arrangement with the artist.

In the case of a traditional record deal, this would usually mean that the artist is obliged to deliver a certain number of recordings to the label and is not allowed to make or release recordings with any other parties until that obligation has been met (or the label has decided not to exercise its right to receive additional recordings).

In an era of frequent collaborations between artists on recordings, an artist's exclusivity arrangement will likely mean they need approval from their label to feature on others' recordings, with the label involved in agreeing what fees and royalties they and their artists receive.

REVENUE SHARE



With a few exceptions, label partners don't usually expect to charge upfront fees to the artist. Rather the label initially provides its services for free and then shares in any revenue the artist's recordings generate.

How this revenue is shared varies hugely from deal to deal – in a classic record deal the label keeps the majority of the money, in a modern distribution deal the artist keeps the majority of the money.

The label will also likely be able to recoup some or all of its costs before the revenue share arrangement kicks in, either from the total income pool or specifically the artist's share.

COPYRIGHT OWNERSHIP



Under a classic record deal the label would own the copyright in any sound recordings generated under the deal. This means that the controls that come

with the sound recording copyright belong to the label – not the artist – and therefore it is the label that is empowered to exploit those controls for profit.

Under UK law, if the label arranges for the recordings to be made, it would be the default owner of the copyright anyway. Where the recordings have already been made prior to the label's involvement, those rights would be assigned to the label through contract.

The label may own the copyright in the artist's sound recordings for 'life of copyright' – so 70 years after release in the UK – or the label may be the rights owner for a period of time after which the copyright reverts to the artist.

Life of copyright deals – where the label owns the rights for life of copyright – used to be very common in the record industry, but are becoming less common today in the UK.

Distributor and distribution deals do not usually involve copyright assignment. More conventional record deals are also increasingly licensing deals rather than assignment deals.

That means the artist retains ownership of the copyright, but the label has the rights to exploit all the controls that come with the copyright. Which means the label acts as if it is the copyright owner for as long as the licensing deal is in force.

ANCILLARY REVENUES



Traditionally a record label was only cut into the artist's recorded music revenue stream. Other revenue streams – such as publishing (ie the monetisation of the separate song copyright), touring, merchandise, direct-to-fan and brand partnerships – were not part of the deal.

Artists would usually enter into deals with other business partners to capitalise on these other revenue streams, such as publishers, promoters and merchandisers.

However, as the value of recorded music slumped in the 2000s, many labels started to demand a cut of some of the other revenue streams too, especially with new talent deals.

The labels argued that it was their investment and marketing that unlocked these other revenue streams and that, as the financial return on recordings had declined, they needed a share of other revenues to justify their upfront commitment.

Which other revenue streams a label might share in, and quite what that means, varies greatly from deal to deal. Labels usually refer to these as ‘ancillary revenues’, which tells you that most labels are still primarily interested in partnering with artists on their recordings, and involvement in other aspects of the artist’s business is seen as secondary, even if those other revenues might prove to be as lucrative as the recordings.

The artist and manager need to consider whether the benefits of the label’s involvement justifies it taking a share of other revenue streams, especially since recorded music revenues have been growing since 2015, so that revenue stream is becoming much stronger again.

WHAT DO YOU NEED?

 advance ☐	 b2b marketing ☐
 recording costs ☐	 social + content ☐
 artist development ☐	 press + promotions ☐
 product development ☐	 data + analytics ☐
 digital distribution ☒	 rights data ☐
 physical manufacture ☐	 neighbouring rights ☐
 physical distribution ☐	 sync ☐
 consumer marketing ☐	 other opportunities ☐

WHAT ARE YOU WILLING TO OFFER?

 exclusivity around recordings ☐
 ownership or control of recording rights ☐
 share of recording revenues ☐
 share of other revenues ☐

Section Four: The Deal

The artist and manager need to decide what support and services they want from their business partner and what they are willing to commit to and give up, in terms of exclusivity, recording revenues, copyright and ancillary revenues.

As a basic rule, the more support and services the artist wants, the more they will have to give up.

An artist's manager and lawyer will usually negotiate the deal with the label partner, setting out what support and services the label will provide, and what the artist is delivering to the label in return – eg How many recordings? Who owns the rights for how long? Will the label share in ancillary revenues? etc.

Other things to consider when negotiating the deal...

ROYALTIES, DISCOUNTS + DEDUCTIONS

The record contract will also obviously set out how revenues will be shared.

The label may commit to share the profits with the artist or to pay the artist a royalty on any revenue it generates from the recordings. With distributors, the distributor usually charges a commission on any money generated by the recordings. The outcome of all these scenarios is that the artist receives a percentage of any money generated.

There may be one royalty percentage across the board for all income or the percentages may differ depending on the revenue stream – eg 15% on CD, 25% on stream, 50% on sync.

The contract may also provide 'discounts' to the label, so that in certain scenarios – such as if income comes in via a non-UK subsidiary of the label – a lower royalty rate applies.

The contract also needs to define what the percentages specifically apply to – if the artist is due 25%, it needs to be clear "25% of what".

With traditional record deals centered on physical releases, royalties were calculated on a PPD basis. This means 'published price to dealer' and is the wholesale price charged by the label to record shops. If the artist is on 15% royalty, they are paid 15% of the PPD per record sold.

In the streaming world these deals have been interpreted so that the artist royalty is applied to income received by the label from streaming services in relation to any one track in any one month. Basically streaming income is seen as a form of sales income.

Quite how this works varies from deal to deal, is the royalty rate applied to the money paid by the streaming service or the money received by the label after any distributor or delivery partner has taken a commission? This can have a big impact on what the artist receives so it is important to understand how the label is applying the royalty rate to streaming income.

People often talk about ‘points on a recording’ – this refers to each percentage point within the royalty, for example a 20% royalty would be 20 points. This term is most commonly used where other people involved in making a recording – such as the producer, mixer or a guest artist – is also allocated a royalty. They receive ‘points on the recording’.

It is important to understand these points commonly come out of the artist’s royalty. So if the artist is on a 25% royalty and you decide to allocate three points to a producer and one point to a mixer, the artist now receives 21% of the PPD or streaming income. Crucially, when a producer gets a point, that means 1% of the PPD, not 1% of the artist’s royalty.

It is usually the label’s responsibility to ensure producers, mixers and guest artists receive payments relating to their points. However, if an artist is self-releasing, it is the responsibility of their artist – and therefore their manager – to ensure these payments are made. Some distributors have tools to help administrate these payments.

The contract may also allow the label to make ‘deductions’ to income – possibly to cover specific identifiable costs or possibly more generic deductions – before the percentage due is calculated, therefore reducing the overall royalty that is paid.

Deductions may also be applied as money flows through a label’s partner or local subsidiary in another market. It’s important to clarify if any international deductions will be applied. You may want to ensure international deductions are not allowed and that royalties are always calculated on ‘at source’ income, ie what the streaming service pays at the start of the chain.

Traditionally, record contracts – especially major label contracts – were complex and resulted in overly complicated systems regarding royalty payments. In the

streaming age, royalty agreements should be much simpler with fewer, if any, discounts and deductions being applied.

RECOUPMENT

The label will also usually be allowed to recoup some or all of its costs out of the revenue generated before the artist is paid any money at all. The contract needs to set out what costs are recoupable in this way.

Also, are these costs recouped out of all the income that comes in or from just the income allocated to the artist? The former arrangement would usually be referred to as a 'profit share deal' while the latter would be referred to as a 'royalties deal'.

To illustrate the difference, take this example: the artist and label are on a 50/50 split, there are £100K in total costs, and £200K in income has so far been generated (streaming and sales).

On a net-profit share arrangement, all of the costs are usually recoupable. So the first £100K would be taken off the top to cover the costs, and the next £100K would be split 50/50, so the artist sees £50K.

On a royalty arrangement, only specific defined costs will be recoupable to the artist. So that might be £40K of recoupable costs (which would include any cash advance as well as recording costs) and £60K of label costs (eg marketing/PR/plugging/A&R). The artist's 50% royalty rate would be applied to the whole £200K income – which is £100K – but £40K of that pays back the recoupable costs, so the artist receives £60K.

Of course, on a good modern royalty deal that artist is more likely to receive a royalty in the region of 25%. Which means, with the above example, only £50K of royalty income would be allocated to the artist, of which £40K would pay back recoupable costs, so the artist receives £10K. If they were on a 20% royalty, they would be allocated £40K in royalties, all of which would be used to pay off recoupable costs.

NEIGHBOURING RIGHTS INCOME

Remember, in some scenarios when recorded music is used – radio, public performance (aka background music) and, in most countries, TV – performers are due equitable remuneration under law. This is paid directly to the artist via their collecting societies – so PPL in the UK.

The record deal cannot interfere with this ER right, though the label will usually collect the rightsholder share of PPL income. You can try to negotiate that a percentage of the rightsholder share is paid across to the performer rather than all of this money remaining with the label.

VETOES AND RIGHTS TO CONSULTATION

Once the deal is done, the label will distribute and monetise the recordings in various ways, sharing income with the artist subject to the royalty or revenue share terms in the deal.

However, with certain uses of music, the label may need to get explicit permission from the artist – or at least consult the artist – before allowing the music to be used in that way.

Uses of music where the artist may have a veto or approval right often include sync – and especially advertising sync – and samples.

AI DEALS

Some labels are starting to negotiate licensing deals with AI companies making works available to those companies for the purposes of training generative AI models.

It is the MMF's position that an artist's works cannot be included in licensing deals of this kind without the explicit consent of the artist.

With new record deals you should be wary of any terms that grant generic non-specific consent to include works in future AI deals.

Some AI models also exploit an artist's voice or likeness. Such exploitation is not allowed without the explicit consent of the artist, even if they don't own copyright in a recording that contains their voice or likeness.

Again, be wary of generic non-specific terms in new record deals that may allow the label to exploit the artist's voice or likeness in the context of AI. We advise that when you do permit usage, it is time limited and specific to a particular use case eg in a music video.

REPORTING

As most monies generated by the artist's recordings go through the label at first instance, the artist is reliant on the label to report all income, sums received and royalties due to the artist.

The shift to streaming has created a number of challenges in this regard, because with streaming there is so much more data to report. Though at the same time new technologies should also make the crunching and distribution of this data simpler if the right platforms can be built.

The streaming services also provide valuable usage data as well as royalty data which can inform an artist's wider business. While many streaming services provide some of this information directly to artists – for example via Spotify For Artists – labels may have access to more data, and may be able to help artists more easily compare data from multiple sources.

Most record deals will also include an audit right, which allows an artist's accountant to audit the income received by the label to confirm the artist has been paid everything they are due. The audit right will usually define how far back the artist can audit the label – ie an 'audit period'.

Given how long it now takes to conduct an audit we advise as long an audit period as possible. We have heard from some of the majors that they will take up to a year to start an audit and if the audit period is only three years you've already lost a year once your request is accepted.

Section Five: Deal Types

There is a range of label partners and deal types for artists to choose from.

Some of these partners are record labels in the traditional sense, while others may call themselves distributors or label services or artist services companies. However, all offer at least some of the services described in Section Two.

Not all these partners and deal types are available to all artists. The more risk a partner needs to take, the more selective they will be in choosing which artists to work with.

Quite what partners and deal types are available – and which are most desirable – will often depend on where the artist is in their career, and they will likely work with different kinds of partners signing different types of deals as their career progresses.

DEAL TYPE 01: DIY DISTRIBUTOR – FEE BASED

These companies provide basic digital distribution, getting tracks into most digital platforms (download stores, streaming services, UGC/social media platforms) and providing usage and royalty data back from the services.

These companies don't usually provide proactive marketing services though may provide some digital marketing tools. These services are usually available to all and any artists with a menu of off-the-shelf packages to choose from.

They charge the artist a fee – either per release, or per month, or a combination of the two – and then pass on 100% of the income generated. Some DIY distributors actually provide the basic distribution free of charge and then try to upsell premium services.

There is usually only a nominal commitment to these services, meaning artists can cancel contracts with minimal notice.

DEAL TYPE 02: DIY DISTRIBUTOR – COMMISSION BASED

These companies also provide basic digital distribution, getting tracks into most digital platforms and providing usage and royalty data back from the services.

Likewise, these companies don't usually provide proactive marketing services though may provide some digital marketing tools.

The difference with these companies is that there is a lower upfront charge (or possibly no upfront charge) and the distributor instead takes a cut of any income generated.

These services are usually available to all and any artists, though some might employ some sort of selection process. There is usually only a nominal commitment to these services, meaning artists can cancel contracts with minimal notice.

DEAL TYPE 03: DIY DISTRIBUTOR WITH ADVANCE

Most DIY distributors simply provide artists with the tools to get their music into the digital platforms and then pass on any monies as they are generated. However, some DIY distributors may also offer advances on future income in some scenarios.

Such advances are usually made based on past performance, ie where a distributor can see what income an artist has generated in the last year and can advance money based on that information.

The idea is that by advancing on future income the artist may be able to fund some marketing activity that, hopefully, will boost streaming and therefore revenue.

The terms of this advanced income varies, and usually locks the artist to the distributor until any advance has been paid back.

DEAL TYPE 04: DISTRIBUTOR

Artists can also seek to do deals with more conventional music distributors, which traditionally worked for independent labels, but which may now work directly with artists too. There is usually more flexibility in these deals, rather than the distributor offering off-the-shelf packages.

Conventional distributors will likely want a higher commission than a DIY distributor, but should offer more services in return, in particular B2B marketing, helping to get releases stocked by retailers and playlisted and supported by streaming platforms.

Most of these distributors can also assist in physical product distribution, either directly or via third parties, where an artist plans a physical release.

Artists can usually negotiate advances from distributors, but again this will primarily be based on past financial performance. The advance will then be recoupable from the artist's share of subsequent income.

More conventional music distributors will usually want a longer commitment from the artist than a DIY distributor, ie a contractual commitment that they will work together for a set period of time.

DEAL TYPE 05: DISTRIBUTOR WITH MARKETING

Many distributors now offer more extensive release marketing services as part of the deal. Quite what this means varies greatly from distributor to distributor.

Some distributors have in-house marketing teams while others will commit to hire external agencies. At least some of the costs associated with this marketing will likely be recoupable.

These companies may define themselves as 'label services' or 'artist services' rather than a 'distributor', because they offer a wider range of services to the artist.

DEAL TYPE 06: DISTRIBUTOR WITH FULL LABEL SERVICES

Some distributors offer a range of other label services in addition to distribution and marketing, ie some of the other services outlined in Section Two above.

The range of services on offer varies from company to company, and which services are included varies from deal to deal, though most distributors assume that the artist has already recorded the album before engaging their services.

Distributors of this kind usually offer a lot of flexibility as to what services are part of the deal, so that artists can pick and choose what they require. The deal obviously needs to set out what costs are recoupable.

These companies may also define themselves as 'label services' or 'artist services' rather than a 'distributor', because they offer a wider range of services to the artist.

DEAL TYPE 07: DISTRIBUTION DEAL WITH A LABEL

Many record labels now offer distribution or services deals as well. These may be through separate divisions that are basically distributors as described above, or an artist might be able to sign a distribution deal with a more conventional label.

In the latter option, the label may operate more like the label/artist services company described above. Or the label may actually provide all the services associated with a traditional record deal, but with a lesser commitment on the artist's part when it comes to rights ownership and control.

This could be seen as the best of both worlds, though deals of this kind are most commonly offered to more established artists, or newer artists that have already gained considerable momentum.

DEAL TYPE 08: INDIE RECORD DEAL (PROFIT SHARE)

This is a more traditional record deal, in which most of the services outlined in Section Two are provided, including a cash advance, and the label is involved in the recording of the album. The label will control the copyright for a period of time and may actually own the copyright.

Under a profit share arrangement, most and possibly all costs incurred by the label are recoupable, but these are recouped out of all the income generated, not just the artist's share.

These deals are traditionally offered by smaller independent labels which would generally commit to invest less upfront. Once costs are recouped, the subsequent split would usually be 50/50.

DEAL TYPE 09: INDIE RECORD DEAL (ROYALTY DEAL)

This is also a more traditional record deal, in which most of the services outlined in Section Two are provided.

Indeed, under more conventional record deals of this kind the label may choose to go beyond their contractual commitments in distributing and marketing the release, especially if it feels like the record is gaining momentum.

The label will control the copyright for a period of time and may actually own the copyright. Under the royalty deal arrangement, it is agreed which of the label's costs are recoupable (this commonly includes the advance, recording costs, videos and TV advertising) and these come out of the artist's share of income.

Although indie labels may be more generous on royalty splits than the majors, these deals would usually still see the label keeping the majority of the income generated.

Indie labels generally can't afford to invest as much upfront as a major, but might offer better terms on royalties and/or rights ownership, may be less likely to interfere artistically, and are more likely to continue working on an album that doesn't enjoy immediate success if they believe it still has potential.

The artist and manager are also more likely to have a direct relationship with key decision makers at an indie label. Plus some indie labels have a particularly good reputation or their own established audience within certain genres or scenes, and the artist may benefit from that.

DEAL TYPE 10: MAJOR LABEL DEAL (ROYALTY DEAL)

This is basically the same as the indie label deal described above. Again, the label provides most of the services described in Section Two and may choose to go beyond their contractual commitments in distributing and marketing the release, especially if it feels like the record is gaining momentum.

The copyright in any sound recordings is controlled by and possibly owned by the label, some costs are recoupable out of the artist's share, and the label likely keeps the majority of the income.

Major labels are generally able to invest more money upfront and have access to global infrastructure if the local division can convince divisions in other countries of an artist's international potential.

Major labels may ask for more in return from the artist. It's also important to remember that, while the artist and manager may enjoy good relations with their direct A&R and marketing contacts at the label, and maybe even senior management in their home market, they often do not have relationships with the ultimate decision makers in the business.

Section Six:

Trends + Transparency

An increasing number of artists now choose to work with distributors or label/artist services companies – or with labels on a distribution deal basis – because they usually enjoy more control over their rights and a bigger share of revenue. This is a positive development for artists.

However, it is also important to consider if the partner in these deals is providing all the support and services of a label. And, if not, does the artist still need this support or these services?

If they do, who is providing said support and services? It may be that the workload of the manager increases as a result of an artist going the distributor route, and that may need to be factored in when considering the deal between the artist and the manager.

There has also been a lot of debate in recent years – within the industry and in political circles – about the need for better data management and more transparency in the record industry.

The MMF has been at the forefront of these debates, ensuring the opinions and priorities of its members and their clients are heard.

As a result, the UK music industry has signed up to voluntary codes around metadata and transparency. These provide frameworks for addressing the issues, and should result in both labels and distributors becoming more proactive in providing better metadata alongside releases – including relating to songwriters and song copyrights – and in providing information to managers about how digital deals and royalties are working.

This is very much a work in progress. We encourage managers to stay connected to MMF and to check MMF communications for updates on these projects, and how managers can play their part in ensuring these frameworks result in tangible change.

Further Reading

For an introduction to music copyright, read the following...

Music Copyright Explained
musiccopyrightexplained.com

Dissecting The Digital Dollar (chapters two and three)
amzn.to/38kwzlb

For an overview of music rights metadata, read the following...

Get Paid Guide
getpaidguide.co.uk

You can read the codes that have been agreed with record labels on metadata and transparency at the links below...

Metadata Code
gov.uk/government/publications/uk-industry-agreement-on-music-streaming-metadata

Transparency Code
gov.uk/guidance/uk-voluntary-code-of-good-practice-on-transparency-in-music-streaming

ABOUT THE MMF

MMF is the world's largest professional community of music managers in the world. Since our inception in 1992 we have worked hard to educate, inform and represent our managers as well as offering a network through which managers can share experiences, opportunities and information.

We are a community of over 1500 managers based in the UK with global businesses and a wider network of over 2700 managers globally. We engage, advise and lobby industry associates and provide a professional voice for wider industry issues relevant to managers

The MMF runs training programmes, courses and events designed to educate and inform artist managers as well as regular seminars, open meetings, roundtables, discounts, workshops and the Artist & Manager Awards.

themmf.net

ABOUT CMU

CMU helps people navigate and understand the music business through media, training, consultancy and events.

Our media includes the CMU Daily bulletin and online CMU Library.

We offer our own music business training programme and deliver training courses for music companies and organisations.

Our consultancy work sees us provide strategic support, intelligence and expertise to a wide range of clients in the UK, EU and around the world.

We also regularly produce and publish research reports and white papers on the very latest trends in the music business.

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