

TREATED LIKE ROYALTY

In a music world dominated by streaming, tracking **royalties** has moved centre stage. At any level of the ecosystem – from songwriters and independent artists, to top stars, major companies, collective management organisations (CMOs), indie labels and publishers – the money that comes in is only as good as the capacity to track it and account for it. As this **Special Report** explains...

— BY EMMANUEL LEGRAND —

If A&R is the heart of music's ecosystem, the management of royalties is its lifeblood. Whether the operator is a rights society or an individual company, they all face the same issues: ensuring that data is correct and properly accounted for; dealing with the increasing volume of data; and making sure the flow of money gets to rights-holders in a timely fashion.

"For our clients, royalties are their wage, their livelihood and put food on the table," says Gary Bhupsingh, VP, UK administration at Sony/ATV Music Publishing. "It is their money and without their incredible songs, we would not be here, so cut to the chase and let's all work together to get it right."

To give a sense of the scale of the task, PRS For Music CEO

Andrea C Martin points out that 18.8 trillion performances of music were reported to the society in 2019, up from 126 billion performances a decade ago. Martin says PRS has made significant investments and internal adjustments to keep it at the top of its game. This includes maximising member income "by continually adapting to changes in the market, particularly online, and scaling up our current distribution platform, strengthening our technology and automating processes where feasible and cost-effective to do so".

One of the areas of growth identified is services to independent publishers through its core collective function, described by Martin as "a best in class multi-territory online licensing and distribution service for Anglo-American



"I love fixing issues and finding more money for our clients"

**GARY
BHUPSINGH**
SONY/ATV

performing and mechanical rights”, with licenses of online rights to over 50 services and up to 160 territories directly through PRS’ joint venture, ICE.

“Instead of waiting for royalties to trickle through local societies and sub-publishers, core collective members receive statements and royalties by the quickest route, with just one transparent commission deduction taken at source,” she explains. “Those who joined the core collective in 2018 have seen on average close to a three-fold increase in their online royalty distributions in just two years.”

Interestingly, neighbouring rights society PPL, which operates a public performance licensing JV with PRS in the UK, also identified services as an area of growth once all the fundamentals of collections and distributions for the UK market were covered. One area is international collections, a service CEO Peter Leathem describes as “highly competitive”. PPL helps rights-holders – mainly performers and small labels – take advantage of the growth of the global market for neighbouring rights, which went from \$1.4 billion (£1.1bn) in 2010 to \$2.6bn (£2bn) in 2019, according to the IFPI.

“[PPL] collects royalties from around the world for the use of recorded music, thanks to over 100 agreements in place with CMOs across Africa, Asia, Australia, Europe, and North and South America,” says Leathem. PPL’s team of neighbouring rights experts manage the rights of 95,000 internationally mandated performers and recording rights holders. “In 2019, our international collections generated £86.7 million – almost one third of our total revenue for the year,” notes Leathem.

Another service offer from PPL comes from its business services division that, leveraging PPL’s data and technology, supports others CMOs in processing parts of their neighbouring rights distributions. Established in 2016, the service now helps seven CMOs in Estonia, Ireland, Lithuania, Malaysia, Nigeria, Portugal and Switzerland with their distributions. “The service can help to lower the local CMO’s operating costs, leaving more money on the table for their members,” explains Leathem.

Like the rest of the industry, PPL had to adjust its structures to scale, in particular working with international partners to improve data. For Leathem, the growth of the NR market has “emphasised the importance of accurate, timely, and efficient collection and distribution of these royalties by CMOs – and with data playing a crucial role, we have been pleased to see an increasing global focus on the need to improve data quality”.



Words of wisdom:
CC Young’s Colin Young
(top) and Tom Allen
of Curve



Normal PPL: George Ezra signed to PPL for international royalties earlier this year



PHOTO: Louise Haywood-Schleier

“We are continually adapting to changes in the market”

ANDREA C MARTIN
PRS FOR MUSIC

For individual songwriters or performers, PRS or PPL are the natural port of call for royalty management, but music publishing companies such as Sony/ATV have been beefing up their services to songwriters and have also ventured into neighbouring rights collections. Elsewhere, some try to offer “agnostic” systems for companies to manage their royalty flow, while others provide tools to help maximise revenue streams.

“I love fixing issues and finding more money for our clients,” says Sony/ATV’s Bhupsingh, who defines himself as an “income tracker” and manages the company’s administration team in the UK. Named Publisher Of The Year at the 2020 Music Week Awards, the firm has the largest music catalogue in the world with clients including Cardi B, Lady Gaga, Charli XCX, Dolly Parton, Noel Gallagher and Gary Barlow. It has developed internal tools and systems for songwriters and associated publishers to maximise revenues.

“We work with a large range of clients from developing songwriters to the biggest hitmakers in the charts,” says Bhupsingh. “We also frequently work with TV production companies, broadcasters and film studios. Another very important section of the overall roster are the production music library songwriters. Each audience has its own specific



requirements and it is that attention to detail that I ask our team to tune into.”

Some independent companies such as Sentic Music Group work with the whole music ecosystem, from songwriters and music publishers to independent labels, catalogue owners, management companies and distributors. To deal with the new reality of streaming, Sentic has built a music rights management system, RightsApp, for the modern publishing industry.

“At Sentic, no deals nor clients are the same,” says royalty manager Luke Montague. “We base our partnerships on the client’s specific needs but nevertheless ensure a industry-leading, standardised service across the board.

“Firstly, this includes benefitting from our global direct collection network in over 120 territories and our cutting-edge administration service. Then, we provide intensive catalogue management and repertoire research, claiming and broadcast monitoring. Other administration activity ranges from sample detection and clearance, to dispute and resolution. Our team is also committed to thorough monitoring and activity tracking across all usage types.

“Tracking every usage from TV and radio plays, live and public performances, and streams from an ever-growing list of DSPs to return every earned royalty to our clients is not



*“We base our
partnerships
on the client’s
specific needs”*

**LUKE
MONTAGUE**
SENTIC

without its hurdles. And it is unfortunately not enough to accept the reporting in the statements we receive from societies.”

Others like Amsterdam-based global distribution and services company Fuga, now part of US group Downtown Holdings, offer royalty accounting as part of a portfolio of services, alongside distribution and marketing or neighbouring rights collections.

“We are a B2B distribution company,” says Fuga co-founder and CEO Pieter van Rijn. “We also do royalty accounting on a monthly basis. We do have a royalty accounting tool, called RAS, which specifically enables clients to map up all income end points such as DSPs and make sure data matches the contracts with all their artists and push out statements through the tool.”

Fuga deals with about 600 B2B clients such as labels, distributors, artist services companies, management companies or broader artist services platforms as well as DIY platforms. “We do six million track deliveries per month, so that in itself is quite serious in terms of volume,” says Van Rijn. “We process billions of sales lines on a monthly basis and billions of trends lines. We are cloud-based and had to think about making our cloud solution scalable and flexible at a manageable cost.”

Scale is also part of the solution offered by Curve Royalty Systems, whose co-founder and MD Tom Allen was behind the

LIFE IN TIMES OF COVID

How coronavirus has impacted the royalties business...

Gary Bhupsingh, VP, UK administration, Sony/ATV Music Publishing UK:

"I am, of course, worried about the recovery of the economy and how that affects our business in key areas such as live and broadcast. Mostly, I have missed being in the office – I believe that spending face-to-face time with colleagues is important. Not just for frame of mind but the way people and ideas spark off conversations, which is just not the same on a video call. It's been incredible to see the team work and function to such a high level remotely."

Peter Leatham, CEO, PPL:

"There will be a significant impact on licensing revenues as a result of Covid-19. In 2020, we are currently expecting a decline in UK public performance revenue of 30% on 2019. There will be less of an impact to PPL's broadcasting revenues as a result of existing blanket agreements, but we may see some decline as revenues collected for commercial radio use are in part influenced by advertising revenues, which have fallen. International collections and distributions are likely to remain strong in 2020. From 2021, we expect a decline as other CMOs' reduced public performance income in 2020 works its way through the system."

Andrea C Martin, CEO, PRS For Music:

"With less revenue coming in and the live sector decimated, future distributions will inevitably be impacted, despite significant cost-reduction efforts across the business. We are not yet in a position to fully understand the lasting impacts of this crisis on our industry or the wider economy, but our current best guess is that we will see total 2020 revenue down in the region of 15% to 25% on 2019, not returning to 2019 levels until 2022 at best."

Tom Allen, founder and MD, Curve Royalty System:

"In terms of business, it's had a minimal effect because royalties need to be produced. So it's meant that clients would continue to use our service, and there was no interruption and we did not see a huge change in our workflow. We continued to take on large and small businesses during this period. [The pandemic] has affected everyone mentally, working from home, and the monotony of it every day."

Luke Montague, royalty manager, Sentric Music Group:

"With an average nine-month delay between usage and royalty receipt, we are yet to see any damage or major effects of Covid. However, that's not to say that we aren't anticipating a significant drop in live and public performance income royalties. A rise in streaming figures in combination with reduced travel and business activity has ultimately offset our losses as a company. The same goes for the majority of our clients. So, we've expanded our activity tracking operations to strengthen our capacity to return maximum income from infrared streaming numbers."

Pieter van Rijn, CEO, Fuga:

"In terms of business performance, when it hit, the industry was paralysed, but that lasted a month and we saw streaming pick up again. We saw some releases postponed, but now we are exceeding pre-Covid levels by far. The recorded part of the industry has reestablished itself very fast and Fuga has performed in that same pattern. Obviously, I do feel concerned about the live part of the industry, but Covid did not have had a massive impact on the digital part of the industry. If anything, it has brought some additional opportunities here and there."

Colin Young, director, CC Young:

"The Covid-19 virus is a destructive force. For our established artists, the creative process is to write, record, promote and tour. Covid-19 has denied them promotion and touring. Our artists' creative cycles are not complete. They are frustrated, financially challenged, and artistically unfulfilled. It has taken its toll financially and, more especially, mentally. The streaming of live shows is an assistance, but it is not a substitute for live gigs."



"There will be a significant impact on revenues as a result of Covid-19"

PETER LEATHAM
PPL



At your service: Fuga chief Pieter van Rijn

design and development of the royalty platform. Allen, who worked for Essential Music And Marketing in the past, established Curve in 2019.

"We work with record labels, publishers and managers that need to report royalties and we provide a tool set," he says. "It allows them to upload sales data, calculate that through contract terms, which can be simple or super-complex, and deliver artists' statements with financial position, with the data, and access into the system. Our clients can also use analytics and interact with data within the platform."

Allen says the platform is flexible to adjust to clients' needs but can also provide speedy solutions to match the volume of data. "Speed is a large part of what we do," he explains. "We have a client who needed four days to ingest data, and we brought it to eight hours. Speed is super important and scale too. We had a seven million lines report from Spotify that used to take a day to ingest. Now it takes us five minutes."

He continues: "We take unstructured data or in different formats, normalise that into our systems, and we then include contract terms, and run it through calculation. We listen to our users and adjust to what their needs are and how they do business. NBC Universal has different needs to an indie label. That's part of the challenge for us, and we take revenue streams, calculate and kick it out."

But who controls that the flow of revenues is indeed getting to the relevant people? For Colin Young, director of CC Young, a leading provider of accounting and taxation services to the music and entertainment industry, it is the job of accountants through their audit procedures. "We fight tirelessly for the artists' rights," says Young, whose company was recently crowned Accountancy Firm Of The Year at the 2020 Music Week Awards. "Our fundamental aim is to ensure

our clients receive what is contractually due. We are pursuing the correct number of units at the correct rate – completeness of royalty income."

With offices in London and Stockholm, Young says his firm has recognised "the importance of information examination, the sharing of our findings, and continuing development of new processes and formulas to be able to decipher and analyse data".

Interestingly, for Young, the issue about data is not its increasing volume, which he says can be dealt with through good systems and bigger servers, but rather "the fundamental challenge" of inadequate data from the record and publishing companies.

"We provide a thorough examination of artists' tracks and their eligibility to income from publishing company, from record company, from PROs, and from CMOs," he says. "Our objective is to ensure that the revenue is correctly received by recording artist and songwriter direct, with the least amount of interruption from intermediary agents. Combine this with our ability to deal with mass data handling, we can affect the most comprehensive assessment of completeness of income."

The strength of the British royalty collections system, says PPL's Leatham, mirrors the creativity of British songwriters, performers and its music business at large, ensuring an ongoing and steady flow of royalties. In a world of such uncertainty, that is more important than ever.

"UK music is listened to the world over and this is not going to change any time soon," concludes Leatham. "So we believe we will continue to generate significant global royalties. Because of this, we will also continue to influence the global royalties market."