Synchtank®

Featuring:

Synchtank company highlights

Takeaways from industry reports

The best Synchblog content

Introduction

Joel T. Jordan
Synchtank Founder

Welcome to the 2022 Synchtank Round Up! We have spent the greater part of 2022 sharpening our products to be the absolute best-in-class, and I'm proud to share the key achievements of our team this year.

We will be building on these successes in 2023, cementing our position as the go-to leader for rights, licensing, and royalties management tools across music and media, and I'd like to thank our partners and customers for their continued business and support.

Updates
from our leadership team

Rory Bernard
Chief Executive Officer

It was a transformational year for Synchtank as we drove a huge number of underlying improvements across our platforms and processes following our 2021 investment.

We will continue to expand on this in the next 12 months, doubling down on an open and interconnected strategy enabling customers to maximize existing IT and systems investments. Our customers will see continual platform and service evolution as we continue to invest heavily in partnerships, optimizations, features, processes, and interconnectivity. We continue to build support for the community with our in-depth reports alongside other initiatives.

Our team of sector specialists back up our platforms, offering customers significant support in how they think about technology and data as music and media rapidly evolves and opportunities develop.

Chris Cass
Chief Business Officer

Steps were taken this year to put our financial investment to work, with expenditure on great people to make fantastic products to serve the industries we touch, which is essentially any enterprise that owns or uses music in its day-to-day business.

Of the many customers we won or renewed business with this year, I was especially excited to see those working in the complex clearing of rights, reporting and budget controls for the use of music in production growing among them, and that there are many complex issues Synchtank will be providing solutions to in 2023 and beyond (see our Communication Breakdown report published last month).

More than ever, Synchtank is providing a software platform that improves efficiencies across digital entertainment, be that as the entire backbone for a modern media company or a valuable, interoperable cog within an even bigger machine. With the continued onslaught of digital first distribution and consumption channels, as well as the move of ownership to investment organizations determined to add value to music, the demand for managing assets, rights, and metadata, together with registering, claiming, and calculating royalties on copyrights, is showing no signs of abating.

Updates
from our leadership team

Chris Glasgow
Chief Operating Officer

In 2022 we streamlined our business operations to deliver better services to our customers, increasing staffing across our operations and introducing key roles to ensure due to date delivery of projects. This includes a dedicated support desk, more extensive project management, larger DevOps, and extensive testing/QA in addition to technical professional services and product teams.

Our quality assurance team increased by over 200%, enabling us to continue to improve delivery quality, and our continuous infrastructure improvements throughout the year has seen us reach a YoY systems uptime average of 99.9%.

We reached another milestone in 2022, completing the AICPA Service Organization Control (SOC) 2 Type II audit. The audit confirms that our information security practices, policies, procedures, and operations meet the SOC 2 standards for security and ensures our customers' data is managed with the highest standard of security and compliance with continual monitoring.

Janet Kirker
Chief Product Officer

Before joining as CPO this year, I was a corporate licensee of some of Synchtank's products – hence excited by the prospect of managing the roadmap of its extensive suite of tools for assets, rights, licensing and royalties. In a period when both global recorded music and music publishing grew at the fastest rate in history, it's important to remember that none of that would be possible without technology thought leadership.

In 2022 Synchtank's Core Platform saw the rollout of new features like Cue Sheets, extensive new API options, new data partners, the Artist Portal, Delivery Systems (including DDEX), and a complete overhaul of our Admin System. Our Copyright/Royalty Platform saw huge growth in its client base with a focus on Asset Purchase Agreements and Due Diligence. Late this year we launched our Data Suite – a modern, easy-to-use toolkit for data analytics.

Our 2023 roadmap includes the continued harmonization of our offerings into a unified platform, with slick workflow and process management tools that enable our customers to build value.

Jeremy Rolls
Chief Financial Officer

Following our successful fundraising and partnership with Octopus Ventures, the focus in 2022 has been on investing across all parts of the business to make Synchtank fit for further scale and to consolidate our position as the SaaS solution of choice for the music and media industries. We have more than doubled our technical team as we continue to develop and expand our enterprise-grade software and are investing heavily in our sales and marketing teams and programs.

2023 promises to be another exciting year as we start to realize the fruits of our investments and we look forward to sharing some exciting announcements with you.

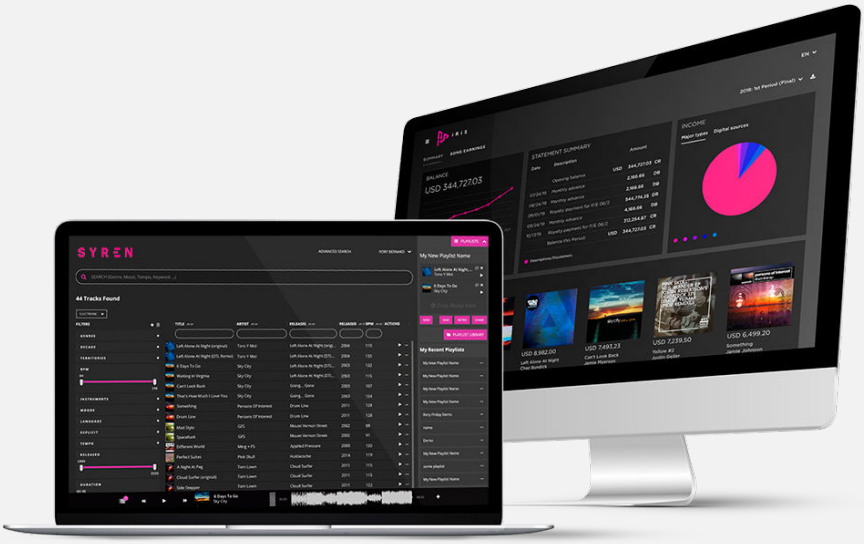
On behalf of the entire Synchtank team we would like to thank all of our customers for their continued support and partnership.

Wishing you and yours a happy holiday season and a prosperous 2023!

About Synchtank

Synchtank®

Manage, monetize, and license music rights more efficiently



Synchtank is a cloud-based SaaS company that helps music rights holders (record labels, music publishers, libraries) and music rights users (broadcasters, production companies, platforms) manage and monetize assets, rights, licensing and royalties.

Key features

For music rights holders

- Centralized rights and contracts
- Advanced asset management
- Beautiful, searchable libraries
- Extensive catalog monetization
- Rights registration and royalty accounting
- Data analytics and reporting

For music rights users

- Centralized rights and contracts
- Production database for projects
- One aggregated music library
- Fast and accurate music search
- Clearance tools and PRO lookups
- Cue sheet generation and reporting

Find out more at synchtank.com
or get in touch at enquiries@synchtank.com

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Company highlights 2022

Extensive system upgrades

In 2022 we completed a major overhaul of our core Synchtank platforms, putting in place a new admin infrastructure, UI and underlying API, allowing comprehensive integration. This utilizes the very latest code standards and frameworks ensuring the platform is built for the long term. Building on our interoperability with other systems allows Synchtank products to be used in conjunction with existing systems while building in big improvements in scalability, time to implement, usability and modular architecture with increasing partnerships with third-party services.

Investment across the business

Following a successful fundraising at the end of 2021 we have invested heavily in not only our systems but also processes, support, compliance and other areas of the business ensuring that we are built to innovate, scale, and deliver going forward. This has been backed up by the ongoing expansion of our team in key areas such as technology, data, product, and marketing. We continue to develop new opportunities in conjunction with our investment partner, Octopus Ventures, and look forward to new announcements in 2023.

A peek at 2023

We have major upgrades coming to our royalty and copyright systems in 2023 as we roll out the work that's been underway since 2020, bringing new and improved ways of processing royalties to the industry. In addition, we will be harmonizing all our tools and offerings into a powerful, unified platform designed to streamline workflows and maximize efficiencies. Our new product team has spent their first year looking at where the industry is going and ensuring that Synchtank offers the very best in what applied technology can bring.

Company highlights 2022

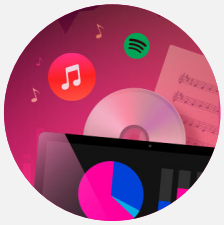
Music Publishing in the Age of the Songwriter report

Our Music Publishing in the Age of the Songwriter report delivers the most comprehensive analysis of the music publishing industry today from the perspective of those leading it and the songwriters it serves.

The report examines the fundamental shifts in the music industry in recent years and what they mean for the future of publishing, from new deal types and services that promote transparency and equality to creating more value for songwriters in the digital age.

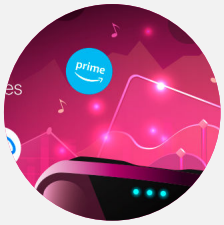
Part 1
The Evolution of Music Publishing

Read ▸▸



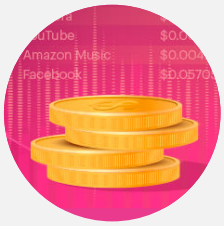
Part 2
Future-Proofing Publishing Services

Read ▸▸



Part 3
Economics, Transparency & Equality

Read ▸▸



Part 4
Digital Drivers of Growth

Read ▸▸

Carianne Marshall, Warner Chappell Music
Willard Ahdritz, Kobalt Music Group
Mary Megan Peer, peermusic
Golnar Khosrowshahi, Reservoir Media
David Israelite, National Music Publishers Association
Larry Mestel, Primary Wave Music
Björn Ulvaeus
Jon Platt, Sony Music Publishing
Marc Cimino, Universal Music Publishing Group
Merck Mercuriadis, Hipgnosis
Nile Rodgers
Helienne Lindvall, European Composer & Songwriter Alliance

Featuring contributions from leading executives and songwriters

Company highlights 2022

Communication Breakdown: Complexities and Solutions in Music Rights Clearance report

Our second report of 2022 exposes the disjointed processes behind sync clearance and identifies solutions to key challenges facing music licensees.

We spoke to music rights holders, broadcasters, production companies, studios, networks, and gaming companies to build an accurate picture of the modern sync landscape.

Download the full report

Key challenges identified

Shrinking budgets

Music supervisors are facing compressed budgets and timelines and are increasingly turning to cost-effective production music libraries.

Multiple territories and platforms

With more platforms in more territories, the complexities of global licensing and rules around how and where music can be used are causing major headaches.

Clearing rights and keeping track

A lack of transparency around rights ownership has made clearance more challenging, while keeping track of increasing volumes of licenses is becoming unmanageable.

Search and metadata

Buyers are overwhelmed by the multiple catalogs at their disposal, both in-house and third-party, while sellers need to make their libraries easily searchable.

Supporting different tools

Clearance teams are typically using a patchwork of tools and spreadsheets not designed for these complex workflows, and a lack of centralization is leading to inefficiencies.

"When nobody can tell you what platform or what distribution model they're planning to put the series out to, it makes it really difficult for us to be able to license anything. And again, like I said, it effectively takes majors out of the equation almost completely."

Senior US music supervisor

"It's really hard to paint a broad strokes picture other than just to say that the budgets are shrinking, the timelines are shrinking."

Senior US music supervisor

"In an ideal situation, we would get all media, worldwide, in perpetuity, but these terms can be pretty costly. So we need to weigh what's most important for a specific project and ensure we get the appropriate terms to cover our needs."

Music supervisor from a US games publisher

Synchblog highlights

Synchblog®

From interviews with leading executives to in-depth analysis and coverage of industry trends, we've put together some of the best Synchblog content of 2022 for you to enjoy.

synchtank.com/blog

Key insights in 2022

Music clearance

Clear thinking: why music clearance remains so complex and how that can be fixed

Written by Eamonn Forde

November 17, 2022

It is news to absolutely no one in the business that clearing music rights is a complex, frustrating, labyrinthine process. Copyrights in compositions and sound recordings have always been convoluted, but then you factor in the role of PROs, the impact of new technologies, shifting rights usages, the switch from linear broadcasting to on-demand streams, territorial restrictions, holes in metadata et cetera and the world of rights clearance becomes incrementally more complicated.

Synchtank's latest report, ***Communication Breakdown: Complexities and Solutions in Music Rights Clearance***, tackles all of these issues head on – speaking to the experts involved in rights clearances, pinpointing the problems, identifying the issues looming on the horizon – and then offers a series of solutions that should remove many (not all, that's impossible) of the headaches the professionals here experience on a daily basis.

Adam Taylor, CEO of APM Music, outlines the ongoing (and mounting) challenges as follows: "Everything has gotten more complicated. Technology has influenced every single aspect of the supply chain and the value chain of music, from how music is created to how it is marketed, distributed, discovered, monetized, tracked [...] Technology has moved more quickly than the law: music rights are somewhat archaic and confusing. And, so in order to be able to issue certain kinds of licenses, you need to figure all kinds of things out."

A lawyer, speaking anonymously, says "there are so many forks in the road" in the rights clearance business and this is only exacerbating things. "You begin with this fork between masters and compositions," they say. "Then you get to the fork between performing rights and mechanical and sync rights. And then you get to the fork between performing right societies and publishers."

The new Synchtank report is heavily focused on forensically skewering these market complexities that make everything so difficult and so time-consuming here. While it does not shy away from the many problems, it uses them to lead into a series of proposed solutions.

So what are those challenges in the first place?

Challenge #1: budgets are shrinking and companies increasingly want something for nothing

There might be more outlets for music (from major streaming brands to whole new social media platforms), but it does not follow that rates and fees are rising.

Experts here spoke about "constrained budgets" and the fact "budgets have come down" as obstacles for both rights owners and rights users.

Productions might want to use more music, but there is a sense that the same budget is being spread more thinly across more music rights. But there is something darker happening, where bigger players are taking a hardline approach and trying to swap out fees for the nebulous promise of "exposure".

> *"Technology has moved more quickly than the law: music rights are somewhat archaic and confusing. And, so in order to be able to issue certain kinds of licenses, you need to figure all kinds of things out."*
>
> ***Adam Taylor, APM Music***

> *"The way the world of TV is going, it is moving more app or internet based. And if the channels move that way, you might find we're operating more of a US model where there's a lot more commissioned music, a lot more library music, and then more one-off license fees for commercial music."*
>
> ***Music rights executive, European broadcaster***

Taylor notes that some "multibillion dollar corporations" will pay huge fees to actors and directors but not to music companies, playing rights owners off against each other to drive fees down or try to get music for nothing.

"[D]ue to the glut of music that's out there, they're willing to say, 'We will only use your music if you give it to us for free – no sync revenue. And we know you'll make money on the back end with performance,'" he says. "And in some cases they ask for a share of that performance revenue of the publisher's share [...] on the back end as a condition of doing business, and there are large companies that do this [...] it's a shame that they do."

There is growing use of library music and commissioned music (or one-stop shop production music companies) and that can mean the fees offered for music controlled by labels and publishers is being pushed down. The fact these rights are also, relatively, more straightforward to clear gives them, in certain instances, an organizational and commercial advantage.

Challenge #2: the number of territories and platforms are multiplying

More territories and more platforms mean more opportunities and more revenue potential. But they also mean multiplying the existing problems and complications in the sector.

Different rules and procedures apply in different territories and dealings with different PROs in these markets will have subtle or major differences.

On the PRO issue, the fact that they all run different rights databases means they do not always communicate clearly and easily with each other.

In 2020, however, BMI and ASCAP in the US partnered on Songview to offer "detailed, aggregated and reconciled ownership data" for performing rights for the 20m+ musical works that sit in their respective databases.

One music supervisor calls this "a huge game changer" and "the biggest advance in terms of finding song rights holders in the past decade". While they say this should clearly have happened years ago, the fact that it now exists is a huge step forward and a template for other markets to look to replicate.

With the increase in the number of outlets for films, documentaries and TV series (from theaters to streaming services) comes new issues. One music supervisor says that different distributors will deal with different outlets and that means rights at the very start increasingly have to be done on "a worldwide buyout basis because it can't be renegotiated every time it switches distributor".

An additional complication here is that platforms like Netflix, Amazon Prime Video or Apple TV+ do not release its viewing numbers for individual shows or series. As such, it is impossible to quantify a step deal with them as no one knows precisely what the audience is.

A music rights executive from a European broadcaster says that, despite the UK blanket licensing system, "digital platforms are a big one to solve" for the sector. "The way the world of TV is going, it is moving more app or internet based. And if the channels move that way, you might find we're operating more of a US model where there's a lot more commissioned music, a lot more library music, and then more one-off license fees for commercial music."

> *"You have many writers, many shares, some of these new songs have samples in them (samples are already negotiated in the share of a song) and sometimes the publisher has not negotiated with the other publisher for these shares, so that's very complex."*
>
> ***Music rights executive, US TV network***

Read the full article

Music clearance

In the clear(ance) – Deborah Mannis-Gardner on licensing music in the metaverse

Written by Emma Griffiths

May 11, 2022

In our new In the Clear(ance) interview series, we speak to music licensing and clearance experts about the challenges they face.

In this first edition, Deborah Mannis-Gardner, Owner/President of DMG Clearances, talks us through the unique obstacles she faces when clearing music for platforms like Roblox and Meta, and her mission to future-proof music licensing for new technologies.

What makes clearing something for the metaverse more challenging than traditional media?

With the metaverse, sometimes the artist is performing in a live environment, for example Meta is actively involved in doing stuff like that, versus Roblox, which is an animated character with the prerecorded music. So, the question that comes into play from the copyright holders, besides us trying to clear it as a synchronization use, is what other revenue is being derived that goes to the artist and label and any brands.

In the world of film, video games and TV, we get perpetuity, but in the world of audio books, podcasts, and the metaverse, we are forced into limited terms. But let's talk about the internet – when something's up there, it's always out there. So, I think the biggest obstacle is defining these parameters to work within the budgets that these platforms have.

Other difficulties are the PRO licenses and which platforms have established those and which haven't. One of the things I have to constantly advise these clients that have these new platforms in the metaverse is you need to get PRO licenses in place.

Can you talk about the consortium you started to address some of these challenges?

I belong to a private sync group on Facebook and I said, I think we need to be having a roundtable discussion.

And so, we put together a group of people with different backgrounds, including music licensing and clearance people, attorneys, accountants, and people on the tech and crypto side of things. So, the consortium is just us once a week discussing what we think needs to be done next, and how we go about doing this. It's a private group for now, and we're just trying to figure things out and hopefully we can bring it to the next level.

I went to CES years ago and I found that the biggest gap was between music licensing and new technology. There was no bridge. And whenever people were talking on the tech side, they would use the word organic meaning they really wanted the music for free. On the crypto side and what's going on now, they're not looking for free. There's a lot of money. So, we need to make sure that we create that bridge.

And hopefully there's an opportunity to establish better income structures for creators

That's why this consortium started because we need to make sure it doesn't turn into another streaming situation where people really got the short end of the stick.

> *"There's a lot of money. So, we need to make sure that we create that bridge [between music licensing and new technology]."*

> *"I think the world is shrinking and that we have ways to entertain and still see revenue and utilize this new technology."*

We need to make sure that we establish something, and it can be done. I did it with sample clearances back in 1990. There wasn't an established way of doing clearances and it's been evolving and evolving. We need to establish the same thing with the metaverse and NFTs with the ability to evolve as technology changes to make sure that people are paid properly.

You recently handled the music clearance for the Song Breaker Awards on Roblox, which featured live performances from Lizzo and GAYLE. What were the main challenges you faced?

I think the biggest one was the budgetary constrictions. This is a fairly new awards show, and we have to remember these are really important and relevant to this younger generation using TikTok, Roblox and Twitch and these other platforms for musical exposure. We have to respect and recognize these platforms, but then make sure that the music clearances are done correctly so that revenue is derived.

We were really fortunate that we had artists that wanted to participate and relay that to their copyright administrators so that they played ball and it wasn't painful at all. When you deal with really cooperative copyright holders, then we all can reach the same goal. Those that were difficult, we didn't use their music and we pulled it. That's the only way to handle that stuff right now.

You also gave guidance on performance deals, what did that look like?

With performance deals, even if an artist is performing their song, usually the labels require a waiver or blocking rights. A lot of people on the production side don't realize that. They think that if an artist is performing a song, that their issue is just getting the publishing clearance. And so, I've been trying to educate people that you have to go to the label and you have to get consent.

And sometimes the labels are cooperative and sometimes they aren't, it really depends on who the artist is and what you're dealing with.

With Roblox they create these avatars and they pre-record the music, which redefines it as a master use. So, you have to analyze and evaluate how everything is done to make sure that you cover all those clearances.

You've been consulting with companies looking to enter the metaverse. What kind of conversations are you having?

As we know, Snoop is in the forefront of doing this and he really set everything up properly. We have other artists like Warren G who re-recorded "Regulate" to sell as NFTs so he didn't have the master side to deal with. We have to guide them [our clients], because people come up with these ideas and then we'll say, well, how many NFTs? What are your intentions? Everyone has fabulous ideas, but you have to make sure that those ideas are defined so that you can then explain it to the other people you need to get consent from and stay within that budget that you're limited to.

We're doing a lot of consultation, even with festivals that want to enter into this world. We see that people aren't necessarily going back to concerts and they need to earn that revenue. So, they're looking at the metaverse as a platform and I think Meta are really out there strong. I have so much props and respect for them going out and trying to do more of these metaverse concerts. I think it's brilliant.

Through all of the work that you're doing, what excites you the most in terms of the potential for music?

I would love to see more of these concerts where people have the ability to attend through the metaverse and not necessarily be there live. If you think about Broadway, Lin-Manuel Miranda did it with Hamilton becoming a Disney release. If theaters don't go back to full capacity, maybe they need to look into recording shows and making them available for people to pay to watch. I think the world is shrinking and that we have ways to entertain and still see revenue and utilize this new technology. I'm sure we're going to see a lot of that popping up.

Read the full article

Rights and royalties

Growth x complexity: tracking music publishing's royalty admin challenges

Written by Eamonn Forde

December 14, 2022

In April 2021, Synchtank published its state of the nation report on royalty accounting in the digital age. It was called Drowning In Data for a very clear reason: the streaming age has given rights owners access to data like never before, but the sheer volume of data out there was now at a scale that would have been incomprehensible two decades earlier – and it was growing at breakneck speed.

Data is both a blessing and a curse: almost everything is countable; but there are now so many more things to count.

Over a year and a half on from the report, which laid out the challenges ahead as well as some of the solutions coming down the pike, we are taking the temperature of the data business again – looking at the improvements made and spotlighting the problems still to be resolved.

The growth/complexity tension

The drowning in data dynamic continues for everyone as they have all been playing catch up with the past while simultaneously trying to get ahead of the future in terms of the ballooning volume of data they are exponentially expected to deal with.

"The biggest challenges continue to be the massive amounts of data pouring in via income reports," notes Janet Landrum, Royalties Specialist at Synchtank. "Not only the fields of metadata that need to be captured, but the fractioned micro pennies that result in sometimes millions of line items."

Matt Phipps-Taylor, the Chief Information Officer at peermusic, says the story of royalty administration in 2022 can be broken down into two chapters – "growth" and "complexity".

"All publishers will have seen growth in the number of revenue streams and volume of associated royalty data, particularly for digital, and that brings administrative complexity due to the fragmented and multi-territorial nature of digital licensing," he says. "At peermusic, we've also seen a trend towards increased complexity in the nature of publishing deals and catalogs. Growth x complexity = a challenge for everyone in publishing administration!"

Data out versus money in

Phipps-Taylor says the explosion in the number of digital platforms is creating mounting problems on both sides of publishing administration: on the "data out" side; and on the "money in" side.

In terms of the former ("data out"), he says, "Each new digital platform – when appropriately licensed – requires some form of data registration/claiming process to ensure that our catalog is correctly represented and remunerated."

There is no single solution here as processes will be affected by so many variables, such as the size of the platform, the nature of consumption on that platform, the types of licenses applied and the market(s) it is operational in.

> *"Growth x complexity = a challenge for everyone in publishing administration!"*
>
> ***Matt Phipps-Taylor, peermusic***

> *"Standardization [...] is the thing the music business is always chasing, but never catching."*
>
> ***Janet Landrum, Synchtank***

"Operating globally across big and complex publishing catalogs, the tracking of which rights in which catalogs need to be registered or claimed with which entities in which territories is a complex activity, even before the technical challenges of making necessary data exchanges in the various different formats," he notes.

In terms of the latter ("money in"), he suggests that, given the scale of data processing required here, "the average value of an individual data line is getting smaller and smaller". The statements coming from the assorted DSPs may differ in format and have markedly different quality in terms of the scope and robustness of reporting.

Automation is required and data processing has to become cheaper

Moore's Law (originally applied to microchips) holds that steadily over time computational progress becomes faster, smaller and more efficient. Those dealing with billions of lines of streaming data today would argue it has not quite come to pass in the digital music world.

Phipps-Taylor calls for greater automation in the administration cycle to expedite things. "There is too much manual work required at each step with each organization throughout the whole chain, which creates 'friction' and leads to errors/delays in payments," he says.

There is also a growing cost associated with data processing and storage and there is a disconnect between the data generated and the money resulting from that.

"The volumes of data needing to be exchanged and processed are growing faster than industry revenues are, so the average cost of processing data needs to fall in order to make sure creators and rights holders are receiving the full benefit," he proposes.

The Mechanical Licensing Collective (MLC) was set up in 2019 to address many of the data and collecting issues gripping the music publishing world. It began operating around the same time as Synchtank's Drowning In Data report was published. In its first 18 months or so, it has collected close to $1 billion in mechanical royalties. Music Ally reports, "The organisation also said that it now has more than 22,000 members, with more than 6,000 having signed up in 2022 so far, and that it has processed more than 98% of the 17m works registrations for its database."

Its creation has generally been welcomed, noting how other societies should look to emulate its progress; but there are still some reservations about what it does and how it does it.

"The creation of the MLC in the US, and the obligation placed upon it by the Music Modernisation Act to publish its database, has set a high standard for transparency of data," notes Phipps-Taylor. "Like all organizations, the MLC has some quality problems in its dataset – but the transparency makes it possible for rights holders to find those and help correct them. We hope other collective management organizations will continue to improve the transparency of data, and the recent announcement by PRS for Music about the sharing of a dataset linking millions of sound recordings and musical works is also positive."

It is part of a slow march towards something approaching standardization in data gathering and processing, but we are still some distance from arriving at this utopia.

"Standardization [...] is the thing the music business is always chasing, but never catching," says Landrum.

Better rates, better data and audits that actually work

Ben Marlow, Head of Royalties and Audit at CC Young & Co, suggests there are a lot of interrelated areas around DSPs that need to be addressed before the data era can ever truly be deemed a glowing success.

Given the pushback from services like Spotify as they seek to lower publishing rates for streams (and the fact that songwriters and publishers have no direct means of negotiating with these DSPs), he says the administrators need to step forward when rates are challenged again. "SACEM and PRS," he argues, "need to step up and defend the songwriter's interest."

Read the full article

Rights and royalties

The "fifth wheel": just how financially secure is music publishing?

Written by Eamonn Forde

September 15, 2022

Following the publication of our four-part Music Publishing in the Age of the Songwriter report and subsequent industry developments, Eamonn Forde examines how bright the future looks for the music publishing sector.

There was unified relief and joy across the digital music business in the US at the end of August when an agreement between publishers and streaming services with regard to future mechanical streaming royalty rates was agreed upon – in principle, at least.

The National Music Publishers' Association (NMPA), the Nashville Songwriters Association International (NSAI) and the Digital Media Association (DiMA – representing DSPs in the US) reached a settlement on the rates before having to go through the potentially protracted proceedings of Phonorecords IV at the Copyright Royalty Board (CRB).

The new rate will be 15.35%, a slight uptick on the rates for Phonorecords III, covering 2018 to 2022, that saw a rate increase from 10.5% to 15.1%.

There had been a very acrimonious and public standoff between publishers (pushing for mechanical rates as high as 20%) and streaming services (looking to either freeze the existing rates or reduce the rates they currently paid to 10.5%) over Phonorecords III. It was feared that Phonorecords IV might prove to be equally fraught, but consensus was found much swifter than anyone involved might have anticipated.

The CRB could still reject this proposal if, in the words of Music Business Worldwide, "notable opposition to its suggestions arises".

Should it pass the CRB, the new 15.35% rate is expected to be "phased in over the five-year term", but it comes with a number of caveats, as per a joint NMPA/NSAI/DiMA press statement.

"The deal also includes a number of changes to other components of the rate, including increases to the per-subscriber minimums and the 'Total Content Costs (TCC)' calculations which reflect the rates that services pay to record labels."

Billboard worked out a rough calculation of what the incremental rate increases could mean for songwriter income. It estimated that 1 million on-demand streams in the US could generate $1,380 in publishing royalties, rising to $1,389 in 2024, $1,393.53 in 2025, $1,398 in 2026 and $1,403 in 2027. Not a massive increase, but an increase nonetheless.

The day after the agreement was announced, the publishing community was quick to issue statements applauding the developments here. They were all keen to accentuate the positives: that this was incredible progress and that the lot of the songwriter was improving as their worth was finally being recognised.

Sony Music Publishing Chairman and CEO, Jon Platt, said, "The settlement is an important win for songwriters and composers, reflecting years of effort and hard-fought litigation."

Kobalt Music said, "Today's settlement is a historic day for songwriters, securing the highest steaming rate in the world, a victory for all."

Warner Chappell Music pushed a similar line, saying, "Today, after months of negotiations, the NMPA and NSAI on behalf of all songwriters and publishers reached a settlement with streaming services to set the highest royalty rate in the history of streaming anywhere in the world."

Some did, however, temper their effusiveness over an increased rate with mild reality checks.

Platt accepted "there is more to be done in the fight for better songwriter pay and recognition" while Warner Chappell Music stated "there is still more work to be done".

All in all, however, the developments landed to a warm reception.

The international issue: why the US offers an important glimpse of where everyone else would like to be (at least)

The line from Warner Chappell Music (and echoing what everyone else in the US publishing world was saying) – namely that this is "the highest royalty rate in the history of streaming anywhere in the world" – is something to be proud of. Equally it is something that publishers in every other market around the world will be keen to secure (or at least get close to) for themselves.

It all links into a wider existential worry about just how financially secure the music publishing world can allow itself to feel in the streaming age and if it believes it is being properly and fairly recompensed as the streaming boom continues apace.

This is a topic widely covered in our in-depth music publishing report, with leading executives and songwriters including Jon Platt, Carianne Marshall, Mary Megan Peer, Merck Mercuriadis, Björn Ulvaeus, Nile Rodgers, and Helienne Lindvall weighing in on the debate.

Coming mere days after the Phonorecords IV news, a study in Germany laid out the challenges facing music publishers and songwriters there.

A survey of 4,000 GEMA members by Goldmedia – and published by the collecting society – looked at how streaming revenues were split up. Between 50% and 55% is assigned to recording rights (split between labels and artists as per their individual deals) and between 10% and 15% for the song rights (split between publishers and songwriters). The remainder goes to the DSPs.

The report made the point that when looking at what music creators (i.e. songwriters and musicians) get here, their estimated 22% of net revenues lags behind the 30% that goes to DSPs and the 42% that goes to labels.

The report glumly noted, "Current mechanisms of the streaming economy tend to strengthen the position of older, commercially successful catalog titles. Newcomers and musical niches are left with a correspondingly lower share of revenues.

Primary rights are being treated as the fifth wheel

The European Composer & Songwriter Alliance (ECSA) made a stinging point in its response to the GEMA study. "This research analysis further demonstrates that composers and songwriters, who are at the source of all music, are the fifth wheel on the wagon for revenue distribution, with less than 10% of the revenues generated by streaming," it said.

That line about composers and songwriters being the "fifth wheel" here gets to the very heart of the arguments on this side of the debate: that songwriters are somehow dismissed financially and are seen as economically less important.

ECSA ramped up its criticisms here, saying there are "conflicts of interests between the recording and publishing arms within the main music majors", meaning that songwriters end up at the back of the queue.

This all echoes the debates in the UK following the parliamentary inquiry into the economics of streaming in 2021. The majors stated categorically there was no conflict of interests and a six-month follow-on study by the Competition & Markets Authority concluded there was no requirement to refer the issue to full investigation.

Even so, there are plenty in the independent publishing world who have voiced their suspicions and cynicism.

As ECSA President Helienne Lindvall said, "The music industry is like an inverted pyramid, where the song is at the bottom.

She added, "This study puts this reality into context, confirming that the current state of affairs is unsustainable if we want a thriving and diverse music scene for the future."

Read the full article

Sync and licensing

Syncing or rising? How synchronization fees are evolving

Written by Eamonn Forde

September 28, 2022

With recent blockbuster syncs highlighting the power of a great placement and the continued proliferation of content platforms seeking music, Eamonn Forde explores how sync fees and budgets are evolving.

The sync success story of 2022 is, unquestionably, Kate Bush and Stranger Things. The use of 'Running Up That Hill (A Deal With God)' became a huge TV moment, but there was also its phenomenal chart impact, giving Bush her first number 1 in the UK in 44 years and scoring a number 1 on the Billboard Global 200 chart. For a deep catalog track, one that was 37 years old, to achieve this out of seemingly nowhere became a huge talking point for people outside of the traditional sync business.

There were estimates that Bush, who controls her recorded music and publishing rights, made £2.3 million from streaming royalties from the song in the weeks after it became a phenomenon. That is on top of the sync fee, which has obviously not been disclosed. The economics of the sync became as debated as the creative behind the sync.

Against mounting worries about the digital monies flowing, or trickling, through to songwriters – as discussed in length in Synchtank's recent four-part Music Publishing in the Age of the Songwriter report – this was seen as a financial triumph and sync started to be discussed as marking a new post-streaming gold rush.

Yet as a blockbuster moment, it was the exception rather than the rule. Jonathan Palmer of BMG told The Guardian that it was "a bit of a unicorn", adding that "most of my colleagues would admit that's a once-in-a-decade thing".

But what does this new focus on sync all mean for anyone who isn't Kate Bush?

The contracting and expanding dynamics of sync budgets

The sync market grew sharply in 2021, with the Hollywood Reporter stating that sync royalties for use in TV shows and movies reached $302.9 million last year, up 14% from 2020. (It did not, however, mention just how badly hit the 2020 numbers were because of the pandemic putting a multitude of productions on hold.)

At the top end, there can be phenomenal sums to be made from syncs which can then have a profound impact on streaming income. Yet there are concerns that, further down the pecking order, sync fees are being frozen or reduced, with the deal terms simultaneously being extended so that syncs are working through longer terms and across more platforms for the same (or even less) money.

There is, according to Susan Schwartz, founder of music supervision and licensing company Get Music, a growing bifurcation in the sync market as huge hits command incrementally higher fees and lesser-known songs see rates slip. This is largely down to major catalogs being acquired for enormous multiples and, thus, worked harder – as well as the TikTok-powered viral impact of streaming TV.

"Recognizable catalog tracks are definitely more expensive than they were even a few years ago," she says. "Indies and up-and-coming artists are usually still very flexible with their pricing."

"With the increasing amount of people accessing content digitally, a heavier sync value has been placed on digital advertising in recent years, although conversely budgets have not necessarily grown due to the varying costs for digital ad placements."

Megan Goldstein, BMG

What that means is that budgets at TV and film companies are generally getting squeezed, apart from a handful of blockbuster songs. Schwartz, who specializes in advertising, notes that the same can be said across the agency landscape.

"Clients want more bang for their buck across the board, which affects not just the music they can afford but also everything creative that goes along with a campaign," she says, adding that agencies typically have smaller production budgets to work with as advertising moves onto digital platforms.

"But their clients expect the same quality of work that they've got from the agencies in the past," she adds.

Megan Goldstein, BMG's VP of sync licensing, adds, "Across most media, there's still an appetite for big budget songs when the use is right. With the increasing amount of people accessing content digitally, a heavier sync value has been placed on digital advertising in recent years, although conversely budgets have not necessarily grown due to the varying costs for digital ad placements."

Sync fees for certain golden oldies rise, but sync fees for branded social media content are falling (while use of library music is becoming more commonplace)

When deals are being done for catalogs that run into the hundreds of millions of dollars, the acquiring companies will be keen to get those catalogs working and earning. Sync licensing is where they can look to get large sums of money rolling in quickly.

This is, however, heavily skewing the market rates that are being offered (and being demanded).

"If you look at the various companies who are purchasing iconic catalogs, they're buying them at such inflated multiples that we're seeing these songs priced at a premium," argues Schwartz. "In most cases it will take years for them to recoup their investment and pay off their investors, so I wouldn't expect to see much of a break in their fees."

She does add, however, that the fees paid for music use in branded social media content on platforms like TikTok and Instagram are reducing. "[They] have been coming down across the board as rightsholders become more comfortable with them and are seeing that most of them have a limited shelf life even if the branded videos are posted in perpetuity," she says.

US-based music lawyer Erin M. Jacobson says the long-established parts of the sync business remain steadfastly the same but in the newer parts is where the interesting shifts are happening.

"Sync has always been largely determined by the music being used, the parameters of the use, who is using it, what it is being used for, audience reach, budget et cetera," she says. "That part hasn't changed. What has evolved is that many companies are including non-traditional sync uses, like podcasts, as part of the sync licensing department – even if the podcasts are audio-only – and there is more activity in limited, internet and/or social media licensing. Because many online platforms are not licensed, many licenses also contain more restrictions regarding use with certain platforms. In addition, some companies are trying to make additional money in the micro-licensing world."

As production budgets for music get squeezed in some instances, TV studios, film studios and brands are increasingly reaching for library music. This can allow them to plug some of the sonic gaps that their budget would not necessarily cover if they were negotiating with traditional labels and publishers.

"If you look at the various companies who are purchasing iconic catalogs, they're buying them at such inflated multiples that we're seeing these songs priced at a premium."

Susan Schwartz, Get Music

Read the full article

Sync and licensing

High fidelity: how can advancements in AI music metadata revolutionize sync?

Written by Ben Gilbert

May 18, 2022

Technology's ability to comprehend music in the digital era has made our understanding of this creative process incredibly sophisticated. Ben Gilbert explores the emergent tools and profiles two companies specializing in MIR (music information retrieval) to assess how it can take the industry forward.

"I've never been wrong. I used to work in the record store," declared James Murphy on LCD Soundsytem's landmark 2002 recording 'Losing My Edge'. For many years – decades in fact – consumers were faced with the unenviable prospect of encountering someone who "had everything before anyone" when trying to ascertain the identify of a piece of music. A few years earlier, Jack Black portrayed a figure on the cinema screen with a similarly commanding presence in 'High Fidelity'. Barry Judd's incredulity at being confronted by either a disinterest of 'Blonde On Blonde' or interest in Stevie Wonder's 'I Just Called To Say I Love You' felt both terrifying and believable.

But technology's ability to comprehend music in the digital era has made our understanding of this creative process so sophisticated that the notion of going into a shop to whistle a tune you heard fleetingly on the radio is now a distant memory. While music recognition apps such as Shazam have become embedded within global culture over the last 20 years, Artificial Intelligence (AI) and the continued advancements and impact of high-performance data processing is pushing our ability to document, manipulate and market music into a realm that might cause Judd to shudder, notwithstanding the historic recent renaissance in vinyl sales.

A deal was announced earlier this month that will see SoundCloud purchase Musiio, the Singapore-based AI music curation company co-founded in 2018 by Hazel Savage. Reporting the news, Music Business Worldwide highlighted the tools Musiio deploy to "listen" to music at scale.

"You can use this process to replicate anything the human ear might be able to recognize, such as the BPM and genre, right down to how much of a hit something might be. Our new technology is looking for hits, virality, talent and melodic familiarity as well as a bunch of other factors that make up great music," explained Savage, formerly of Shazam, Pandora and Universal Music.

Eliah Seton, SoundCloud's President, praised the "brilliant team of innovators at Musiio" and suggested he was expecting great things from the deal. "SoundCloud hosts more music from more creators than any platform on the planet. Acquiring Musiio accelerates our strategy to better understand how that music is moving in a proprietary way, which is critical to our success," he explained in a press statement.

Vision to create a universal translation intelligence for music

Two other companies that specialize in MIR (music information retrieval) are AIMS and Cyanite, who use AI music tagging – adding descriptive metadata identifiers to songs – and sonic similarity – search functionality that enhances the discoverability of material with matching audio characteristics – to extract value from catalogs. The use case scenarios here are multiple. Music rights holders can deploy the technology to tag vast collections, maximizing their assets and monetizing not just the hits but every song.

> *"It's about much more than tagging or sonic search – it's about bringing human needs and artificial intelligence together in the best possible way."*
>
> ***Jakob Höflich, Cyanite***

It also promises to be an incredibly powerful tool for sync and music licensing, particularly during a time when demand is exploding across the entertainment sector and beyond.

Jakob Höflich, Co-Founder and CMO of Cyanite, spoke at Berlin's BIMM Institute last year, where he outlined four key applications of AI in music: AI Music Creation / Search & Recommendation / Auto-tagging / AI Mastering. To produce a real world demonstration of the third category, the technology was used to analyze Peggy Gou's 'Starry Night'. It broke the South Korean DJ's 2019 track down into 10 core components: BPM / Key / Mood / Main Genre / Sub Genre / Voice / Emotional Profile / Instruments / Energy Level / Musical Era. The results they produced feel detailed, accurate and informative, bringing tangible sonic representation from the language of machine code.

In an interview with Synchtank, Höflich outlined the full scale of the company's ambitions: "Cyanite's vision is to create a universal translation intelligence for music – an intelligence that can translate music into anything and anything into music. Why is this important for music rights holders? Because the way someone searches for music depends a lot on their position in the industry. Music supervisors use a different language than film producers. Film producers search for music differently than sound branding agencies or YouTubers, and so on. Solving this challenge is at the core of Cyanite's philosophy and is reflected in its unique range of products."

He sees opportunities across the cultural landscape for products operating in this space, commenting: "On a larger scale, any music rights holder who offers their content via a searchable platform needs to be able to respond to the different search criteria and requests mentioned above with a music search that actually takes into account where their customers are coming from. That's where Cyanite comes in. It's about much more than tagging or sonic search – it's about bringing human needs and artificial intelligence together in the best possible way. It's about picking up customers where their music search starts – whether it's for an ad, a movie, a podcast, a game, or an Instagram reel."

Music tagging technology has evolved "rapidly" over time

According to Höflich, music tagging technology has evolved "rapidly" over time. He expects its role to become ever more profound in the years ahead. "Cyanite started in 2017 with a simple set of eight moods and now offers over 131 as part of a total of 2,285 tags in 25 output classes. However, our latest research goes beyond the idea of a fixed set of tags and aims to understand text dynamically. Just as we search Google by simply typing in what comes to mind, Cyanite's latest algorithms understand the semantics of the user's input to recommend music. This means that static tagging, which is important and will retain its relevance, is complemented by a dynamic approach that takes into account the different languages and starting points in music search."

While Cyanite are based in Germany, AIMS operate out of the Czech Republic. Both are seeking to harness the possibilities of AI in delivering a new understanding of how technology can take sectors of the music industry, including sync, forward. Their team has strong representation from the world of production music – co-founder Martin Nedved ran Studio Fontana, specialists in this field, for more than a decade – and they see a range of positives for potential collaborators.

"Perhaps the most valuable benefit is the amount of time our tools save music, creative and production teams. Music searches can be done in 90% less time when using AIMS, enabling clients to spend more time on business development and nurturing existing clients, knowing music pitches are taken care of," Nedved told Synchtank. He also explained in more detail how the two core AI-based functions within their product are able to amplify rights owners' search results for their customers.

"AI Similarity Search allows users to paste a link (from video/music streaming platforms) or upload a music file into the search bar of a music platform instead of typing in keywords. Results are then generated from the music available on their platform based on AI analysis of the track. Our Auto-Tagging AI technology generates genre, instrumentation, mood etc. tags, based on individual track audio files.

Read the full article

Sync and licensing

Library assistance: production music's $1Bn (and counting) surge

Written by Eamonn Forde

December 7, 2022

Library music is far from new. Indeed, APM Music says it holds library recordings that date back to the 1940s. But how library music is perceived, how it is used and how it is processed have all charged forward significantly since the millennium.

In Synchtank's latest report, Communication Breakdown: Complexities and Solutions in Music Rights Clearance, we note that the production music market has experienced "particularly concentrated growth" over the past decade.

"[This] has been fueled by the explosion in professional production volume as channels and platforms have proliferated; by the emergence of social media and user-generated content; and also by the challenges that music users face when trying to license commercial music for any of this."

Tracking the value growth curve

"Production library revenue growth is outpacing growth of the overall sync market, thanks to drivers such as the rise of content creators, improved production music quality, artists seeking post-DSP income, and the growing independent sector," notes MIDiA Research in its latest report on the sync business.

MIDiA stated that the production music sector (both recorded music and publishing) was worth $907m in 2021 and forecasts that this will top $1bn in 2022.

A recent study by music data company BMAT (albeit commissioned by the Production Music Association, so do keep that in mind) found that 46% of music played on American broadcast and cable TV in March and April 2022 was production music.

BMAT also found that 37% of music usage on TV in the UK was production music (and as much as 46% for BBC Two's output specifically). The situation on TV in France (43% of music used was production music) and Germany (45%) was edging towards the same level it is in the US. On C8 in France, production music accounted for 66% while on Sat.1 in Germany it was a staggering 70%.

This boom in library music is down to several factors, notably an industry and cultural shift around the perceived quality of library music as well as technological and licensing developments that make using such music more seamless and commercially competitive.

An additional factor here is that there is greater demand across a variety of platforms for music. As a result, library music is proving its worth in meeting that demand across traditional media, streaming media and social media.

"We are in the golden age of production today, with more videos being produced today than ever," says Adam Taylor, President of APM Music and Chairman of the Production Music Association.

"I think also people have begun to realize how good library music is," he adds. "Today there's just so much good material out there and so many writers want to write in the library space. It is the confluence of those things: the creative aspect of music writing and production, coupled with the explosion in productions that need music."

Ease of licensing is a huge factor here in the sector's growth, especially for TV, film and ad clients looking to clear music swiftly and within (increasingly squeezed) budgets.

> *"The technology of the discovery of music is very sophisticated in the library world – I would say it's more sophisticated than on the commercial side."*
>
> ***Adam Taylor, APM Music***

Taylor notes that tracks using samples as well as compositions that sit across multiple publishers makes this all a fraught licensing process for many; therefore the idea of a one-stop licensing solution (essentially rolling master and publishing rights into one deal and one fee) becomes increasingly attractive.

"It's part of the reason that library music got created in the first place," he says, "because licensing commercial music was so difficult."

In his dissection of the global value of music copyrights in 2021, economist Will Page has a section dedicated specifically to royalty-free music, noting how "new entrants like Epidemic Sounds have dynamised the business" by shifting from a buy-out model to a subscription-based model for the use of library/production music.

"The resulting trickle-down economics is impressive," says Page, as "an average individual creator is reported to make $50,000 a year on Epidemic Sounds."

As rights clearances become more protracted and expensive, so library music will become a more attractive solution for some in the sector.

Tech-powered filtering solutions

With a booming market comes new entrants and the sector is now busier than it ever has been, with more writers writing for library services and more library services entering the market.

As is the case in the wider sync and licensing worlds, wading through the music on offer is becoming incrementally harder.

AI and MIR (music information retrieval, a subset of AI) are being deftly deployed to help licensing partners quickly find the right music for their needs.

"The technology of the discovery of music is very sophisticated in the library world – I would say it's more sophisticated than on the commercial side," says Taylor. "The search engines, the algorithms, the metadata, the taxonomies, the ontologies, the work that goes into the presentation and discovery of library music and figuring out how to get somebody to the right track is pretty sophisticated on the library side. We spend a great deal of time and effort and money on that. We have over 310,000 original compositions and over a million recordings. It doesn't matter how many you have, if you can't get somebody to the one track they need when they need it. It's as critical as getting music in."

MIR in particular is offering next-generation solutions that include analyzing large catalogs and generating metadata around them at a level far beyond what humans can do. Companies such as Musiio, MyPart, AIMS API, Cyanite and FeedForward are all pushing the boundaries here.

"Music searches can be done in 90% less time," says AIMS co-founder Martin Nedved of what his company and its tools can do here. "AI Similarity Search allows users to paste a link (from video/music streaming platforms) or upload a music file into the search bar of a music platform instead of typing in keywords. Results are then generated from the music available on their platform based on AI analysis of the track."

Advances in audio separation technology, as seen in the work of companies such as Audioshake and Stemit, mean that isolated instruments and vocals (i.e. stems) can be taken out of tracks without having to go back to their original masters. This means that the music being used becomes more adaptable and elastic.

On top of this, companies like Boomy and Splash are enabling non-musicians to generate loops/beats and full tracks for use in different contexts. Endel, meanwhile, leans on AI to construct generative "soundscapes" that can respond to different listening contexts.

What music is and how it can be used has progressed forward phenomenally in recent years. This has enormous ramifications for sync.

Another way technology is improving efficiencies in this area is by streamlining the exchange of assets and data between buyers and sellers.

Read the full article

Finance and investment

Know your rights: will economic uncertainty slow down the music catalog boom?

Written by Ben Gilbert

May 26, 2022

The financial layout on major artist investment deals last year was more than $5b, marking a 180% increase over 2020. But higher interest rates, inflation and the war in Ukraine have prompted questions about what happens next, as Ben Gilbert reports.

The Russian invasion of Ukraine has mobilized a global response encompassing every facet of society. Naturally, the music industry has been keen to help and in recent months an array of artists have offered their time in a bid to raise both funds for those affected and the profile of the ongoing conflict. Ed Sheeran, Camila Cabello and Gregory Porter where among the performers at the swiftly arranged Concert for Ukraine in London, U2's Bono and The Edge were metaphorically parachuted into Kyiv to play a show at a subway station, while Pink Floyd reunited for a one-off single, 'Hey, Hey, Rise Up', their first new material since 1994.

Featuring vocals from Ukrainian singer Andriy Khlyvnyuk, David Gilmour confirmed that the release was always intended as a one-off: "We want to spread this message of peace and we want to raise the morale of the people who are defending their homeland there in Ukraine," he told Rolling Stone. Pink Floyd's last release was 2014's 'The Endless River' outtakes compilation but their economic value continues to expand in the wake of the sad passing of founding members Syd Barrett and Richard Wright and reports of ongoing tensions between Gilmour and Mason, who played on the new single, and Roger Waters, who did not.

Despite their ongoing hiatus, the band's recordings will remain profoundly valuable, whether they decide against touring or recording ever again. In fact, the group are currently said to be the subject of "the biggest single-artist catalog sale to date".

Sony Music's acquisition of Bruce Springsteen's recorded music and songwriting assets in 2021 signaled the first $500 million-plus artist catalog deal. It was a move that highlighted unprecedented growth in this field. The layout on such investments last year is reported to have been more than $5b, a 180% increase over 2020. The negotiations around Pink Floyd – said to focus on bids from Warner Music Group and KKR-backed BMG – suggest this is a trend that could be about to continue.

Uncertainty surrounds the 2022 international financial markets

However, The Financial Times struck a more cautionary tone in their analysis of this speculative news, addressing the uncertainty that surrounds the international financial markets in 2022. They state that "music prices have softened in recent months as interest rates rise and the global economy slows". It is a view that was amplified last month by Bloomberg UK in a piece entitled: "The Music Catalog Boom May Be Coming to an End".

The article, which featured in their Screentime newsletter, highlighted the challenges apparently being encountered by Concord, one of the largest independent music companies in the world, as it also looks for a buyer to take ownership of a catalog encompassing almost one million songs. "Higher interest rates, inflation and a war in Ukraine have compelled prospective buyers to be a bit more cautious, according to about a dozen people involved in music dealmaking," reports Bloomberg.

> *"Music royalty assets are and will continue to be a strong alternative asset investment class. The fundamentals have not changed."*
>
> ***Richard Conlon, Catch Point Rights Partners***

Discussing the speculation, Concord Chief Executive Officer Scott Pascucci said: "Inflation affects everything; there is no corner of the market unaffected." In May, the Federal Reserve issued the US's biggest interest rate rise in more than two decades, while Andrew Bailey, Governor of the Bank of England, warned he expects to see a "sharp economic slowdown" in 2022. So how will this impact an industry that recently saw notable profits for the likes of Universal Music Group, Live Nation and Believe?

Richard Conlon, Founding Partner at Catch Point Rights Partners, is confident that the foundations remain sound in both the short and long term. "Music royalty assets are and will continue to be a strong alternative asset investment class. The fundamentals have not changed. We believe that music consumption has shown itself over time to be resilient in the face of economic uncertainty, generally, and we don't believe consumption (or demand) is sensitive to interest rates," he told Synchtank.

"This asset class is resilient in the face of economic challenges"

"During the pandemic we saw music and entertainment consumption increase – certainly there was a shift from live to at-home consumption but this shows how resilient our asset class is in the face of economic challenges. The market remains as active as we have seen it, with growing acceptance and interest from the capital markets as well as growing acceptance by rightsholders as a potential path to monetization," commented Conlon.

Music Catalog Valuation Expert Alaister Moughan agreed, while remaining somewhat circumspect about the current economic climate. He explained: "The arguments certainly have merit in the longer term. However, what I think also impacts this is the sheer number of buyers and capital seeking to be deployed.

It takes time to raise capital so there is often a delay from the ideal macroeconomic situations to invest and when the capital is ready, and by this stage committed, to being invested into buying catalogs. As such I think that catalog sales will continue at a good clip."

Writing on his Leveling Up Substack page, investments expert Jimmy Stone sought to untangle the complexities that exist here, in a post titled: "Where Do Music Catalog Valuations Go From Here?" Within the piece he detailed the parameters that facilitated an explosion in deal activity across recent history. These were broken down into four specific themes: 1) The emergence of streaming leading to higher cash flow growth expectations. 2) The recurring nature of music royalties. 3) The low correlation to economic activity. 4) Attractive yields in an environment with low interest rates and dividend yield.

Stone suggested the action taken by the US government could be set to impact the fourth component. "Simply put, higher interest rates should result in lower values for music catalogs," he suggested, before concluding: "In a low interest rate environment, cash flowing music IP assets have been viewed as an attractive asset class. Over the past few years, deal activity has reached all-time highs. However, rising interest rates may have a significant impact on music valuations going forward. If buyers require higher rates of return going forward, catalog cash flows need to accelerate, in order to maintain the same purchase multiples. As a result, the next six to 12 months will be interesting to watch."

Impact of the "attention recession" on streaming

Other factors are at play here as consumers, commentators and industry figures seek to better understand what is likely to happen in the next phase of the music business. While normal life has resumed in most sectors of society, including workplaces, travel and entertainment, this also frames our long-awaited emergence from lockdown and the limitations – and habits – built up within more confined environments in a term coined the "attention recession". The concept has also been pinpointed as having a direct impact on streaming platforms, for example Spotify, who have recently reported a slowdown in paid user growth alongside a rise in free customers.

Read the full article

Finance and investment

Money moves: Iconoclast founder Olivier Chastan on defining the place of legacy artists in the future of entertainment

Written by Emma Griffiths

March 9, 2022

In our Money Moves series we speak to the movers and shakers of the music finance industry. Next up is Olivier Chastan, Founder + CEO at Iconoclast.

Last month saw the unveiling of Los Angeles-based Iconoclast, a new player in the music rights acquisition market founded by seasoned industry executive Olivier Chastan.

Armed with significant spending power and a mega-deal already under its belt (Robbie Robertson's music publishing, recorded music, and name, image and likeness rights), Iconoclast's strategy is focused around the overall brand and legacy of an artist, not just the music.

Here, Chastan discusses Iconoclast's unique approach, the significance of name, image and likeness rights, and why technology is creating an exciting new era for legacy artists.

Congratulations on the launch of Iconoclast. What types of catalogs are you targeting?

Two types really. One is legacy artists, and the primary criteria for me is artists where I feel we have a lifetime of stories and a brand we can develop – a legacy we can help perpetuate. In that first case, we are in the brand development business. The decision is entirely around the plan. Do we have a vision? Do we have a plan to help develop and perpetuate that legacy?

The second part is pure catalog acquisition. For example, we bought Mike Posner's catalog and we've done five other deals like that, but those are much narrower in scope than the plans we have for some legacy artists.

Most M&A activity is focused on Anglo-American repertoire. Do your plans extend beyond this?

We're already involved in several transactions outside of traditional Anglo-American repertoire, but the operating environment is more complex. Familiarity with the artists and their legacies is an issue, the tax implications are extremely complicated once you get into Europe compared to the US.

It has nothing to do with value. A lot of people say look outside of the US and the UK because it's better value. It's not that. There's just a limitation by lack of familiarity. However, if you think of artists like Charles Aznavour or Serge Gainsbourg, they do crossover from time to time but it remains capped. The emotional content and the cultural relevance is exactly the same as the Rolling Stones or Frank Sinatra. The only difference is that it doesn't travel as much.

What sets you apart from companies like Primary Wave in your strategy to manage the overall brand and legacy of an artist as well as the music rights?

There's not a gigantic difference with what Primary Wave offers except that they also operate as a standalone publisher.

> *"We actually pay true consideration and value for name, image and likeness rights on their own, not as a byproduct of a sale of a catalog."*

"These tools are just starting to get there but it is the prelude to an exciting era for legacy artists."

They will do admin deals and are in the business of buying "straight catalogs" more frequently than we are. I think that is our most obvious difference. When I started Iconoclast, I made two conscious decisions: 1) I did not want to operate as a traditional publishing business which meant not investing into building a traditional admin infrastructure, and 2) I made a strategic choice to not aim for scale. It might sound pompous but I think of Iconoclast as more like a club where we hand-pick artists to whose legacy we can make a significant difference.

Now, there is a case to be made for scale when you're Universal Music Publishing or Kobalt – scale matters because of data, black-box income, market share, DSP equity, etc. However, I'm not in the business of processing large volumes of data and will never build a competing infrastructure. I'm primarily in a creative-driven segment of the business. It's a completely different strategy.

The other thing which I think differentiates us from the competition is that we actually pay true consideration and value for name, image and likeness rights on their own, not as a byproduct of a sale of a catalog. On certain deals, our share of the purchase price allocated to name, image and likeness is significant. If we feel that somebody has a strong potential, we'll underwrite it. We'll put our money where our mouth is.

We don't think of ourselves as publishers or labels. We are clearly in the music business and have a tremendous amount of experience but that's not the center of gravity. The driver is brand development. That's what will drive the conversation and ensure that our artists are going to have a place that is clearly defined in the future of entertainment – a future that is going to be primarily tech-driven.

What does defining the place of legacy artists in the future of entertainment tech look like? And how do those ancillary rights beyond just music play a part here?

Today it's a little hard to determine because it's quite limited. If you look at, for example, the adoption of VR headsets, it's a very small user base.

It's emerging tech so our value-add at this stage is primarily around planning ahead. Consumers are not going to leave Spotify or TikTok or YouTube or Netflix. It's just going to be additive to these platforms but will be a dramatically different experience.

This leads to two things. One, where does music, and especially older music from the 60s, 70s, 80s, live in the future? Right now, we know that Herbie Hancock or Keith Jarrett are not going to be performing a jazz piano recital in Fortnite. So where does that live? We are not driving that conversation in the sense that we are not the ones defining the platforms, but we do need to start thinking and engaging with them to figure out what that is going to look like.

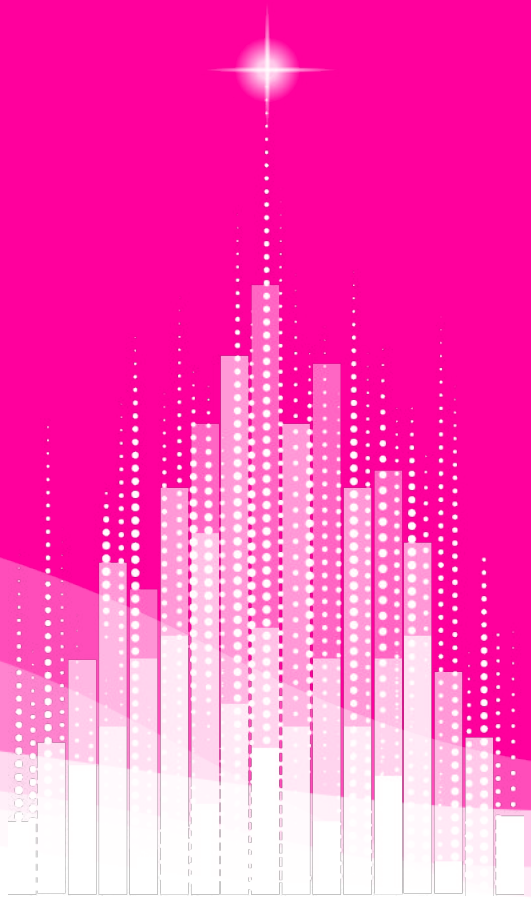
Secondly, the type of content that is going to be produced will be dramatically different. It's not just making a catalog available on those platforms. You're suddenly going to have to become producers of that content, which is what we do. That's where the other rights come in. If I want to talk to John Lennon in X in Roblox (that's an awkward idea by the way!), it's not just about the recording of "Imagine" – in this case, it's about that person. And that person has certain rights that belong to the estate, so the rights required to make that experience a reality need to become part of the licensing basket.

Now, the positive benefit from this technological change is that a lot of those artists are going to be in a position where they can literally live forever, and we are best positioned to be the custodian of that legacy in "perpetuity." So, we're going to have to figure out how those rights get licensed and for what kind of fees but more importantly, it's an opportunity to truly perpetuate the legacy.

It's absolutely in line with what we set out to do as a company. We're going to be helping in any form, whether it's a physical object such as a coffee table book all the way to developing concent for these emerging tech platforms. In the end, it's about maintaining the relevancy of the artist.

"We [the music industry] don't drive the conversation around tech. What matters is really once they're here, how do we engage with them? What does that mean to our rights?"

Read the full article



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a happy and healthy 2023!

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