THE TRANSPARENCY GUIDE

WELCOME TO THE TRANSPARENCY GUIDE

For the last two years the Music Managers Forum has been educating the artist and management community about the inner workings of the streaming business through the 'Dissecting The Digital Dollar' project.

This included the series of 'Digital Dollar' roundtables involving artists, songwriters, labels, publishers, lawyers, accountants and lots of artist managers.

One of the key issues raised during the roundtables was the need for more transparency in the digital music market. To achieve greater transparency, managers need to be clearer about what specific data and information is required for artists to fully understand and capitalise on the potential of the rapidly expanding streaming sector.

This Transparency Guide seeks to do just that, identifying twenty pieces of data and information, and explaining how they fit into the development and growth of each artist's business.

DISSECTING THE DIGITAL DOLLAR

themmf.net/digitaldollar

Introduction

During the 'Dissecting The Digital Dollar' roundtable discussions held by the Music Managers Forum in 2016, transparency was repeatedly identified as one of the key issues in the streaming music business today.

The record industry's shift to digital should have made it easier for managers to track and audit how their artists' recordings are performing. However, the opposite has often been the case. In the streaming domain in particular, it has actually become harder to fully track and audit an artist's recordings, and sometimes impossible.

Some of this is simply down to the challenge of shifting to a new business model, where plays rather than sales generate revenue; where income is primarily revenue share based on consumption share; where royalty payments are very small but very frequent; and where unprecedented amounts of data about consumer behaviour are now available.

All the stakeholders in recorded music – including digital service providers (DSPs), record labels, distributors, music publishers, collective management organisations (CMOs), artists, songwriters and managers – are still adjusting to this new business model.

Artists, songwriters and managers need to be clearer about what information they require. Labels, distributors, publishers and CMOs need to invest in and build platforms that aggregate and share this information in a timely and user-friendly way. And the DSPs need to make sure they are collecting and passing on the required data in the first place.

However, some of the transparency issues are the result of corporate culture at the major music companies, and non-disclosure agreements between the DSPs and the labels, distributors, publishers and CMOs. These NDAs often prevent artists and songwriters from being able to properly audit their royalties and to assess the relative commercial merits of different DSPs.

Most people in the recorded music industry agree that there needs to be more transparency: but who needs to be more transparent about what, exactly?

There is an assortment of data and information artists, songwriters and their managers require access to; some of which is already forthcoming, some of which is available in a limited form, and some of which is currently entirely absent.

In order to further inform this side of the digital dollar debate, CMU Insights consulted a number of leading UK artist managers about the kinds of data and information they need to properly inform and audit their clients' artist businesses.

Based on those conversations, this MMF Transparency Guide outlines in some detail the data and information managers need access to. By itemising this data and information in one place, managers can more easily identify what they are currently missing, and more easily assess how different business partners are performing.

Meanwhile labels, distributors, publishers and CMOs can use this information to inform the development of their own data platforms and the evolution of their transparency policies. And where these business partners say the issue is with the DSPs, artists and songwriters can join with the labels, distributors, publishers and CMOs in putting pressure on the digital companies to make the required information available.
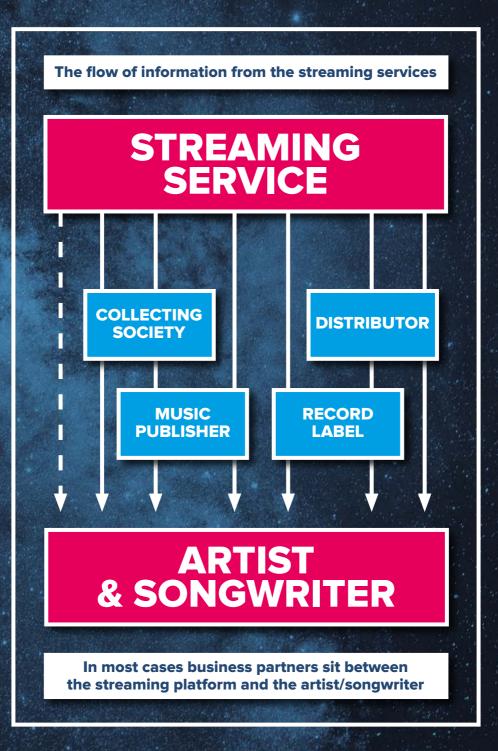
Section One: Who Should Provide The Data?

In most cases, business partners sit between an artist/songwriter and the DSP – ie a label, distributor, publisher and/or CMO. We will collectively refer to these entities as 'rights partners' in this guide. In the main artists and songwriters rely on these rights partners to provide them with the data and information they require.

That said, some DSPs - most notably Spotify - provide usage data directly to artists and managers. This is a highly valued service and managers would [a] like to see other DSPs follow Spotify's lead and [b] like this DSP-to-artist provision of data to include royalty as well as usage information.

However, even if all the DSPs provided certain kinds of data directly, artists and managers would still primarily rely on their rights partners to access required information. Partly because many key data elements can only be provided by the rights partner. And partly because artists and managers need to compare how their music is performing on different DSPs side-by-side.

To that end, rights partners need to develop (or continue to develop) data and information sharing systems, most likely through an online portal – and preferably one portal for all data – which provides top line summaries, the facility to drill down to specifics, and tools to analyse trends. Larger rights partners will likely build their own systems, while smaller companies will seek to utilise third party technologies.

This requires investment from the artists' rights partners, and managers recognise that this will take time. Though such portals are now a simple

The flow of information from the streaming services

STREAMING SERVICE

COLLECTING SOCIETY

DISTRIBUTOR

MUSIC PUBLISHER

RECORD LABEL

ARTIST & SONGWRITER

In most cases business partners sit between the streaming platform and the artist/songwriter

cost of sale for rights partners, and as streaming takes the recorded music industry back into growth now is the time for those partners to invest.

The quality of these data reporting systems will increasingly become a key factor when artists and

songwriters decide which rights partners to work with, and therefore a rights partner which implements best practice transparency policies and builds the best data reporting systems will enjoy competitive advantage as a service provider to music creatives.

Section Two: Data Types

It is useful to split the information artists and managers require into three groups:

1. Usage Data
2. Royalty Data
3. DSP Deal Information

Artists and managers need each of these for different reasons:

■ Usage Data to inform the artist's wider business and marketing activity.

■ Royalty Data to audit income and enable financial planning.

■ DSP Deal information to audit income and to assess which DSPs an artist should prioritise.

Section Three: Usage Data

This is the data that relates to how an artist's music is being consumed on the streaming platforms, both track-by-track, and overall.

TRACK PLAYS (BY TRACK)

What? Quite simply, how many times any one track has been played, in any one day, week, month or in total since release. Clarity is required on what constitutes a 'play', ie what portion of a track must be consumed for a play to be counted. Track play information should be shown in total, but also broken down by DSP, country and product type (ie free stream v premium stream) – as each of these

impact on the royalties paid.

Why? This information tells an artist/manager which tracks are most popular, is a key metric in how streaming royalties are calculated, and can be used to assess the success of marketing activity.

SOURCE OF PLAYS (BY TRACK)

What? For all the plays a track has enjoyed in any one day, week, month or in total since release, how many: were directly requested by the user, were played as part of an album, originated in some kind of personalised radio feed, originated

from a user's personal library, or originated from a third-party playlist? Third-party playlists may be operated by the DSP itself, or a label or media partner, or any individual user. Where a playlist is the source of plays, artists and managers need to know which playlists contributed the plays (or, at least, significant numbers of plays).

Why? This information informs marketing activity, and allows artist/manager to know which playlists are most important in driving streams for their music.

SKIP INFO (BY TRACK)

What? How many times a track was skipped, including a breakdown of at what point in the track skips occurred. It is useful to cross reference this information with source of plays, so to see if users who specifically selected a track or album are skipping, or whether the skips are coming from users of personalised radio style services or subscribers to a third-party playlist that has included the artist's track.

Why? This information informs marketing activity in terms of the suitability of third-party playlists for promoting an artist's music, can inform decision making when it comes to single releases and set lists, and could ultimately inform the songwriting process.

PLAYLIST ADDS (BY TRACK)

What? Information on how many publicly accessible playlists currently include an artist's track, which playlists those are, and the subscriber numbers for each playlist. As a

playlist may have a single subscriber (ie just its creator), it would be good to be able to filter out only those playlists above a certain number of subscribers.

Why? This helps with the analysis of peaks and troughs in overall listening, and informs marketing activity in terms of which third-party playlists to be targeting.

LIBRARY ADDS (BY TRACK)

What? Information on how many users have saved a track or album to their personal library (ie they saved the track to their personal songs library, albums library or a personal playlist).

Why? In the streaming domain, persuading fans to save a track to their personal library is arguably now the end game of a music marketing campaign and therefore it is useful to have this information to assess the success of marketing activity.

TOTAL LISTENER NUMBERS WITH DEMOGRAPHICS AND LOCATION

What? Information on how many users have listened to music across an artist's catalogue in any one day, week, month or for all time, with a breakdown by gender, age and location (preferably nearest town/city in addition to country).

Why? This is valuable information for artists who are looking to build a wider business around their fanbase, and can inform other artist activity, most notably touring.

TOTAL FAN NUMBERS WITH DEMOGRAPHICS AND LOCATION

What? Information on how many users are currently 'following' an artist on each DSP, with a breakdown by gender, age and location (preferably nearest town/city in addition to country).

Why? As with total listener data, this is valuable information for artists who are looking to build a wider business around their fanbase, and can inform other artist activity, most notably touring.

Section Four: Royalty Data

This is the data that relates to how much money was generated by an artist's music and what share of that income will be paid to the artist.

TOTAL INCOME GENERATED (BY TRACK)

What? The total sum of money generated by a track, also available broken down by DSP, country and product type. As streaming royalties are calculated monthly, and per-stream rates may differ from month-to-month, this information cannot be accurately provided any more frequently than monthly. Though estimated income could be calculated based on total number of plays so far this month and an estimated per-stream payment, though the reliability of per-stream estimates will vary.

Why? Artists need to know how much money their tracks generated in order to audit the royalties they receive from their rights partners. Comparing income from different DSPs, countries and product types may also influence an artist's marketing priorities, windowing strategy and other activity.

INCOME TYPE (BY TRACK)

What? Most streaming deals are revenue share arrangements based on monthly consumption share. However minimum guarantees per-play are also routinely included, with the minimum per-play fee paid if it is higher than the amount due under the revenue share arrangement. It would be useful to know whether a royalty amount has been calculated based on revenue share or minimum guarantee.

Why? This information is useful for managers looking at fluctuations in royalties over time, as the nature of payment calculations may be a factor explaining such variation.

ARTIST ROYALTY RATE (BY TRACK)

What? For each line of track income, the artist needs to know what percentage of that money they are due to receive under their deal with their rights partner. This may be the same percentage figure for all tracks and all usage of all tracks, or it may vary from track to track, and from country to country.

Why? Artists need to know what cut of streaming income they are due, so that they can audit their royalties and plan their finances.

ANY DISCOUNTS OR DEDUCTIONS APPLIED (BY TRACK)

What? Under contract, a rights partner may be allowed to apply discounts or deductions to income received before applying the royalty rate and working out what the artist is due. Any discounts or deductions should be clearly highlighted, both in terms of what they relate to (eg packaging, advertising, international) and what impact they have on the monies the artist is due (eg lower royalty rate, fees being deducted).

Why? Artists need a full understanding of how their streaming income is being calculated, and this includes detailed information of any discounts or deductions being applied, so that they can audit their royalties and plan their finances.

SPECIFIC CONTRACT TERMS OR COMPANY POLICES APPLIED

What? The rights partner should identify which specific terms in their contract with the artist provide the royalty rate being used and allow any discounts or deductions being applied. This may involve referencing the date of the relevant contract and the number of the relevant term or terms. Even better would be the ability to link through to or drop down the actual contract terms written out in full.

Why? This would simplify the audit process for artists and managers, and allow managers to more quickly address top line questions about rates, deductions and discounts. It would be particularly valuable for artists with contracts that pre-date streams, so that artists and managers can clearly see and if necessary query assumptions made by the rights partner.

Where a rights partner has made a policy decision on how to apply pre-digital contracts in the streaming domain, this policy decision could also be linked to, helping managers to clarify and if necessary query such policies. This would be particularly useful at the major music companies where there can be confusion even within the label as to exactly what policies are being applied when.

TOTAL MONIES DUE TO ARTIST

What? How much money the artist is due for streams of each track, in total, and broken down by DSP, country and product type.

Why? This tells the artist how much money to expect, which tracks, DSPs and countries are generating the most income, and helps with financial planning.

PAYMENT DATES

What? The date when payment will be made to the artist.

Why? This helps with financial planning, especially if there is going to be significant time lag between reporting and payment.

Section Five: Deal Information

This is the information in relation to the deals done between the digital platforms and the labels, distributors, publishers and CMOs.

REVENUE SHARE ARRANGEMENT

What? Most streaming deals are revenue share arrangements based on monthly consumption share. Each rights partner will have different revenue share arrangements with each DSP. Revenue share percentages may also differ between countries and product types. This information should be available to an artist's manager and accountant.

Why? This information is required by the accountant for purposes of audit, and lets managers advise artists on which partners to work with, including which DSPs they should prioritise in terms of partnerships, marketing and fan communications.

MINIMUM GUARANTEE PER STREAM

What? In addition to the core revenue stream arrangement, many streaming deals also include a minimum guaranteed per-play rate. Each rights partner will have different minimum guarantee arrangements with each DSP. Minimum guarantees may also differ between countries and product types. This information should be available to an artist's manager and accountant.

Why? The information is required by accountants for purposes of audit,

and also informs managers as to the relative benefits of different business partners – possibly even more so as there is generally greater variance in minimum guarantee arrangements between different rights partners than with the top level revenue share splits.

OTHER DEAL BENEFITS

What? A streaming deal may also include other benefits to the rights partner, such as equity, cash advances, advertising inventory, fees and access to fan data. Artists and managers should be informed of these benefits.

Why? Again, managers need to assess the relative benefits of different business partners, and the value of these other benefits might offset lower revenue share or minimum guarantees. Artists may also feel that they have a contractual or moral right to share in some of these other benefits, and clarity on what those benefits are allows an open and informed conversation on how that might work.

'BREAKAGE' DISTRIBUTION

What? In the context of streaming, 'breakage' refers to unallocated advances. Which is to say, when a rights partner is advanced more money than, it turns out, they were actually due in any one time period, but under contract is allowed to bank the surplus. Most rights partners have pledged to share this money pro-rata with their artists. Rights

MMF is encouraging members to assess the labels and distributors they work with — in terms of how much data and information they provide — and to confidentially share the results. The information gained will be used to inform the ongoing pan-industry conversation around transparency, and will help labels and distributors better understand how to evolve their respective data and information platforms and portals.

Track Plays
Source Of Play
Skip Information
Playlist Adds
Library Adds
Total Listener Nos
Total Fan Nos
Total Income By Track
Income Type
Artist Royalty Rate
Deductions Or Discounts
Relevant Contract Terms
Total Artist Royalty
Payment Date
Streaming Deal Revenue Share
Streaming Deal Minima
Other Deal Benefits
Breakage Policy & Process
Equity Policy & Process
Additional Data Feeds

partners should provide artists and managers with clear guidance on their breakage polices by DSP, what the total breakage amounts per DSP were for any one time period, how an artist's share of breakage is being calculated, and what monies the artist is therefore due. Record companies which distribute recordings on behalf of other record labels should also be clear on whether breakage is shared with artists on distributed labels.

Why? Managers believe that rights partners have a duty to share this extra income stream with their artists. Where a commitment to do so has been made, managers need to know how this commitment is being implemented, so to audit royalties and aid financial planning.

PROFIT OF EQUITY SALE DISTRIBUTION

What? When some rights partners do their first deals with start-up streaming platforms, they will demand equity in the start-up business, which they will subsequently be able to sell for profit. Most rights partners have committed to share the profits from any equity sales pro-rata with their artists. Rights partners should provide artists and managers with clear guidance on what equity they hold, what monies any equity sales generate, how an artist's share of this is being calculated, and what monies

the artist is therefore due. Record companies that distribute recordings on behalf of other record labels should also be clear on whether the profit of equity is shared with artists on distributed labels.

Why? Firstly, managers need to know when their rights partners have equity interests in DSPs, as this may influence the rights partners' priorities. Secondly, managers believe that their rights partners have a duty to share this extra income stream with their artists. Where a commitment to do so has been made, managers need to know how this commitment is being implemented, so to audit royalties and aid financial planning.

ADDITIONAL DATA FEEDS

What? A rights partner may be given access to DSP data beyond that which has been discussed in this guide. Where that is so, managers should know what kind of data the label is accessing, and where appropriate have access to this extra data.

Why? This data likely relates to the artist's fanbase, which actually belongs to the artist not the rights partner. Therefore, artists should be able to also access this data, so to inform their wider business and marketing activity.

Section Six: Building A More Transparent Digital Music Ecosystem

1. AUDIT

This guide sets out for the first time, in some detail, the different kinds of data and information artists and managers require.

Alongside the guide, managers can also access the MMF Transparency Index, a simple form that allows them to audit each of the rights partners they work with as to what data and information is being provided. Doing so will identify the gaps each rights partner needs to address to achieve total transparency.

Using the MMF Transparency Index, managers can now feedback to their artists' rights partners in a more organised fashion. For those rights partners already proactively building a more transparent digital music ecosystem, this feedback can inform the ongoing development of those partners' own proprietary portals, or their decision making when buying in third party portals. For less proactive rights partners, this feedback will put pressure on those partners to become more transparent.

MMF will also pool the audits conducted by its members so to provide wider assessments of all the key rights partners operating in the UK. It will then provide feedback to each of those key rights partners, as well as publicly celebrating the most transparent companies and organisations. Where rights partners consistently tell MMF that a specific transparency gap is caused by the DSPs, it will take up that issue with the DSPs directly on behalf of artists and songwriters, and all their rights partners.

2. EDUCATION

Another aim of this guide is to educate managers as to what data and information they should be seeking from their artists' rights partners, and how that data and information could and should be utilised within their clients' artist businesses.

MMF will seek to further educate managers on the value of all the different kinds of data and information available, and provide practical advice on what to do with that data and information, and how to integrate streaming data with other fan data.

Some rights partners have questioned whether managers will really utilise all of the data and information outlined in this guide. It is true that not all managers are, as yet, fully utlising even the streaming data they are already receiving.

However managers, like all the rights partners, are on steep learning curve, and are eager to make ever better use of the data and information available as the streaming market matures.

As explained in this guide, all of the data and information outlined above adds value to an artist's business.

And given adding value to an artist's wider business is the primary aim of all managers, they are eager to access, understand and utilise all the data and information listed in the MMF Transparency Index.

3. STANDARDS

As the digital music ecosystem becomes more transparent, the next obvious requirement will be reporting standards.

A plethora of DSPs, rights partners and third party providers are now developing their own data portals. As managers routinely work with a variety of partners and providers across their roster of artists, that inevitably means any one manager will be making use of multiple portals.

This can be challenging. Though that challenge is easier to meet if there is some consistency across the industry as to how data is presented in all portals, and in particular the terminology that is used.

No one wants to stop any one DSP, rights partner or third party provider from innovating, and achieving competitive advantage by presenting data and information in the most user-friendly fashion.

However, some data reporting standards will be needed, and this is a discussion that should begin sooner rather than later, so that any standards can be implemented early on in the development of each data reporting portal.

4. THE MORAL RIGHT TO INFORMATION

As we have noted, while there is generally agreement within the music industry that there needs to be more transparency in the digital music ecosystem, there has been some resistance – especially at the major music companies – to provide some of the data and information outlined in this guide.

Managers believe that artists and songwriters have a moral right to know how their recordings and songs are being exploited by streaming services. Managers also believe that total transparency will help enhance the business partnerships struck up between artists and their rights partners, and in turn ensure a healthier streaming music market for all.

A closer working relationship between artists and rights partners – built on total trust – will also enable the wider music community to collaborate more closely where copyright regimes need to be reformed to meet the challenges of the streaming age.

Managers hope to build a more transparent digital music ecosystem through collaboration with their artists' rights partners. However, given resistance to date, it seems likely that the political community will need to facilitate at least some of the conversations around transparency.

> **❝ managers believe that artists and songwriters have a moral right to know how their recordings and songs are being exploited by streaming services ... total transparency will also help enhance the business partnerships struck up between artists and their rights partners ❞**

With the draft European Copyright Directive including an article on transparency, based on the principle artists and songwriters have a moral right to information, now is a good time for governments to be instigating this debate within the European Union.

5. FAIRER DEALS

It seems likely that a truly transparent digital music ecosystem will highlight a number of areas of contention between artists and their rights partners – sometimes relating to specific terms in any one artist's contract, sometimes relating to wider issues about how contract terms have been implemented across a whole company, or the entire industry.

Many managers suspect that this is the main reason the major music companies are resistant to total transparency. But where there is a disagreement about the way artist and/or DSP deals are being implemented, it is healthy that all stakeholders have a full understanding of how things are working, so to allow an informed and frank discussion between managers

and their artists' rights partners.

Some of these disagreements will be settled on a case-by-case basis, but where there are industry-wide issues, wider discussions may be necessary. To that end, it is important to remember that, while transparency was a key issue raised during the 'Dissecting The Digital Dollar' roundtables, it wasn't the only issue. But many of the other issues raised – including the need for fairer deals for artists and songwriters – need more transparency first in order to be properly addressed.

Which is to say that building a more transparent digital music ecosystem is actually step one to building a fairer digital music business. Managers are, in their nature, pragmatic, and continue to recognise the important role an artists' rights partners play, as investors, distributors, marketers and content specialists. But where artists continue to be treated unfairly, managers will seek to address those issues, in collaborating with the wider music industry, and possibly again with the support of the political community.

The Transparency Guide identifies the data and information artists and managers need about the streaming business. It has been produced by music consultancy CMU Insights for the Music Managers Forum.

ABOUT THE MUSIC MANAGERS FORUM | themmf.net
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 500 managers based in the UK with global businesses and a wider network of over 2000 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.

ABOUT CMU INSIGHTS | cmuinsights.com
CMU is a service provider to the music industry best known for its various media: free daily news bulletin the CMU Daily, weekly podcast Setlist, and premium services CMU Digest and CMU Trends.

CMU Insights provides training and consultancy to music companies and companies working with music. We offer training and research services; seminars and masterclasses; and insight sessions at music conferences around the world.

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