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# Setting the Stage:

# How Music Works

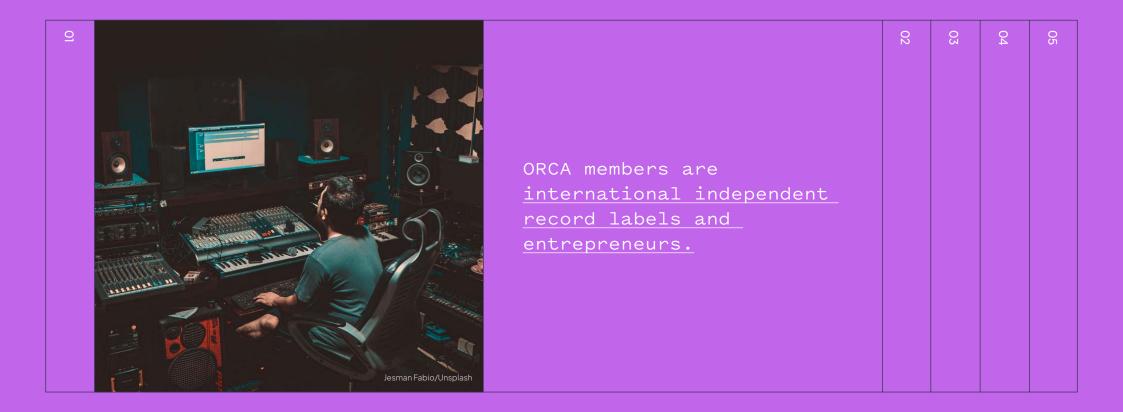
#### Contents

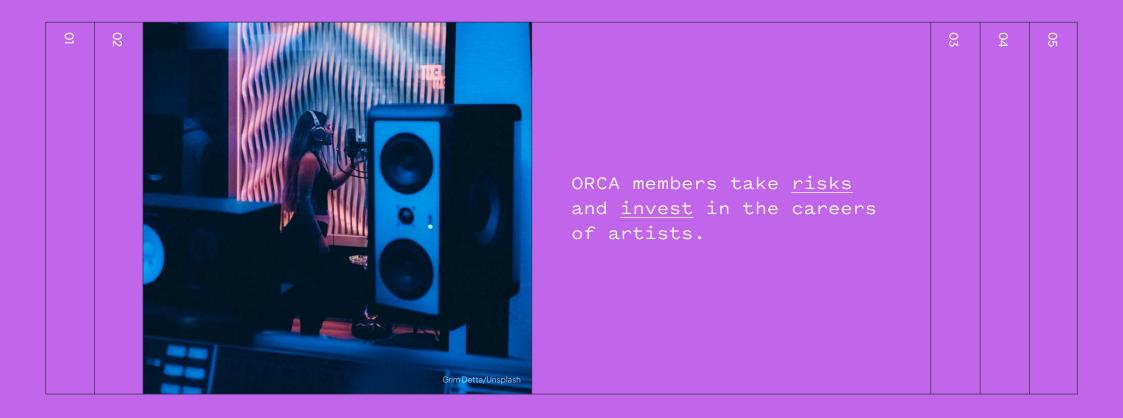
Introducing ORCA Foreword: Setting the Stage Part 1: The Recorded Music Industry - Where It All Develops Part 2: Independent Record Labels - How Labels Support Artist Development Part 3: Explaining Recorded Music Revenues Part 4: Why Music Is More Than 'Just' Music Part 5: Conclusion Appendix 1: The Music Industry - Mapping The Complex Ecosystem Appendix 2: End Notes ORCA (Organization for Recorded Culture and Arts) is a <u>think tank</u> comprised of international independent music labels committed to <u>increasing music's</u> <u>economic</u>, social, and cultural value.



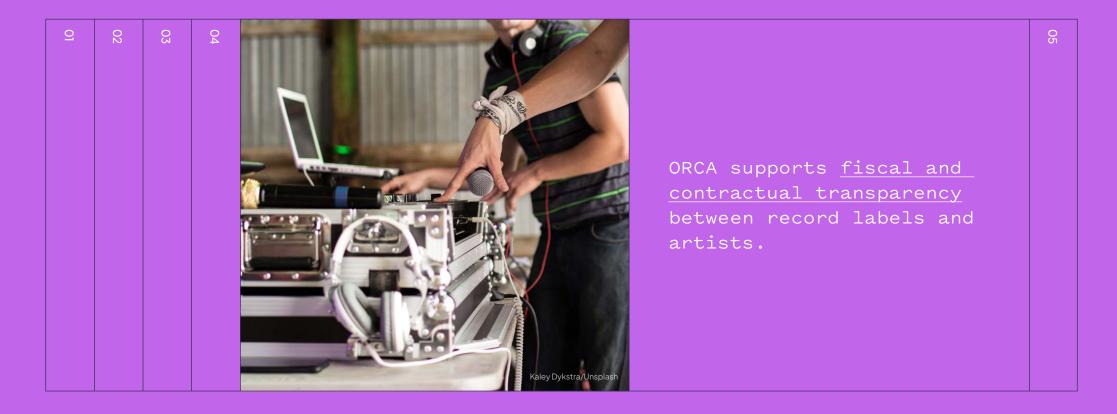
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It will do this by developing globally relevant and translatable <u>evidenced-based research</u> that informs governments and supports the work of trade associations, as well as contributing to furthering music's impact on global economic and social development.











# What ORCA believes and commits to

- ORCA is committed to developing globally relevant and translatable research, data, and qualitative and quantitative evidence that **demonstrate and support actions to grow music's economic and social value**.
- ORCA is committed to **investing in and fostering** the development of music as culture and commerce.
- ORCA believes music has a unique power to support all communities and the people who live in them, and wants to foster a forward-thinking sector that offers opportunities to artists, businesses, and communities worldwide.
- ORCA believes that through research and evidence, it can **demonstrate the benefit of investing in artists** and taking risks and help support and develop thriving music ecosystems worldwide.



# **ORCA Founding Supporters**



**Because Music** 

(Paris, France)



**Beggars** Group

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City Slang (Berlin, Germany)



Domino Recording Company (New York, USA)



**Everlasting Records** (Madrid, Spain)



Exceleration Music (Nashville, USA)



Hopeless Records (Los Angeles, USA)



!K7 Music (Berlin, Germany)



Secretly Group (Bloomington, USA)



Ninja Tune Records (London, UK)



Partisan Records (New York, USA)



Playground Music (Stockholm, Sweden)



Secret City Records (Montreal, Canada)



Sub Pop (Seattle, USA)





**ORCA** Organization for Recorded Culture and Arts

# Foreword:

# Setting the Stage

## For the love of music

ORCA is a think tank comprising independent record labels who invest in artists and their businesses.



We see music's impact on all our lives and are proud to support its increasing influence. More of us are listening to music than ever before. However, **the way music is valued needs to evolve to benefit more artists and workers and, in doing so, amplify its impact on society as a whole.** Now is the time to build a better, more inclusive music industry that supports artists, the artform itself, and the myriad of jobs and skills it creates. This is where independent record labels come in. Our experience and model for supporting artists and the value created by music offer an approach and structure for improving the music industry. The independent label model, which is explained in detail in this report, is based on risk taking and investing in artists' businesses, which support a robust and valuable music industry and, in turn, communities everywhere. The thousands of independent labels worldwide sign and support a huge diversity of artists, uplifting pioneering artistic talent, emerging sounds, and unconventional genres, from local scenes to global recognition, driving representation across the music industry. Ultimately, independent labels produce an outsized cultural impact, shaping global movements that transcend music.

We are not the only investor in artists, nor do we assert that our model holds all the answers. We aim to initiate conversations by drawing on insights from our experiences and present ways the music industry can significantly increase its value, which is broadly defined to include economic, social, and cultural benefits within and outside the industry. We believe that music can continue to increase its rate of economic growth. It can reward a greater diversity of artists more fairly for their work. And it can amplify the external benefits it generates in areas such as community development, education, and healthcare.

Importantly, it can achieve all of these things simultaneously with the right approach.

For music to grow sustainably and improve the lives of all those engaged in it, the best ways of optimizing its value must be explored. And independent record labels offer an important perspective on how to achieve that.



# Who is this report for?

# This report is written for people <u>outside</u> of the music industry.

We hope those who read it work for and with intergovernmental agencies, multi-laterals, ministries of economics, chambers of commerce, tourism boards, economic development agencies, ministries of culture, mayors, city councils, commissioners, and global development finance institutions—among others.

Policymakers are beginning to understand the economic ecosystem supported by the music industry and the services provided by its key stakeholders, such as record labels. ORCA wants to further this understanding through its research. Music, if included as a part of policy programs, can produce outsized benefits. We welcome the wider music industry into this conversation, but our goal is for those outside of the sector to grasp and act on this report and our work.





# What do we hope to accomplish?



As ORCA, we want to demonstrate—through this report and our future research—that to maximize the value of music across all its sectors (from record labels to music venues, music publishers to education, sync to live, and everything in between) and beyond music itself, we need a business model that works for everyone, everywhere. A model that rewards engagement and connection rather than volume. A model that celebrates and values diversity (genre, socio-economic, geographic, gender, race, background, organization) over consolidation. For this model to exist, with all the benefits it brings, everyone in the chain needs to be properly remunerated. Although music may be everywhere, getting paid for it isn't as widespread—a point emphasized by ongoing debates and <u>negotiations</u> over the <u>'value gap'</u> between the benefits that the use of music delivers to social platforms and the size of revenues passed through to artists and rights holders for the use of their music.

While economic growth across the music industry is impressive, the benefits of that growth are concentrated at the top, and there are now many more mouths to feed across the music ecosystem than a decade ago.

#### Our model as independent record labels has been developing for decades and not only helps to explain these challenges, but also points to the best ways to solve them.

#### Artists and their recorded music are at the center of the music industry. If artists do not produce and record music, it can't be disseminated, fans won't buy tickets to see it performed live, and artists won't get paid. For recorded music to be successful for everyone, those recordings need to be nurtured and

supported over time to foster connections with listeners and fans, and, ultimately, produce sustainable careers. ORCA's work will demonstrate how this is best achieved and how it can be done better.

#### We also want to highlight the many ways that music creates benefits outside of the music industry, including demonstrating its positive impact on economies, communities, education, healthcare, the environment, inclusion, and international development. Intentional, deliberate investment in music produces a global return on investment, with music playing a role in supporting all seventeen UN Sustainable Development Goals (SDGs). This report emphasizes the role of the music industry and record labels in contributing to regional wealth building and community development (SDG#1), including workforce development (SDG#8). It also highlights programs led by independent labels to support educational opportunities for underserved communities (SDG#4), as well as their proactive work to develop climate and sustainability programming (SDG#7, #11, and #13), and more.



## How to read this report

This report was researched and developed by the nonprofit <u>Center for</u> <u>Music Ecosystems</u>, commissioned by ORCA. It is an introduction to ORCA and what it stands for. It introduces the current state of the music industry, the role of independent labels within it, the economic, social, and cultural benefits music generates, and the exciting potential to produce more value.



Parts 1 and 2 focus on the recorded music industry, demonstrating record labels' value as key music stakeholders. These sections explain the independent label model, how it is focused on supporting artist development, and how it produces a wide range of benefits within and beyond the music industry. Part 3 shows how recorded music generates economic value, explaining the foundational elements of intellectual property and copyright, and how revenues flow in the music industry. Part 4 explores the music industry's external value for society, showcasing the reach of music and what it can do to improve livelihoods everywhere. Finally, Part 5 summarizes the report and introduces future research topics. There is also a short Appendix, which widens the lens, presenting the complex ecosystem of music industry stakeholders that work together to drive music's value.

This report is designed to be read chronologically or as individual sections. That's why it is presented as a <u>website</u>, as well as a PDF. All the links have been tested, and the information is fact-checked. There is an appendix with definitions at the end of the document. Lastly, unless otherwise specified, all financial figures presented in this report are denominated in United States Dollars (USD).

We'd also like to thank Michel Lambot and [PIAS] for their extensive contributions to and support of this first ORCA report.

Thank you for reading it.

- ORCA Founding Supporters

If you'd like to reach out or have comments on this report, please email us at info@centerformusicecosystems.com





# Part 1: **The Recorded Music** Industry-Where It All Develops

#### Key Takeaways



<u>Recorded music fosters economic,</u> <u>social, and cultural value</u> within and beyond the music industry, including publishing, live music, gaming, advertising and more. This impact is demonstrated through the economic value attributed to recorded music, which is predominantly driven by record labels. 22

#### Key Takeaways



# Introduction

The recorded music industry's job is to support artists and turn their music into commercial and critical success. Artists who work with record labels have greater opportunities for achieving this success owing to the structures, tools, and services offered by labels, whose business is maximizing the value of recorded music and supporting the career development of artists.



#### Today, anyone can make music available worldwide with a few clicks of a mouse. However, to maximize the value of one's music—both economically and culturally artists require support.

If the music industry is a field and each artist and their music is a seed, how the field is fed, watered, tilled, and cared for, what materials are used, and how much duty of care is taken impacts the quality of the plants that grow. If the seed is left to grow on its own, it receives less care than those looked after daily. This is the role of record labels—the farm, the fertilizer, the farming equipment, the software that manages the supply chain, and so on. They are the support system that gives artists and their music a chance to grow and thrive, and each artist opportunities to develop—through time, patience, and investment.

Once recorded, a song sets in motion a cascading effect that reverberates throughout the music industry and into all our communities, generating cultural, social, and economic value, much like when a plant is harvested, brought to market, sold, and consumed. In this metaphor, it's the record labels that care for and create prosperous, healthy plants. And the proof that record labels are improving the quality of the field for everyone's benefit is in the numbers.

63% of the \$41.5 billion in global music copyright revenues in 2022 (up 14% from 2021) can be <u>attributed</u> to the recorded music sector. And recorded music revenues have been growing steadily. <u>Recent data</u> from the IFPI — the global trade association representing the recorded music industry — showed 10.2% growth in recorded music revenues from 2022 to 2023—the ninth consecutive year of increase.

These trends are impressive. However, for a sector responsible for an artform that is essential to all our lives, there is significant room for development.

The interconnectedness of the music industry including the jobs and skills in the sector—gains momentum when music is recorded, and in the subsequent processes of releasing, marketing, and supporting finished recordings. Each part of the sector—from streaming platform Spotify to promoter Live Nation; video company YouTube to social platform TikTok; merch company Bravado to exercise brand Peloton—benefits from recorded music, just as the artist and label benefit from its usage. The record label is key to this growth, and while they are not the sole protagonist, their impact is significant.

#### 63%

of the **\$41.5 billion** in global music copyright revenues in 2022 can be <u>attributed</u> to the recorded music sector.

#### 10%

growth in recorded music revenues from 2022 to 2023—the ninth consecutive year of increase.

# How record labels drive the music industry value chain



#### At the heart of what they do, labels finance the production and recording of artists' music in order to support their artistic and career development.

But this financial support extends way beyond the recording studio, encompassing a full range of development activities, including support for marketing campaigns, video and content production, tour support, providing wages for artists, producers, engineers, mastering engineers, product designers, and more.





Labels put their money where the music is, taking on financial risk and providing the essential support, knowledge, and expertise required for

While the numbers can vary significantly between artists, labels, and genres, the British Phonographic Industry (BPI) puts the average cost of breaking an artist globally at between \$485,000 and \$1.8 million. It estimates that "only one in ten investments made [by labels] breaks even."

artists to break through the noise.

Despite this competitive environment, labels continue to invest significantly to support artists. The BPI <u>reports</u> that UK record label spending on A&R grew almost two-and-a-half times faster than their revenues between 2018–2022, with A&R and marketing spend totaling nearly 40% of label revenues in 2021. Likewise, global <u>estimates</u> from the IFPI show that record labels invested 33.8% of their revenues back into music in 2020. Today, labels <u>spend</u> \$3.9 billion annually on directly scouting and developing new artists (also known as A&R) and \$3.2 billion on marketing these artists to audiences globally.[1]

#### 1

In an <u>extensive study</u> of the music and streaming market released in 2022, the UK Competition and Markets Authority (CMA) showed (see pg. 29-30) that while the advent of streaming and music technology platforms reduced record label costs around production (manufacturing and distribution), labels have, at the same time, increased their financial support for artist development via investment in A&R services including. marketing, data analysis, and other activities that allow artists to capitalize on quickly developing digital trends. While labels continue to take increased financial risks on supporting artists and their careers, the CMA report also shows that they are taking in less of the overall revenue pie, with the record company (label) share of revenue derived from streaming falling from 40% to 37% between 2017 and 2021 (see pg. 65, Figure 2.10 Share of streaming revenues across the value chain).

But this is not just about financial investment. Record labels also provide expertise, guidance, support, and, importantly, time, in order to help artists develop their work and build businesses around their music.

Recording and releasing music is an exercise in upward mobility. Ideas may start as snippets, but when melody, rhythm, and instrumentation build on top of each other alongside the right skills and knowledge—the recorded song appears. This takes time and costs money, all of which are provided by the investor in this process—usually record labels. In the contemporary music ecosystem, labels also support the full range of artist career development, navigating the complex industry landscape on their behalf, helping to develop and scale their brands, market their music, secure licensing agreements, negotiate contracts, manage their data and distribution logistics, create and sell their merchandise and more to ensure that the artist reaches a global audience.





#### Record label support yields results.

Artists achieve better financial outcomes when they are backed by labels. As a recent survey of music creators as part of a <u>UK government</u> Intellectual Property Office (IPO) study (p.186) demonstrated, artists signed to record labels achieve better career outcomes and earn considerably more than unsigned artists. The amount that artists are earning with record label support is also growing. The IFPI <u>reports</u> that between 2016 and 2021, artists' share of revenue from recorded music grew by 20.2% to reach 34.9% overall, while in the same time period, label payments to artists grew by 96%.[2]

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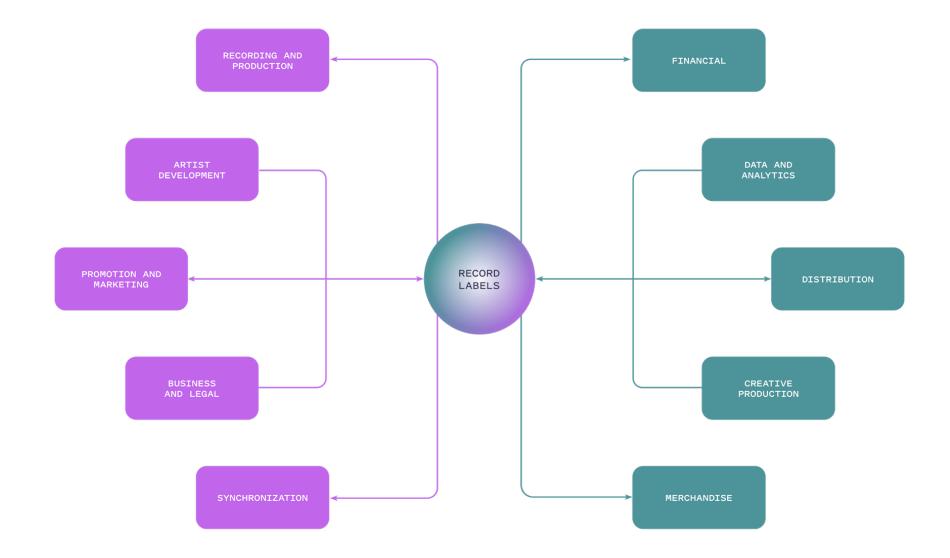
This figure can be compared to a 63% increase in revenues for IFPI's largest member companies over the same time period (2016–2021).

# The diversity of services offered by record labels

Sam Moghadam Khamseh/Unsplash

A label's role includes managing various in-house and outsourced services, from those that directly underlie the release and promotion of recorded music—production, distribution, promotion & marketing, for example—to providing broad expertise and support for everything from brand development to live touring, merchandising, and more. Labels are not the only organizations that do this—they work symbiotically with promoters, managers, booking agents, music publishers, and other valuable partners. However, as the entity responsible for the recording, which underpins the entire musical value chain, they play an outsized role in driving value to artists, the industry, and beyond.

The diagram on the following page presents a selection and description of the key roles undertaken by record labels.



#### **Recording & Production**

Record labels support artists to record their music to match their artistic vision. This includes everything from providing the financial support required to pay for studio time and personnel, to making connections between artists and key collaborators like producers, engineers, musical collaborators, session musicians, and more.

#### Financial

Labels provide financial support across several areas, including marketing, business services, living expenses, tour support, video production, graphic and content design, distribution costs, and more.

#### Artist Development

Artist & Repertoire (A&R) staff scout for talent and prepare artists and their work for market. Signing an artist can take years, and record labels coach and provide developmental support during this process. Once signed, labels provide knowledge, advice, and support towards holistically building artist careers. A&R's work closely with artists to understand their needs, and coordinate within the label to ensure they receive the support they need to meet their artistic and career goals-from setting up studio sessions to reviewing and commenting on works in progress, managing collaborations, and more.

#### Data & Analytics

Record labels are data centers that capture huge quantities of information. Collecting, assessing, and capitalizing on data and analytics is integral to their role. From understanding streaming plays to social media engagement, record labels' capacity to capture, analyze and develop strategic insights from data is one of their most impactful roles, and plays a huge part in helping artists to target and find traction with audiences.

#### **Promotion & Marketing**

Record labels function as music promoters-beit through radio, streaming, publications, social media, or in physical or online stores. Either independently or in partnership with outside suppliers, record labels bring together media, influencers, journalists, radio producers, TV presenters, brand partners, and playlist editors to disseminate recorded music and coordinate paid, partnered or other campaigns. Artists who work with labels also benefit from association with the label's name and brand, which acts as a beacon for business partners and curators who make decisions about which artists they will feature, leading to more artist opportunities and amplifying their visibility.

#### Distribution

Record labels work directly with physical and digital distributors and other supply chain partners — to ensure that recorded music finds its way to audiences, whether through brick-and-mortar music stores or online via streaming platforms and internet radio.

#### **Business & Legal**

Record labels provide and coordinate essential business and legal services, employing and working with lawyers, accountants, and business managers. For example, labels often provide legal services to help artists collaborate with other musicians and producers in the recording process. Likewise, financial tracking and reporting pay bills, and it is the role of record labels and artist managers to coordinate this. That means managing song details, registering copyrights, negotiating contracts, licensing and usage, and collecting royalties. Some labels do this in-house, others through partnership.

#### **Creative Production**

Record labels are creative agencies. They support artists' ancillary needs such as designing album artwork, producing music videos, and creating social media content. These roles can be fulfilled in-house or by working with a diverse pool of talented directors, illustrators, writers, and more, meaning labels are often the economic heart of local creative networks that support artists and their work.

#### Merchandise

Merchandising can be an important revenue source for artists, and some record labels offer support to artists in this sector, including design, managing online and in-person stores, fulfillment, and providing the initial capital required to manufacture goods.

#### Third Party Licensing

Record labels employ specialized teams who work to secure diverse opportunities for third-party use and licensing of artists' sound recordings. With artist approval, labels explore synchronization opportunities, encompassing placements in popular media like television. films. commercials. video games, and more. They also take advantage of many other licensing opportunities including, for example, placing music in compilation albums and magazine covermounts, and exploring future-facing media like non-fungible tokens (NFTs). The work to secure licensing opportunities often includes re-editing songs, recording cover songs, building music libraries, seeking out direct commissions, and more. It can be one of the most lucrative business areas for the recorded song. Record labels manage this process and ensure every time a recorded song is used, it is attributed correctly and paid for.

The roles outlined here apply to all types of record labels—majors or independents—of all shapes, sizes, and genres. However, labels operate in different ways. Those differences demonstrate the importance of a successful label and the challenges that can emerge when this role is mismanaged.



# How music gets released



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Karsten Winegeart/Unsplash

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#### In today's music industry, artists have multiple options for getting support to release and market their recorded music.

The most popular is through a record label[3], commonly divided between majors and independents. Alongside labels are artist service businesses, which offer a different value proposition and configuration of services based on the needs of artists. More recently, new options have emerged like crowdfunding and direct investment platforms—that allow artists to raise capital for their projects directly. Here's a breakdown of the different options: 3

Record label contracts vary widely. We recommend the United Musicians and Allied Workers '<u>Recording Contract</u> <u>FAQ</u>' as an excellent resource for understanding the different details and specifics of how record deals work in practice.



<u>Major labels</u> encompass the large consolidated label groups of Universal Music, Sony Music Entertainment, and Warner Music. These groups have extensive resources, global reach, and vast rosters of artists and sub-labels, providing comprehensive support for artists in terms of funding, marketing, and distribution, with the goal of growing artist careers to superstar level.



SONY MUSIC



Artist Services Companies

Independent Record Labels

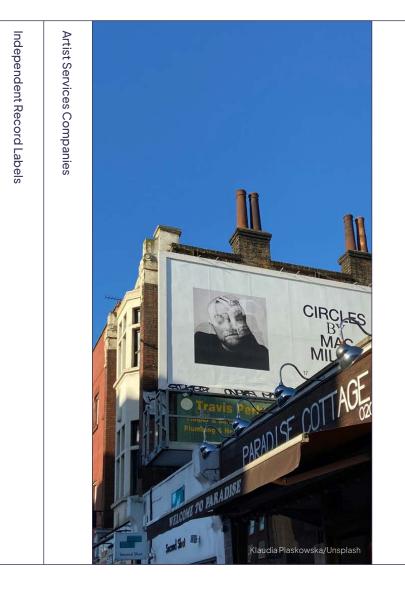
Major Labels



Independent record labels, which are examined in further detail below, come in many shapes and sizes. Some provide the same services and global reach as major labels, while others focus on niche genres and geographies. Independent labels pride themselves on fostering artistic independence and creativity, focusing on supporting artist development that nurtures emerging talents over long periods. Independent labels are much less consolidated than the majors - there are thousands of indies worldwide catering to specific segments of artists and audiences, and they provide unique services and expertise to match.

Crowdfunding and Direct Investment Platforms

Artist Services Companies



**Major Labels** 

Complementing the traditional label model, <u>artist services companies</u> (e.g. TuneCore; CD Baby) offer additional resources that enable artists to self-release without a direct label partnership. They provide a range of services to support releases from distribution to ad-buying and marketing - each on a case-by-case basis.

tunecore



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Major Labels	Independent Record Labels	Artist Services Companies	Crowfund Direct Turber Data to the term of ter
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In recent years, the emergence of <u>crowdfunding</u>[4] (e.g. Patreon, Kickstarter) <u>and direct investment</u> <u>platforms</u> (e.g. Sound Royalties, BeatBread) provide other options for artists seeking to raise capital for their music from outside investors. While these options provide financing, they do not come with the same tailored support offered by traditional record labels, or even artist services companies.

PATREON

KICKSTARTER

**b**eatBread

#### 4

While crowdfunding cannot replace the expertise and investment provided by labels, it acts a democratic option for artists to pursue support—especially early in their careers—and serves an important function within the broader music industry, as a "demand-based" mechanism for recognizing artists and revealing (local) talents.

It's important to note that these differentiations can be blurred. For example, independent labels can be clients of major-label-owned distribution services. Likewise, artists on independent labels or who use artist-service models may sign publishing contracts with major labels, or vice-versa. These relationships can be complex and vary from artist to artist.

## Everlasting Records x Guadalupe Plata From creative connection to sustainable success

Mark Kitcatt, the founder of the Spanish independent label Everlasting Records, recalls the first time he saw the experimental rock and roll band Guadalupe Plata perform: "I started talking to them, and we ended up at 6am in a bar singing pasodobles and coplas with a pianist. And that's how we met and did the deal."

The band's talent and eclecticism prompted an immediate connection with Kitcatt, from which the relationship with Everlasting grew. "We have all the same reference points," he notes, adding, "We listen to the same kind of music. We kind of come from the same culture. I don't think they would have signed with just any label. We're quite close in that sense."

This personal connection set the stage for developing a supportive, long-term business relationship between the band and Everlasting, which recently passed the ten-year mark. Guadalupe Plata are not just musicians, but multi-talented artists who produce their own album artwork, videos, and more. The financial support provided by Everlasting has driven their career growth. "The videos are pretty spectacular. And sometimes they cost a lot," laughs Kitcatt, while acknowledging the impact this creative work has had on growing the band's appeal with audiences. Everlasting's strategy with Guadalupe Plata has always been to support their career holistically. The label realized early on that the band's brand of wild rock'n'roll has unique power in the live setting, and began offering help with tour booking and management. "They can be doing between 80 and 100 gigs a year, so they're playing twice most weekends," says Kitcatt. This recognition led to a strategy of using live shows to support the band's growth outwards from their strong roots in the local Spanish music scene—where they consistently occupy top rock'n'roll chart positions—to become a successful European act, drawing between 300 and 1,000 fans a night at venues across the continent. This supports a full-time income for the band. tudy ////// CaseStudy /////// CaseStudy /////// CaseStudy /////// CaseStudy /////// CaseStudy /////// CaseStudy /////// CaseStudy ///////

"We listen to the same kind of music. We kind of come from the same culture. I don't think they would have signed with just any label. We're quite close in that sense."



Continuous and patient investment from Everlasting yielded a sustainable career for the band: in an average year, they bring in around \$95,000.[5] Meanwhile, Everlasting's investment in the band now generates returns of \$30,000-\$50,000 per year for the label, which it puts into other artists and supports the release of between three and five new records per year.

Although the size of investments in artists varies widely across independent labels, this case study is a microcosm of the economic and cultural impacts catalyzed by the thousands of independent labels worldwide, which produce large-scale aggregate impact. Guadalupe Plata are not international superstars, but, with the support of Everlasting, they have built a career that produces outsized impacts from drawing audiences into venues in cities and communities across Europe (with all the economic uplift that attracts), to supporting local video directors and creative producers in Spain, and others in the wider live music industry, such as sound engineers, promoters and venue owners.

#### 5

This figure represents the band's net revenue, after the label receives their share. This total includes recorded music income, publishing, and live.

## Deconstructing 'Dolt Yourself'

To better understand the role of record labels in the music industry, it's important to know the alternative ways music reaches audiences. While record labels offer some of the most stable, long-term, and sustainable support to artists, they are not the only partner available.

Many artists can and do self-release music, which is often referred to as 'DIY', or 'Do It Yourself'. However, taking the DIY approach requires artists to simultaneously manage many other jobs alongside creating music—from marketing and accounting, to promotion and management—and often means they end up financing and hiring multiple individual experts around them to support these activities.

As outlined above, artist service companies can support artists who choose to pursue a DIY approach. These companies offer services such as distributing music onto a streaming platform without a record label's support, coordinating tour dates without a booking agent, or managing one's business without a management company. Unlike record labels, which generally take a percentage of an artist's copyright in exchange for investment, artist services companies are most often fee-based, allowing artists to pick and choose specific supports à *la carte* while maintaining control over their copyrights.[6]



#### 6

As a note, independent and major labels do also sometimes offer "artist services"-style deals for artists. This often happens around the renewal of contracts between artists and independent labels, with new deals reflecting the career success built out of the initial risk undertaken by the labels. In these cases, subsequent record deals often move away from the label requiring ownership or licensing the sound recording copyrights, and towards revenue share deals, with labels offering their full support and services in exchange for a percentage of artist revenues. There are many examples of these types of deals among ORCA member labels. For example, !K7 Music currently has several services-style deals with well-respected international indie artists like Fat Freddy's Drop and Crazy P. It's important to note here, though, that artist services type deals with independent labels still receive the full long-term focused strategic support that their traditional copyright-based relationships do.

However, the services offered can vary, which can lead to volume being prioritized over connection, and music flooding the market, rather than being strategically introduced. Music industry data firm Luminate reports that in 2023, 24.8% (45.6M) of songs on streaming platforms received zero plays, while 86.2% (158.6M) of songs received under 1000 plays. Many artist services companies tailor their services to both DIY artists looking to grow their professional careers, as well as more casual music creators. To this end, some offer an 'upload service' model, which provides distribution of music, but nothing further, meaning the nuance and expertise required for artists to successfully navigate the streaming world, or maximize copyrights, is not offered. Others do offer more comprehensive support-such as promotion-under a more broad 'artist services' model, however, they are usually selective about who they work with under such models.[7]

The artist services model is not a replacement for what record labels do. Labels build additive expertise over time; the experience gained from building one artist's career supports the next signing, as labels develop internal knowledge and learn how best to serve the needs of artists. None of this added-value is provided by one-size-fits-all services. In a focus group undertaken by the UK-based Association of Independent Music (AIM) and published in a UK government report on streaming (p. 90), a self-releasing artist expressed the dilemma of pursuing an independent career without label support: "I'm constantly torn in my head because I like all the positives of being an independent [non-label] artist but at the same time, I spend 90% or more of my time bogged down in all the admin side and the business side of everything I've got to do. I literally negotiate my own contracts, even write my own contracts sometimes<sup>[8]</sup>, and it's massively time-consuming."

Justin West of independent label Secret City Records describes the expertise provided by labels as a framework of support that offers artists the best chance of success: "We create an infrastructure that perpetuates across years and many different artists. When that infrastructure does the same job over many releases and artists, it creates a build-up of knowledge. You develop best practices that you can't just learn doing it once on your own." This level of knowledge and support is not replicated in the approaches offered by the services that help artists to 'do-it-themselves'.

"We create an infrastructure that perpetuates across years and many different artists. When that infrastructure does the same job over many releases and artists, it creates a build-up of knowledge. You develop best practices that you can't just learn doing it once on your own."

Justin West, Secret City Records

7

See: The Association of Independent Music (AIM), "<u>Distribution Revolution"</u> (<u>2019</u>) report for a more detailed description of the contemporary music distribution landscape.

8

Writing one's own contracts without obtaining robust legal advice can lead to significant difficulties, including the possibility that such contracts may not be legally binding. Regardless of whether an artist is on a label, it is recommended that they obtain legal advice whenever entering into legal agreements.

## 24.8%

(45.6m) of songs on streaming platforms received **zero plays** in 2023

### 86.2%

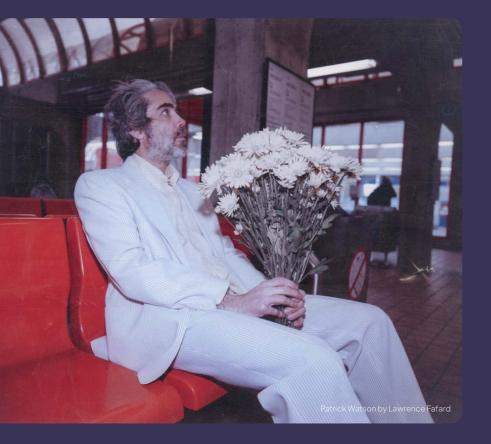
(158.6m) of songs on streaming platforms received **under 1000 plays** in 2023

## Secret City Records x Patrick Watson The collaborative role of independent record labels

Discussing how independent Canadian label Secret City has developed its successful 17-year collaboration with the artist Patrick Watson, label founder Justin West speaks fondly of the journey from loving Watson's music, to offering significant investment and developing a long-term partnership, where Watson's growth has supported the label's, and vice versa. West sums up the relationship simply: "The key thing that comes to mind is a lot of mutual trust."

Starting with 2006's 'Close to Paradise'—a record that not only attracted critical acclaim but won Canada's <u>Polaris Music Prize</u> (the 'album of the year' award as voted by journalists) and a <u>Juno Award</u> nomination (the Canadian equivalent of a GRAMMY)—Watson's journey with Secret City has been about collaborative support and shared success. Off the back of 'Close to Paradise', Watson built an early fanbase, and with Secret City's support, began touring extensively, and opening up new revenue- and audience-generating opportunities.

Watson's early success and the revenues it produced provided a platform from which Secret City could increase capacity. "It created the infrastructure over time that allowed us to invest in more artists, which created more infrastructure and got us to where we are today," says West. Building infrastructure meant hiring more staff—they are now at 14 total employees—and supporting internal knowledge and skill development. Watson's steady development over his career has also driven economic impacts in the music industry and beyond. Reflecting on the progress achieved since their first album working together, West reveals how things have grown: "All of a sudden from there, he's hiring tour production companies, renting buses and vans and tour managers... he launched a festival—<u>Lost River</u>—three years ago." These outcomes all blossomed from the seeds planted by Secret City's initial investment and enduring partnership with Watson and his manager. "17 years and seven albums later, we've believed in and supported him in building his career, and he believed in and supported me in building Secret City... and it's created so much. It really just spun off into a million things."



Through consistent releases, savvy marketing, and planning for sustainability, Watson's acclaimed album releases have reached a global audience. He now performs live to packed theaters worldwide, while his cinematic approach to songwriting has made him an in-demand film composer.

Contemplating the future, West reflects on the value of his long term relationship with Watson, and the potential of shared belief between independent labels and the artists they support: "Patrick, his manager, myself we've kind of grown up together. That's what happens when you've gone through thick and thin, learned the ropes, and confronted new issues and horizons together... It feels like the last few years have been our best together, and that the story is only just beginning".

Pablo Heimplatz/Unsplash

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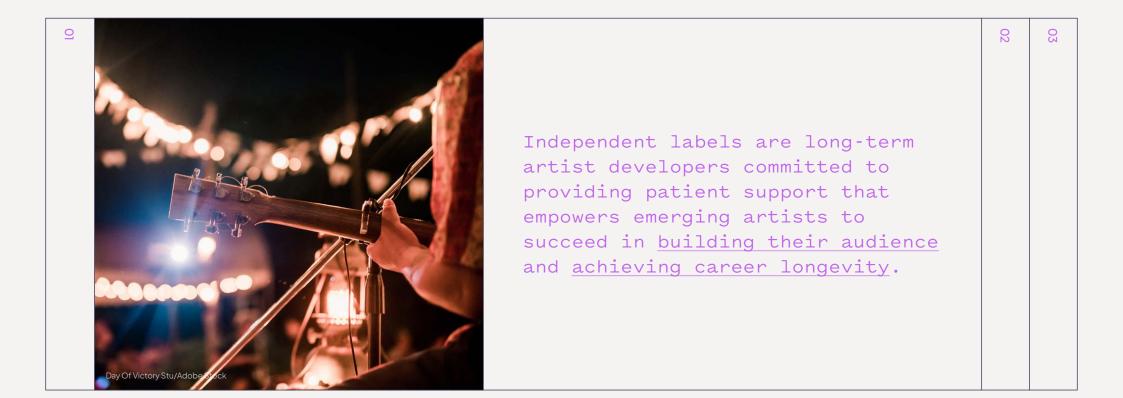
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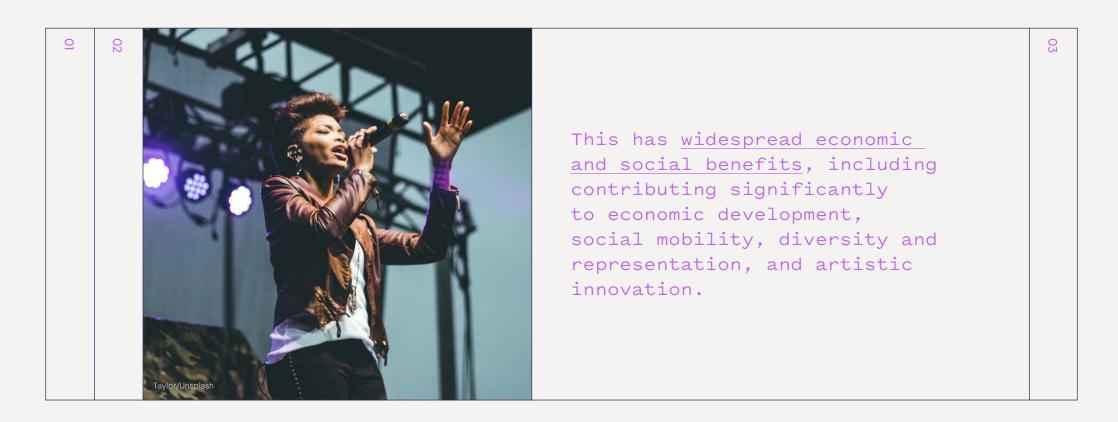
Part 2:

## Independent record labels—How labels support artist development

## Key Takeaways



## Key Takeaways



## Key Takeaways



This artist-centric, inclusive approach has empowered independent labels to produce outsized impact, <u>shaping significant global</u> artistic and cultural movements.

## The independent labelmodel

mer/Adobe Stor

Recorded music can create and sustain careers, but it requires six key ingredients: ability, continued investment, partnership, expertise, time, and community engagement. Independent record labels have a track record of providing all six. In doing so, they create and sustain music scenes and, with them, jobs and skills in communities around the world.





Independent labels take an artist-centric approach to development and career support. They pride themselves on building trust with the artists on their rosters, fostering their artistic independence and creativity, while providing the resources and expertise needed for them to develop sustainable audiences and careers.[9]

While this definition may sound like it applies to all record labels, it is the specific ways that independent labels go about these collaborative relationships with artists that is important to note. Independent labels are fairly unique in their commitment to supporting artists over a long time horizon, and ensuring that they have the expertise, resources and support to develop their craft and careers, even when immediate commercial success is elusive. This approach emerges from the relationship between independents and artists, where both parties are mutually invested in and reliant on the other's success. Independent labels succeed on the basis of their artist curation and development, and aren't in a position to take endless risks on short-term artist development. For this reason, the model of artist development practiced by independent labels tends to be steadfast in identifying talented artists early and nurturing them to career and financial sustainability. The value of this long term approach and the trust cultivated between independent labels and artists is validated by the fact that 77% of artists signed to independents choose to renew their contracts, and continue their career journey with an indie.

#### 9

Here, we also want to highlight the essential role played by managers in supporting artist development. Managers are the primary day-to-day partners and advocates for artists, and support them across everything from handling personal matters (tax filing, calendar management, etc.) to artistic and music creation (listening to and dialing in demos; setting up collaborations, booking studio time, etc.), career development (strategic decision making; partnership development; negotiations; business administration, etc.), and more. The role of managers as partners and confidante to artists should not be understated.

### Independent label support for artists generally begins at the very early stages.

"Indies are the first people to invest in an artist. Not just the first label to invest. They're usually the first party to invest anything significant. So when a band is just starting out, the indies are there to take a chance to invest some capital," explains lan Harrison, General Manager of Hopeless Records.[10] Indies are particularly invested in supporting artists who are pushing musical boundaries and working in niche genres that might not yet have found a mainstream or multi-territorial audience. They are known for taking risks on emerging sounds, and in the process, play a crucial role in cultivating audiences and markets for these innovative musical expressions. One needs to look at the role of independent labels in the birth of hip-hop or punk rock to see their impact. Notably, major labels often ultimately benefit from the early investment and momentum generated by independent labels, as they frequently invest in deals with artists who have already generated career momentum from the initial support and groundwork laid by the independents. In this way, independent labels play a very positive role in the music industry, as a supportive pipeline for artists towards achieving international scale.[11]

Authentic partnership and collaboration are at the heart of how independents operate. Independent label deals share profits from the royalties of master sound recordings, and indies are known for their flexibility in meeting the specific needs of artists. This dedication to equitable deals is cemented through institutional commitments. Much of the independent music sector adheres to global values, such as those <u>set out by</u> <u>the Worldwide Independent Network (WIN)[12]</u>, that place artists first and provide them agency over how their work is released. Independents also understand that the music industry is in constant flux, and that deals must evolve with the times. To this end, many have <u>pledged[13]</u> to ensure artists receive equitable treatment as emerging technologies generate new revenues from sound recordings. Similarly, independent labels have been on the forefront of advocating for fair licensing deals, as artists' music has been increasingly integrated into emerging tech services, like licensed music-based AI models and 'moment economy' platforms, like TikTok[14].

Independent labels are also distinctive in their artist discovery process and continue to put creativity first in their decision-making. While much of today's artist signing activity in the music industry is driven by data points-for example, an artist getting huge visibility through TikTok views—the discovery process for most independent labels purposefully looks beyond the data. "When we're A&R'ing [scouting new artists], we're looking for a point of view that's honest and that people will connect to," says Zena White, COO at Partisan Records. "There are certainly times where data helps. Data usually points to some kind of momentum behind the act. However, if you're signing something purely because the data says that people like it, versus whether you inherently believe it has potential, that can lead to a feedback loop of the same type of things being signed."



Importantly, independent labels are not simply financial investors and service providers, but strategic partners who help artists find their footing and develop revenue streams beyond recorded music. Once an artist joins an independent label, they find a collaborative environment where creative freedom takes precedence and where the label pledges resources - financial, time, mentorship, emotional support, and expertise - to bring an artist's vision to life. The comprehensive support of independents extends to financing and facilitating live touring, merchandising, marketing, and developing sync opportunities (see: The Diversity of Services Offered By Record Labels in Part 1), as independents re-invest revenues into their artists. "Two-thirds of our business is geared towards artist development," says lan Harrison of Hopeless Records, "Most of what comes into this company goes back out into developing artists, signing new artists. and promoting." This holistic strategy not only enhances artists' chances of success, but also creates a mutually beneficial partnership. Facilitating artists to develop a loyal following and expand their reach drives revenues back to the recordings.

"Indies are the first people to invest in an artist. Not just the first label to invest. They're usually the first party to invest anything significant. So when a band is just starting out, the indies are there to take a chance to invest some capital."

lan Harrison, General Manager of Hopeless Records

#### Music and artificial intelligence

Artificial Intelligence has been an integral part of the music sector's work for years. With the rise of generative AI, new opportunities as well as new questions and challenges arise, including the legalities of music-making AI, how AI models are trained, and the licensing obligations of AI companies. Independent labels play a key role in this world, in terms of using AI in the creation of music and other creative works, calling for responsible frameworks to ensure transparency and licensing obligations are clear, and underlining the need to maximize collaborative commercial opportunities.

The independent label sector has proactively led discussions and advocacy around the ways that AI might be used in music to benefit artists and the industry, while protecting the rights of creators. WIN recently launched its Principles for Generative AI, which lay out a comprehensive vision for the fair and equitable use of Al in music. Independent music trade associations including WIN, IMPALA, and A2IM have also all signed on to the Human Artistry Campaign, which sets out 7 core principles for AI to protect human creativity. In Europe, the independent sector, including IMPALA, has been instrumental along with other stakeholders in securing the adoption of the world's first framework AI law, the EU AI Act, with clear transparency and reporting obligations, as well as clarity that normal copyright rules apply. In the US, A2IM has been active in legislative and regulatory development around AI, including engagement with the US Copyright Office to help them achieve a balance between protecting creators and enabling innovation and opportunities for artists to benefit.

#### 10

Alongside direct label investment, some countries, like Canada, the UK, and many European countries, also support early career development for artists via grant funding models.

#### 11

Artist development pathways do, of course, vary. For example, in many European countries publishers also play a key role in the early development of artists. Likewise, the artist development path for genres including jazz and classical often differs from the label-led development of popular genres like rock, hip hop, and others.

#### 12

The <u>Global Independent Values</u> is a set of ten core principles representing the collective position of the global independent recorded music sector, first published by WIN in 2012 and renewed in 2024.

#### 13

The Fair Digital Deals Declaration is a commitment made by independent record label signatories around the world to treat their artists fairly in agreements relating to digital exploitation of their work in recorded music agreements with third parties, launched by WIN in 2014.

#### 14

European independent music trade association IMPALA has, for example, <u>called out</u> TikTok for the increasing value gap between the licensing rates that it pays for the use of music on the platform, and the value that music brings to its service.



While small teams are not exclusive to independent labels—majors also have smaller imprints under their umbrellas that are run by focused teams—it is not uncommon for artists on independent labels to know, interact with, and learn from the entirety of the label's staff, from the marketing intern to the founders, especially with smaller independent labels with fewer team members.

In addition, data articulates, through surveys of labels, that indies retain personnel continuity across time. According to WIN, 42% of staff at independent music companies have worked there since the launch of the label, a stat made more impressive by the fact that the average independent label is 14.9 years old. This length of tenure is demonstrated in surveying ORCA members. The independent label group Beggars, founded in 1977, is still led by its founder Martin Mills, who currently acts as the company's chair. The same goes for Swedish label Playground Music, launched in 1999 and still chaired and owned by founder Jonas Sjöström. Megan Jasper, the CEO of Sub Pop Records, has worked with the label in various positions since 1989, starting out as an intern. For artists, the continuity of the people at independent labels encourages the development of longer relationships, which supports trust and understanding.

Beyond the myriad supports offered by independent labels-the financial risk taking, investment, knowledge, stability, collaboration, experience, hands-on support, and more-it is the unique ethos, value and identity of indies that ultimately resonates deeply with artists. As European Indie trade body IMPALA describes it, there is an all important "'belonging' or identification with what a label stands for" that adds huge value to creators. This might also be thought of as the brand value of independent labels, which is attractive to artists themselves, as well as to music fans, who respect the artist-first approach and thoughtful curation of indies. This value is also attractive to businesses who use music and see labels as a trusted source when deciding which music to feature (e.g. for a playlist or other). This value is also evident in the numbers. In the European music sector, for instance, small, medium, and micro labels collectively account for over 80% of all new releases—a testament to their pervasive influence. And demand from artists to release on indies continues to arow. Despite the many options available for artists to release music today, independent labels are solicited by artists more today than ever before.

Ability. Continued investment. Partnership. Expertise. Time. Community engagement.



#### Adele. Bjork. FKA Twigs. Christine & The Queens. Run the Jewels. The National.

These artists' global careers have flourished through the investment, partnership, and time provided by independent labels.

In a world where most recorded music releases struggle to find an audience, it is this long-term, patient, and targeted approach that fosters jobs, skills, and careers. Martin Mills, founder of the world's largest independent label group, Beggars Group, points to the Grammy-winning rock band <u>The National</u>—signed to Beggars' label 4AD—as an example of how a patient approach can pay long-term dividends: "They had a small following worldwide, and we worked with and invested in them, supported their touring and their recordings. And they have gradually built a career to the point where they just sold out Madison Square Garden. They just headlined a 15,000-person show in Amsterdam.They've never released a pop single, but they've developed a fanatical following across all age groups."

## Playground Music x Smith & Thell Investing in longevity

Smith & Thell began their career as a new wave-influenced band in the early 2000s. However, it wasn't until they stripped back to basics to focus on the core songwriting and stunning vocal harmonies of members Maria Smith and Victor Thell that their music found its audience.

This transformation from dance-pop to harmony-laden indie-folk didn't happen overnight. The patient development approach taken by their label, Sweden-based independent Playground Music, gave them the room to find their "voice." Label founder Jonas Sjöström describes the process of providing space for the band to locate their sound: "We saw the potential in the songwriting and in the voices immediately, but the first years were not very successful. After several releases, it came to them that their voices and the songwriting were the main things, and the sound they were trying to go for was not as important."

In 2014, the band released 'Hippie Van', a shift in style from dance to folk-pop, leading to a string of successful charting hits. "Since then we've been building them as that sort of band, and they've been really successful." explains Sjöström, noting the focus is on local development to produce a sustainable base from which the group can grow. Sjöström estimates that around 75% of the band's revenues come from Scandinavia: "It's very much a local thing, but they're up to 600 million streams on Spotify alone."

Along the way, the investment of Playground has been essential to Smith & Thell's success, which includes winning a Swedish Grammy Award and earning Platinum certifications for singles in Sweden. "Since 2014, we've invested about \$600,000 in production costs," saysSjöström, acknowledging that investment in the form of support and expertise far exceeds the financial outlays. Many hours have been plowed into promotion, including pursuing festival and touring opportunities to expand the band's audience. They now perform 20-30 gigs in Sweden and Norway each year, averaging audiences of 1,000-3,000 per show. The band also uses the label's in-house studio facilities. Smith & Thell have also written songs for established pop stars, including Jennifer Lopez and Alan Walker, and their songwriting revenues form a key part of the mix that supports their career.

"We saw the potential in the songwriting and in the voices immediately, but the first years were not very successful. After several releases, it came to them that their voices and the songwriting were the main things, and the sound they were trying to go for was not as important."

Jonas Sjöström, Founder of Playground Music



The band has also ventured to grow beyond Scandinavia and Europe. Playground supported them in developing an international licensing deal with Sony sub-label Arista who sought to build on the base established through Playground's initial investment. Despite providing significant resources, the deal with Arista did not yield the international success expected.

Sjöström explains that this demonstrates how difficult it is to achieve massive-scale success in the music industry, while also pointing out how Smith & Thell's trajectory reveals the valuable role of independent labels in providing foundational early support. While the band did not achieve the massive scale required to stay with a major label, they still have a viable and sustainable career that was incubated and remains supported by Playground: "It shows that the independents who work long-term can get an artist to a point where they will have a stable local market and a full-time job as a result."

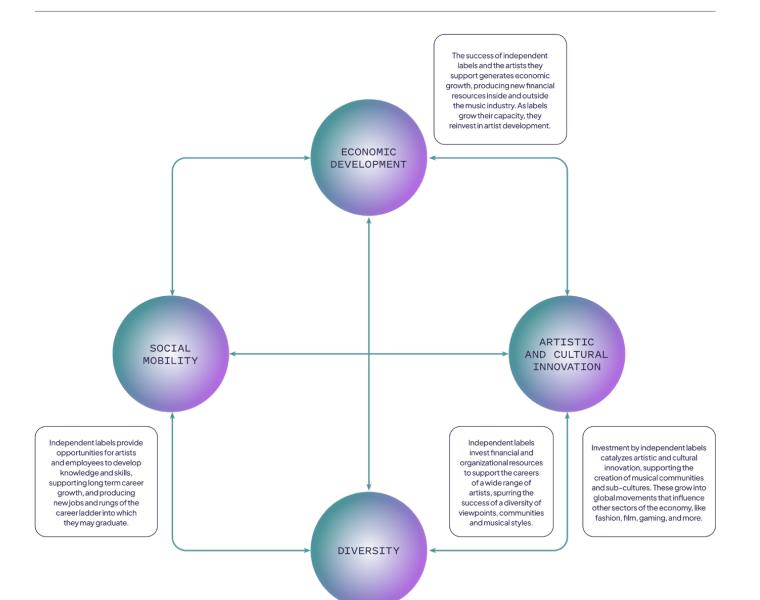
This deliberate and gradual approach to nurturing artists underlies Playground's enduring success. Now in its 25th year in the industry, it has a team of around 50 employees, an equal number of active artists, and contributes to Scandinavian economies. Playground brings in average revenues of over \$11.5 million annually. It reinvests over \$1 million a year in new productions across more than 20 releases, contributing to a thriving music ecosystem in Scandinavia and beyond.

The economic, social, and cultural benefits of independent record labels

#### The value of the recorded music industry and independent labels goes far beyond the music itself.

Investing in music and supporting independent record labels, along with the wider music industry, generates various outcomes that improve communities and society.

The impact that independent record labels have on supporting a few of these key outcomes is explored in detail below, including how they catalyze economic growth, enable social mobility, support diversity and representation, and ultimately create and nurture culture worldwide.



The Economic, Social and Cultural Benefits of Independent Record Labels

## **Economic development**

Independent labels are job creators and skills development hubs. Their work and investments contribute directly to economic development and growth.

This is true not only of music but also of everything labels engage with, from recording studio service providers to tour bus companies, equipment manufacturers, hotels and tourism businesses, retailers, and more. Without the support of labels nurturing recorded music, there would be a much smaller output economy and a narrower supply chain across the music industry.

This is why, in aggregate, **independent music businesses**, **including labels and service companies**, **represent** <u>approximately 40%</u> of the global music **industry**. And their share is increasing steadily. Independent label revenues <u>grew by 7.1%</u> in 2022 and are part of—and complementary to—a wider positive upswing across the music industry. Major record labels, music publishers, and the live sector are also seeing annual growth, which is to be celebrated.

Independent labels create economic growth in many ways. The most visible way is the direct financial impact on artists through advances[15] and on the employees they hire and support (more on this below). But there is also additional investment that supports artist development including the creation, marketing, and release of each sound recording, spread across a wide variety of sectors and vendors. Ian Harrison, General Manager of LA-based Hopeless Records, says: "We can confidently say we contribute well over \$6 million a year supporting small businesses within our orbit. This spans recording studios, pressing plants, producers, mixers, mastering engineers, graphic designers, photographers, rehearsal spaces, equipment, rental houses, directors, editors, and more". Add external marketing, business affairs support, content production, distribution, and other investments, and the economic impacts produced by independent labels become abundantly clear. All this investment by independent labels supports local communities around the world.

Martin Mills, founder and CEO of Beggars Group, estimates it supports 80 active artists (not including an extensive catalog) on its roster at any time. This means releasing around 35 albums per year, spending an average of \$200,000 per release on production, marketing, and distribution, and supporting jobs in the process. And Beggars Group and its sub labels[16] represent only a few of thousands of independent labels worldwide.

The jobs that labels support reverberate across communities. A 2020 report commissioned by the Recording Industry Association of America (RIAA) estimated that for every \$1 of revenue generated in the US music industry, an additional 50c was created in adjacent industries. With their substantial market share, independent labels drive a significant portion of this value. Artists and their teams hire contractors to work on creative projects, support logistics, and meet travel requirements. When an artist tours their recorded work, they eat in restaurants, book travel, stay in hotels, manufacture merchandise, ship materials, and perform in music venues, which shows that they-the artists-are economic hubs supporting multiple jobs. This ancillary spending in communities supports hospitality, transit, and other sectors. Mini-economies are created by each artist, beginning with their relationship with the label.



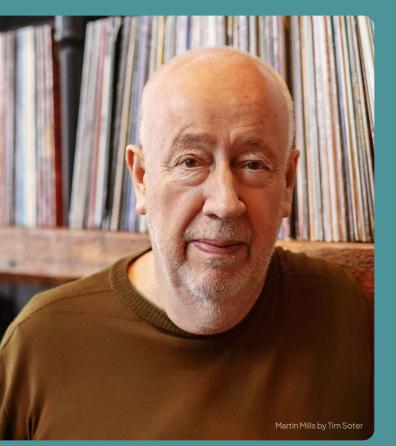
#### 15

'Advances' are zero-interest and non-returnable artist payments that support recording, livelihoods, and development while music is being produced. These payments are made by the label at their own risk and are recouped, in part, only at the point that revenues are generated from the label's collaboration with the artist.

#### 16

Beggars Group sub labels include 4AD, Matador, Rough Trade Records, XL Recordings and Young.

## Social and economic mobility



Independent record labels not only nurture sustainable careers for artists, but also contribute to the social and economic mobility of skilled professionals, who, in turn, support and benefit the communities they live in.

Independent labels create a distinct value-add around social mobility owing to their approach to developing knowledge and skills among their employees across their careers. Indies place a distinct and substantive emphasis on selecting candidates who demonstrate a passion for music and the business of the artists they will be working with, rather than prioritizing individual skill sets or educational backgrounds. This is not to say this isn't the case across the wider industry, but it is a stated priority for independent labels. Charles Caldas, a partner at Exceleration Music, sums up the approach of independents as empowering individuals "to translate a passion into a profession". This is exemplified in how independents hire staff at entry-level positions and support them into higher-level management roles. "We generally start with raw material and train people towards a whole career in music," says Martin Mills, founder of Beggars Group, noting that the majority of its senior management, including CEO Paul Redding and Director of Global Commercial Strategy Simon Wheeler, "started at the bottom" working in the warehouse. Louis Posen, founder of Hopeless Records, similarly explains how they develop careers by promoting internally: "When we hire someone into their first job, we know they aren't experts, but we train them, show them how the business works and continue to invest in training them as the industry changes, so they remain up-to-date."

Hiring staff at entry level creates long careers within independent labels, by enabling them to build strong internal cultures around music and community. Justin West, founder of Secret City Records, explains the value of selecting "the person who's passionate about music," describing it as "a really important piece of the DNA of a record label. We want that kind of culture and those kinds of people around. They drive the companies and the business".

#### This directly relates to another way that independents support social and economic mobility: they train their staff across a wide range of skills.

As small and medium enterprises (SMEs), independent labels must offer many services, meaning staff must have broad abilities. West notes how entry-level positions at Secret City come with the guarantee that "you're going to do everything", with employees learning the full scope of the business, from how to develop a release campaign and use digital marketing tools, to the intricacies of rights management and royalties collection. Hopeless Records' Posen similarly emphasizes how the size of independent labels fosters expansive knowledge development: "If you go into a giant company, the amount you're going to learn may be narrowed because your job will probably be specific. It may be easier to grow your profession at independent labels because-out of necessity-you're learning more varied tasks."

Independents, like the majors, have also expanded the variety of roles in which they are developing expertise transforming as music has transitioned to a digital-first industry. Zena White of Partisan Records explains that to execute an effective album campaign in today's music industry requires a diversity of assets and approaches and, accordingly, more investment in staff: *"Each release needs more and more content to support it to reach a wider audience. We're finding that the budgets have to be increased to pay for that content at a high level of execution...We're a medium-sized independent label, and we now have 37 employees."* 

Mills echoes this sentiment, noting how Beggars has expanded to support digital capacity: "We now have a department of a dozen tech people who are building and maintaining our systems, and managing our data, which simply didn't exist pre-digital. We also have people who maintain relationships with digital services, either in terms of business and negotiation or marketing and promotion. We now have teams of people in roles that didn't exist before." "When we hire someone into their first job, we know they aren't experts, but we train them, show them how the business works and continue to invest in training them as the industry changes, so they remain up-to-date."

Louis Posen, founder of Hopeless Records

This knowledge base pays dividends across the careers of those trained at independent labels. The workforce at independents not only excels within these companies but also brings their refined skills to other roles both within and outside the music industry. Skilled individuals trained at independent labels frequently move on to higher level and leadership roles at distributors, major labels, rights management organizations, or in different industries such as hospitality, marketing, and entertainment. They leverage their extensive industry knowledge to succeed in these new environments. As Posen notes: "What you're going to learn at an independent label is going to allow you to get your next job with that label, start your own label, or get a job in other businesses across media, entertainment, and marketing." In this way, the training provided by independent labels collectively benefits the industry and the economy.

## **Diversity and representation**

Increasing diversity and representation remains a significant challenge in industries worldwide, and the music industry is no exception. Supporting representation in music is important to ensure that the industry reflects society, but also because the increased diversity leads to more music that reveals a wider array of experiences, perspectives, sounds, and styles.

The music industry has a long way to go[17] when it comes to creating a fairer and more diverse playing field, and independent labels recognize that they can and must do more to play a major role in supporting representation. Over the past 15 years, digital distribution and streaming services have made it much easier for artists to release and have their music heard worldwide. However, access to digital platforms alone is not enough to ensure that a diversity of artists find their way into the ears of global audiences, and have a chance of generating successful careers. A recent <u>UNESCO report</u>, for example, points to a resource gap, noting that streaming models favor "artists who already have access to robust financial resources or who have large fan bases." This is where independent labels come in. With their long-term approach to artist development, independents are well-positioned to invest and take risks on artists across communities and genres that might not otherwise receive support. Charles Caldas of Exceleration Music says: "Independent labels find underrepresented artists...and we identify potential and find connections culturally, musically, territorially of where we think that music can fit. We actively work to help those artists develop themselves, their music, and the way they present themselves, to maximize their chances of finding the audiences we think they deserve." Independent labels provide an infrastructure and the expertise to support these artists to effectively grow and have a fair chance at success.

Independent labels are a vector for cultural diversity, through the development of niche artists and musical communities, the expansion of local markets, and the promotion and scaling of local culture, globally. The sheer volume of independent labels located worldwide means that they are positioned to be attuned to local cultures and musical ecosystems, with labels maintaining expertise and supporting local artists through active involvement in their regional music communities, whether through <u>promoting</u> local shows or maintaining locally engaged operations and staff. For independent labels, an important part of their approach to A&R and signing new artists is understanding and working with the talent that is bubbling up from the communities in which they are located. This impact is particularly important with respect to how independents support regional cultures and language. Labels like <u>Everlasting Records</u>, for instance, play a role in supporting Spanish language artists, and providing them with opportunities to bring Spanish music and culture to a global audience. The same effect can be seen in Quebec, Canada, where <u>independent labels</u> provide an important vector for the proliferation of Francophone music in Canada and beyond.[18]

Louis Posen of Hopeless Records explains how his label supports a wide spectrum of artists: "We understand who our audience is, who our artists are, and the world they both exist in. And we look to reflect that." The label operates on a set of clear company principles which include to "fight systematic injustice and lift up underrepresented voices", and this is demonstrated in its roster where over 50% of artists are led by women and more than 40% either hail from international origins or are first-generation immigrants to the US.

#### 17

There is a large and growing body of research pointing to challenges around diversity, equity, and inclusion in the music industry. A few notable resources include: <u>Black Lives in Music research</u> reports; USC Annenberg 'Inclusion in the <u>Recording Studio'</u> and 'Inclusion in the <u>Music Business'</u> reports; <u>UK Government</u> '<u>Misogyny in music'</u> report; and, The Pudding '<u>Visual essay on women</u> <u>songwriters'</u>.

#### 18

In addition to being naturally attuned to local cultures, the key role of independent labels in promoting cultural diversity and championing local culture in global markets is also supported by the fact that many indies focus primarily on servicing emerging artists and new releases, as well as the ability of independents to take advantage of structural funding, like grant subsidies, to support local musical niches (for e.g. government <u>support</u> for Francophone labels and artists in Quebec, Canada). The proactive approach taken by Hopeless is reflected in initiatives that span the broader independent music ecosystem. Independent record labels recognize their social responsibility to make the music industry more diverse and representative, and frequently work through their major trade associations and other music organizations on initiatives that can produce broad impacts. IMPALA, which represents independent music companies in Europe, has developed a Diversity & Inclusion Charter to hold itself and its members accountable through a series of measures to increase equity and diversity in the industry. This includes providing training and other programs to support members as they implement structural changes, collecting data to measure outcomes, and reporting annually on progress towards increased diversity. IMPALA's annual Changemaker Award also puts the spotlight on the sector's projects that inspire change.

Likewise, the independent music trade associations in France (FÉLIN) and Germany (VUT) are founding partners for MEWEM[19], the Mentoring Program for Women Entrepreneurs in the Music Industry, a European-wide training initiative to support women to increase leadership positions in the music industry. In the UK, the Association of Independent Music (AIM) has launched the Amplify Apprenticeship Scheme, a partnership with Women in CTRL and Amazon Music to foster women and non-binary talent in the music industry, through paid work opportunities and mentorship. AIM has also established an Equity, Diversity and Inclusion training program that is free to all members. Similarly, Merlin, the digital licensing body representing independent labels, distributors, and rights holders, launched the Merlin Engage mentorship program in 2023, which tackles gender representation in the industry by pairing emerging female leaders with executive-level mentors.

#### 19

MEWEM also has several other founding partners from across Europe, including French (Le LABA), Belgian (Wallonie-Burxelles International), Austrian (Music Austria), Romanian (Raw Music) and Spanish (Mujeres de la Industria de la Mùsica) organizations.



"We understand who our audience is, who our artists are, and the world they both exist in. And we look to reflect that."

Louis Posen, founder of Hopeless Records

Independent labels have a significant impact on promoting representation due to the diverse range of indies worldwide. Thousands of independent labels of various sizes and genres span different cultures and regions. This extensive network creates opportunities for artists from underrepresented regions to gain global recognition. Independent music companies collaborate, often through their diverse trade associations[20], to support capacity-building across markets. For instance, WIN provides resources to help independent music businesses establish their own trade associations and coordinates regional working groups like the LatAm Network, covering Latin America, and the APAC Alliance, covering the Asia-Pacific region. WIN's Foro de Independientes de Latinoamérica (FILA) initiative focuses on supporting capacity-building and economic development for independent music businesses in Latin America, with projects in the Southern Cone and the Andean Community. Together, these networks enhance the capacity to invest in diverse artists across different geographies, communities, and genres.[21]

Many other initiatives are also working to address systemic discrimination in the music industry. The independent sector is not the only sector that needs to change and is addressing systemic challenges, but the aforementioned models, and reach, demonstrate replicable and applicable initiatives that are working towards collective change. Still, there is much more to do to improve industry diversity and representation, including among ORCA members. This includes increasing opportunities for neuro-diverse and disabled artists and workers, upgrading studio and office facilities to meet accessibility needs and standards, creating products for hard of hearing, D/deaf, blind, and visually-impaired audiences, and ensuring that the industry's workforce and artists reflect their communities. The importance of these efforts is underscored in the charters mentioned earlier, and the need for this work reflects a clear social and economic benefit in investing in such initiatives

As an organization, ORCA also needs to become more diverse, to ensure that it represents the views and perspectives of labels from around the world, and serves to platform the voices of marginalized and underserved communities. Future ORCA-supported initiatives will emphasize working closely with the independent trade associations towards expanding its membership and the perspectives it captures in its work, as well as include research—with qualified partners—to better understand best practices towards promoting and accelerating diversity in music in all its forms, to further increase the economic, social, and cultural value of the entire sector.

#### 20

As an example of the level of diverse representation within independent music trade associations, the board of the UK's Association of Independent Music (AIM) is 65% female and 30% diverse by ethnicity. Its board members are executives of UK independents and voted into place by AIM's membership.

#### 21

There are countless other examples of independent music trade associations undertaking programming and projects in support of diversity, equity, and inclusion in the music industry. A few examples include:

In Chile, I<u>MICHILE</u> promotes dialogue with the First Nations and the Pan-American circulation of Mapuche and Rapa Nui music through the initiative El Águila y el Cóndor ("The Eagle and the Condor"). A fundamental aspect of the annual <u>Fluvial conference</u>, this initiative combines panels, workshops and showcases of Indigenous artists, as well as collaboration with Canada's International Indigenous Music Summit and other First Nations projects. IMICHILE is also a member of ROMMDA, a collaborative space addressing gender disparities in Chile's music sector, with several partners and over a thousand members spanning over 20 countries.

In Canada, <u>CIMA</u> was a founding partner for <u>Breaking Down Racial Barriers</u>, a roundtable series on anti-Black racism in the Canadian music industry. The initiative produced the <u>BDRB Report</u> and continues to influence positive change through ongoing activities and its <u>BDRB</u> <u>Declaration</u>, which has been signed by over 450 music companies.

# Artistic and cultural good

For decades, independent record labels have played a significant role in influencing global artistic and cultural movements, both in and beyond the realm of music.

The birth of hip hop, which commemorated its 50th anniversary last year, was championed by labels like Def Jam and Death Row Records. Similarly, independent labels like Blue Note and Prestige played pivotal roles in shaping jazz, while the origins of grunge were fostered by labels such as Sub Pop. Simply put, most transformative music that has impacted culture over the past 50 years originated from or was propelled by independent labels.

The fact that artists on independent labels have influenced global culture is partly due to their unique artistic investment and development model. As smalland medium-sized organizations, independents have more autonomy to take calculated risks on emerging sounds and unconventional genres than large corporations. Zena White, COO of Partisan Records, says: "Our model revolves around taking risks and casting a wide net to uncover artists who may not receive recognition or investment elsewhere." The results of this focus on lifting up the new and unique can be seen, for example, in Partisan championing artists such as experimental jazz guintet Ezra Collective and supporting them as they grew from their local roots at a London youth club, into a Mercury Prize-winning act recognized for breaking new ground in jazz.



Conversely, this model of nurturing diverse new talent also has the positive effect of attracting emerging artists to seek out independent labels to support the release of their music. Artists aspire to be signed to the labels that represent the artists that *they* look up to. They notice the communities of innovative and exciting artists that form around these labels, and want to be a part of that.

The foundation of many independent record labels within regional communities is instrumental in their ability to support pioneering artistic talent from local scenes to global recognition. For example, in Iceland, independent labels have incubated a huge variety of global stars. Bjork and her earlier critically beloved projects, like The Sugarcubes, emerged with support from a fertile scene of independent labels, including Smekkleysa ("Bad Taste Records"), which cultivated a community around alternative rock music in Iceland. The label became a steadfast part of the country's music ecosystem, supporting waves of emerging artists, and later helping initiate the success of artists such as Sigur Rós, who went on to achieve global success within the post-rock genre, and whose career was also supported by the independent label [PIAS] and their joint venture, FatCat Records. In Montreal, independent labels like Constellation, Secret City, and Arbutus Records helped generate worldwide attention and provided launching pads for globally successful acts like Godspeed You! Black Emperor, Patrick Watson, and Grimes, among many others.

The effects of this success go way beyond the art. Music promotes talent attraction and retention, tourism, and inward investment, as well as contributes to export economies for artists and labels that ultimately drive global recognition and revenues back toward domestic music ecosystems. For example, <u>Iceland Music</u>, the national level body that partners with and promotes Icelandic artists, independent labels, and events, offers a variety of programs that recognize the value of and boost Iceland's music-based economy. This includes funding for marketing and travel, to support Icelandic labels and artists to export their music abroad, as well as programming to draw in investors and visitors in the form of a 25% tax rebate to <u>record in Iceland</u>.

The effects of indie-label investment in music influence fashion, art, politics, film, brands, youth culture, and more. "Where we come from goes all the way back to the Sex Pistols, where fashion was at the forefront of music." says Louis Posen of Hopeless Records. speaking to the influence that independent-created punk culture has had outside of music. The cultural influence of punk on fashion extends from its origins to the present, as labels like Hopeless have helped fuel a new wave of artists in the genre. In turn, successful stores like Hot Topic were born from this resurgence of punk, catering to fans eager for their fashion to reflect their musical identities. Likewise, the recent genre trend, hyper-pop, offers a very up-to-date example of independent music's deep influence on culture. Grown from independent labels such as PC Music and XL Recordings, the genre has gone global by pairing maximalist electronic music with progressive politics and providing a safe space for its audience of young LGBTQIA+ fans to assert their musical identities.

### Because Music x Christine and the Queens Nurturing Creative Vision

From the beginning, the partnership between the globally acclaimed pop artist Christine and the Queens and the independent label Because Music revolved around providing the essential infrastructure to support Chris' creative vision. Because Music spotted a rare artist whose approach to music was creatively groundbreaking while also being accessible, and with the potential to attract a global audience. What was needed to achieve this global success was strategic planning, artistic support and financial investment to help the project grow.

This came in the form of a patient approach that put long-term development ahead of immediate success. To this end, the label spent almost four years promoting Christine and the Queens' debut album, Chaleur Humaine, executing a planned rollout that ultimately translated into the album reaching number two on the UK charts, being the biggest-selling independent debut album in the UK that year and breaking into the Billboard Hot 200 chart. The album was first put out in France in 2014, before being released for an international audience a year and a half later, along with reworked English lyrics. This phased approach not only facilitated the development of a strong regional base from which to expand, but also allowed the label space to collaborate with Chris on crafting a captivating live show.

Moreover, Because Music developed strong creative partnerships with DSPs, including Apple Music, YouTube, and Spotify. For Apple, the collaboration included a live-streamed bespoke performance, exclusive session content, and creating long- and short-form documentary content. For YouTube, there were multiple live performances and an exclusive short film produced for the 'La vita nuova' EP, and for Spotify, there was exclusive session content in the form of Spotify Singles, as well as both interview and other short-form content. These creative collaborations provided vital storytelling opportunities across all priority platforms, ultimately contributing to the development of Christine and the Queens' profile across all major markets.



"It was very important, and we put a lot of energy and investment into the live team."

Emmanuel de Buretel, founder of Because Music

"It was very important, and we put a lot of energy and investment into the live team," explains Emmanuel de Buretel, founder of Because Music. By the end of 2016, Christine and the Queens had played Coachella and Glastonbury, sold out 15,000+ seat venues across the UK, and garnered praise from superstars including Madonna and Elton John.

"The success stemmed from the team we put around Chris to enable him to achieve his vision," notes de Buretel, emphasizing the strategic guidance the label provided and the significant financial resources invested in developing the project, which generated 1.5 million album sales.

Since Chaleur Humaine, Christine and the Queens' music has continued to evolve. Chris has released three additional albums and one EP with Because Music. The success of the debut album fostered a robust fan base that has allowed Chris to explore a more experimental approach, including delving into operatic songwriting and creating an alter-ego, Redcar, for live performances. Throughout this artistic evolution, Because Music has consistently demonstrated its reliability as a guiding force, emphasizing a balance between steady growth and preserving artistic freedom.

This ability to support an artist to fully execute their vision while also looking out for their career sustainability characterizes what independent labels do so well.





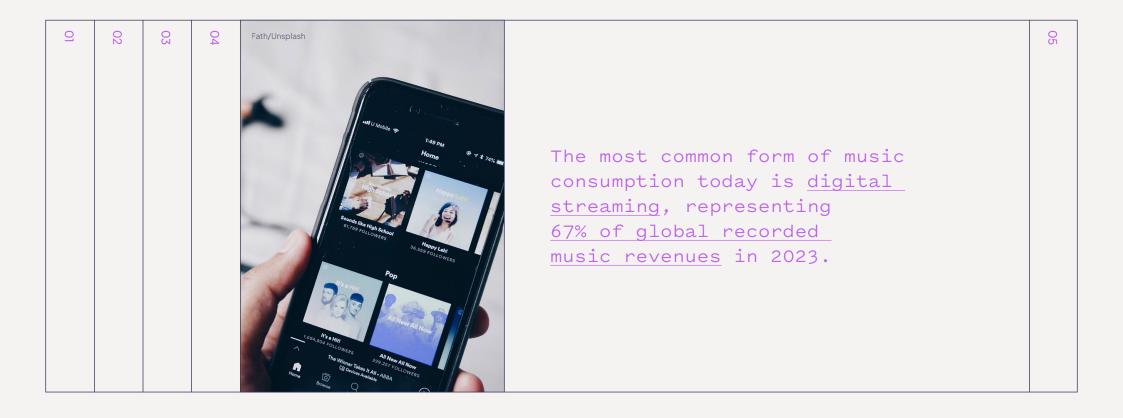
Part 3:

# Explaining Recorded Music Revenues











Within streaming, <u>platform revenues</u> <u>are divided between rights holders</u> (~67% of the revenue) <u>and the</u> <u>platforms themselves</u> (~33%\*). The specific distribution of streaming revenues hinges on agreements between the platforms and rights holders, along with specific payment models. Currently, most major streaming platforms use the <u>pro-rata model</u>, which allocates payments based on a recording's proportionate share of the total monthly streams.

\*NOTE: This breakdown represents rough values, with some variation across the industry based on specific agreements in place between different DSPs (streaming platforms) and their partners, and jurisdictional differences. It is based on numbers for the UK, reported by the UK Intellectual Property Office. See: <u>UK IPO</u> <u>Music Creators' Earnings in the Digital Era Report, Section 4.2.2</u>

## Generating revenues with music

### How exactly do sound recordings generate revenues? The answer is copyright.

Understanding how copyright generates revenues is the first step to leveraging the economic and social value of music. It is the economic foundation on which all revenue from music is built. The section below first explains what music copyright is and the revenues it generates. It then uses streaming to provide an example of how copyright revenues flow, presenting a picture of how this primary source of music industry revenues pays. Record labels such as the independents that make up ORCA, as well as a number of other music organizations, support artists to ensure their music copyrights are registered and their use tracked. This ensures that artists are paid for their work.

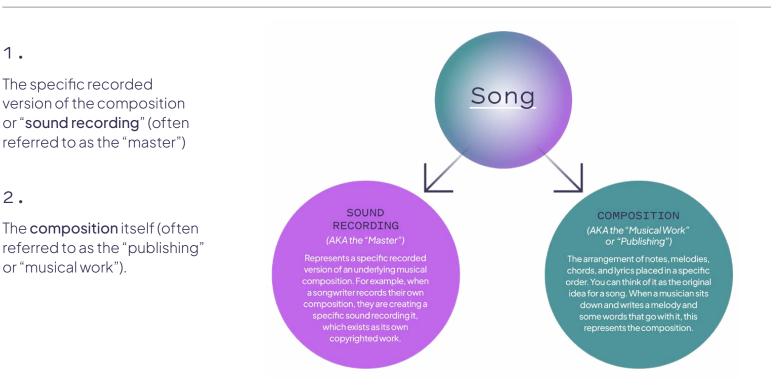
# How rights and royalties work

When an artist's music is used—such as when it's performed, streamed, put on a vinyl record, or used in a film or on TV—the person or organization holding the copyrights for that work should receive a royalty payment for its use, unless the music is deemed royalty-free or is in the <u>public domain</u>.

> Copyright law and its administration are complicated. Two types of copyright apply to recordings, each with specific sub-rights and laws differing by jurisdiction. Let's break it down as simply as possible.

#### The two copyrighted works, or 'pieces of intellectual property'

When an artist writes and records a song, transferring it to physical medium such as a vinyl, CD or hard drive, this triggers the creation of **two separate copyrights**:



A song can have multiple sound recordings—or versions—associated with it, such as cover versions. For example, when Prince wrote the song "Nothing Compares 2 U", he (and his business partners—labels and publishers) owned the copyright to the musical composition and his recorded version of the song. When Sinéad O'Connor famously recorded her cover version, she owned only the copyright to her specific sound recording of the song, not the composition.

There are many ways to split up the two rights. Both have associated sub-rights[22], each of which the artist can assign to different parties and activate concurrently, depending on how a recording is used.

#### 22

Under each copyrighted work, multiple sub-rights—different ways to use, change, manipulate, or add to the copyrighted material—exist that can be exploited and assigned by the artist separately. The most important sub-rights for music include:

(1) The rights to reproduce a work: for example, printing CDs or vinyl, or making a recording publicly available on streaming services. For example, when a fan streams a recording on their favorite platform, they trigger the right of reproduction for the sound recording and the composition.

(2) The right to distribute a work: linked to the right of reproduction, this right allows rights holders to control how their work is disseminated. By distributing an artist's recording to streaming platforms, record labels are exercising the right to distribute the sound recording on behalf of the artist.

(3) The right to publicly perform a work: this right covers all audio broadcasts of a recording in a public space — live shows, radio and television broadcasts, recordings being played over a cafe or bar sound system, and more. Performance rights for the sound recording are often referred to as "neighboring rights", and their implementation differs by jurisdiction.

(4) The right to create a derivative of a work: a derivative is produced when a new work is created using the copyrightable components of a previous work. In music, this includes uses such as sampling from existing recordings, which represents a use of the original sound recording and the composition and requires both master and publisher agreement. Likewise, interpolations, where an artist uses a recognizable element-such as the melody or a distinct riff- of a previous piece of music in a new recording are considered derivative works and require publisher consent.

#### **Registering music**

### When a piece of music is recorded, either the artist, their record label, or publisher registers the work.

The specific processes and organizations involved differ for the sound recording and the composition, but the outcome is the same for both.[23] The registration lists each person entitled to a share of royalties generated by each copyright and the percentage of royalties they are owed (from 1 to 100). For the sound recording rights (the master right), owners might include the recording artist(s), record label(s), producers, engineers or mixers, while for the composition (the publishing right), this might include the writer(s) of a song and the publisher(s). Unique identifiers are then created to represent the sound recording (ISRC) and composition (ISWC). These identifiers are embedded in the metadata for the recording. When a recording is used, the attached metadata allows that use to be tracked and paid for. For example, when one uploads a properly registered recording to a digital distributor and it is streamed on a DSP such as Spotify, the metadata means the streaming platform can assign the stream correctly and ensure that all rights holders are paid.

This system underpins the music industry and ensures that those responsible for composing and performing music are remunerated. This data system and its management is at the heart of ensuring that the artist benefits from the music they create.



#### 23

This process also varies by country, however the general principle/process of registering the different copyrights for a piece of music, and then tracking usage based on unique identifiers is consistent.

#### Understanding who owns what



Upon creation, the copyrights in sound recordings and musical compositions are assigned to the creator or author of the works. In music, this is usually recording artists for sound recordings and songwriters for compositions, although these can be the same in the case that a songwriter records their own song.

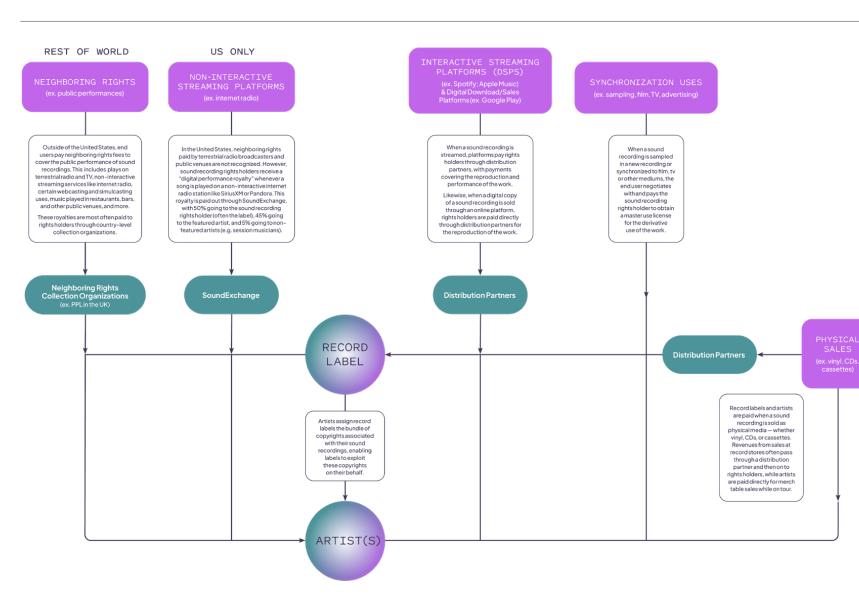
Recording artists and songwriters can then manage their copyrights in a number of ways, with common approaches including **work for hire agreements**, where they either record for a label or transfer their copyrights to another party for the life of the copyright, and *licensing*, where they assign their copyrights to other parties for a limited timeframe. These deals most often see the artist and partner share the revenues or profits generated from the use of the copyrights in exchange for support towards releasing and having the artist's work used by others, though the exact terms of deals vary widely.

For sound recordings (the master right), artists most often record on a work for hire basis or license to record labels, who then assist with the recording, distribution and marketing of the music, and contribute to artist development and career growth. The details of copyright licenses and transfers vary and might be tied to a variety of factors, including a term length in years, or specific events, including the number of albums included in a contract, or the date of an album release. For compositions, artists often assign their bundle of rights across multiple organizations, including music publishers. Artists and these organizations then work to directly license specific uses of compositions and also work with rights management organizations-Performing Rights Organizations (PROs), Collective Management Organizations (CMOs), and Independent Management Entities (IMEs)—to negotiate rates for and track the exploitation of different sub-rights. This system differs depending on the country where the author or copyright owner lives and in some countries, these systems are lacking or non-existent, which then requires the copyright to be registered outside of their home country, or 'offshored'.

#### How are revenues generated from the sound recording?

The diagram below shows the multiple pathways through which record labels and artists receive compensation for the rights associated with sound recordings.[24][25]

#### How do artists and labels get paid for the use of sound recordings?



#### NOTES

\*The majority of revenues (67%) generated by sound recordings come from streaming, with the bulk of these payments arriving from four major companies—Spotify, Apple, Google (YouTube Music) and Amazon.

\*\*In the independent sector, the licensing body <u>Merlin</u> plays a key role in negotiating on behalf of independent labels across the world.

#### 24

This diagram only shows the distribution of revenues to the sound recording, and does not include revenues generated by the composition. The distribution, reporting and collection of revenues related to the sound recording ('master rights') is much simpler than that of the composition ('publishing rights'). Publishing is based on a complex web of rules and laws that differ by territory, and involves a wide range of collection societies worldwide, each providing a different level of infrastructure and accuracy to their distributions. Master rights, in contrast, can be granted on a global basis, and usage is reported and collected from a single source. Both require government policy and intervention to provide the institutional and legal frameworks for rights to generate revenues and for artists to be paid.

#### 25

Merlin, the digital licensing body representing independent labels, distributors, and rights holders is an example of innovation around licensing in the independent sector, facilitating a kind of one stop shop model to make their music accessible. Merlin has agreements in place with digital services across the globe to ensure its members are remunerated for the use of their music.



The popularity of music streaming means it is the largest driver of growth for the recorded music industry. Streaming <u>generated 67.3%</u> (\$19.3 billion) of the total \$28.6 billion global recorded music revenues in 2023, and makes up a larger share of the pie every year.

#### 26

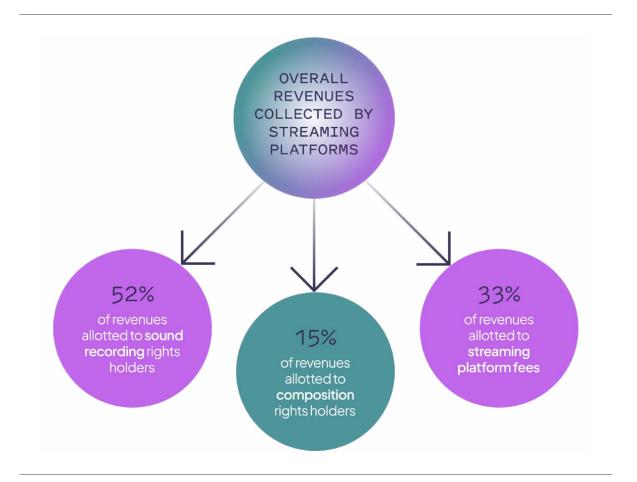
There is a need to close the "knowledge gap" that makes it difficult for artists, support staff, and those working in music to understand and navigate the industry. Alongside public resources and research (like this report) there is also a necessity to create more educational programs and programming—in art schools, master programs, bachelor's degrees, online, and more—to support understanding the creative and music industries, and associated knowledge areas (copyright, economics, etc.).

#### 27

Notably, independents are at the forefront of <u>proposals to reform</u> <u>streaming</u>, to make a positive impact for labels and artists (see footnote 32 below for more on these proposals). Many of the challenges that impact artists today are manifested in how music is distributed, which includes streaming. As a result, streaming and the mechanics of how artists (or other rights holders) are compensated for it also represent the area of the music industry where <u>discussions</u> and <u>research</u> around reform are most common. The system does not work well for everyone, and understanding how it functions is essential to knowing how to reform and improve it.[26] Many of the challenges that impact artists today are manifested in how music is distributed, which includes streaming. How music gets to us and who controls and benefits from the journey will be a key area of focus in future ORCA-supported research.[27] So, how do music streaming platforms work, and how are artists and rights holders paid when their music is streamed? The two diagrams below show how revenues from streaming platforms are divided among stakeholders, and the distribution and payment relationships between each.

#### Streaming platform revenues explained

#### The Division of Streaming Platform Revenues

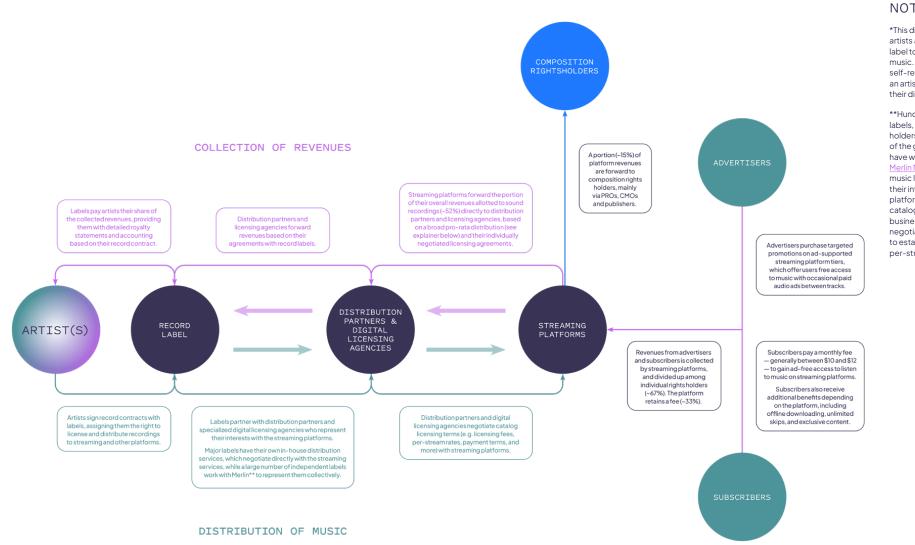


#### NOTE

Sound recording rights holders are allotted a higher percentage of streaming revenues than the composition, on the basis that they provide more financial investment {and take on larger risk} when it comes to nurturing and supporting artists including paying for distribution, physical manufacturing, marketing, A&R, and more.

\*This breakdown represents rough values, with some variation across the industry based on specific agreements in place between different streaming platforms and their partners. It is based on numbers for the UK, reported by the UK Intellectual Property Office. Exact percentages will vary by platform and jurisdiction. See: UK IPO Music Creators' Earnings in the Digital Era Report, Section 4.2.

#### The Path of Streaming Revenues in the Recorded Music Industry



#### NOTE

\*This diagram represents the case where artists are working directly with a record label to release and distribute their music. In the situation where an artist is self-releasing they will work directly with an artist or label services company as their distribution partner.

\*\*Hundreds of independent record labels, distributors and other rights holders worldwide, representing 15% of the global music market share, have worked together to form the Merlin Network, a not-for-profit digital music licensing body that represents their interests directly with streaming platforms. By representing a huge catalogue of independent music businesses and rights holders, Merlin negotiates with streaming platforms to establish higher licensing fees and per-stream rates for its members.

#### How do streaming platforms calculate individual payouts? An explanation of the pro-rata payment model

Rights holders are paid by streaming platforms according to the individual model that a streaming service uses. Final payments are then calculated based on the individual agreements that rights holders and their agents negotiate with services.

The most common of these payout models, currently used across all major streaming platforms (Spotify[28], Apple Music, Amazon Music, YouTube Music)[29], is **pro-rata distributions**. It works by calculating royalty payments based on the individual **stream-share** of a given recording: the total number of streams of a recording as a proportion of the total number of streams on the platform in a given month in a given country. For example, if a recording makes up 5% of the total streams on a platform, the rights holders for that recording will receive 5% of the total royalty payments made by the platform that month.[30]



#### 28

Spotify recently announced a series of <u>changes</u> to its royalty payout model. While it will still fundamentally rely on the pro-rata model for calculating payments, it introduces new rules including a restriction where tracks must reach at least 1,000 streams in the previous 12 months in order to generate recorded royalties.

#### 29

Music data and trends firm MIDiA reports that as of Q2 2022 (the latest available numbers), the music streaming subscription market share of the big four streaming platforms totalled 66.4%, including Spotify (30.5%), Apple Music (13.7%), Amazon Music (13.3%), and YouTube Music (8.9%). Additionally, Chinese DSP Tencent Music captured a market share of 13.4%.

#### 30

As noted above, the independent music sector has been on the forefront of analyzing and proposing artist-supportive reforms around the streaming music ecosystem, including streaming payout models. Notable work includes European independent music trade association IMPALA's '10 Points To Make The Most of Streaming', first launched in 2021, updated in 2023, and endorsed by the WIN, which made it available in 6 languages and distributed it worldwide. The plan recognizes an overall decline in the master right share of streaming revenues for artists and labels in recent years-a trend demonstrated in a recent UK Competition and Markets Authority report on the music streaming market (see: pg. 65, Figure 2.10). In response, IMPALA has put forward a number of streaming reform proposals based on three themes: (1) getting more money into the market and making sure there is no dilution of revenues: (2) changing how revenue is shared; and (3) boosting diversity, transparency, and climate action. The specific proposals include changes intended to increase revenues (like increasing subscription prices with inflation) and decrease dilution (like removing royalty reduction initiatives like pay-for-play), rebalance the allocation of streaming revenue. and more, with the goal of creating a dynamic, compelling and responsible future for artists, labels, and fans,

Likewise, UK independent music trade body AIM has published <u>research</u> into an alternative 'Artist Growth Model' for streaming. Based on the research undertaken by former Chief Economist for Spotify Will Page, and David Safir, former VP, International at ASCAP, AIM's 'Artist Growth Model' proposes a "degressive" approach to streaming payouts where "the more streams achieved by an artist, the less valuable each stream would become incrementally," with the goal of distributing streaming revenues more broadly across the long-tail of early-stage and niche artists. This model is meant to boost the success rates of mid-tier artists, while also incentivizing investment in more daring projects, ultimately strengthening the artist development pipeline and contributing to future sustainability for the music industry.

### Who pays for session musicians and samples?

### Artists often work with session musicians or have other artists perform on their recordings.

These musicians are typically engaged directly, and the terms of their work including fees, royalties [31], and payments are negotiated between the artist and the session/featured musician, often with assistance *from record labels*, because the label generally takes on the responsibility of royalty reporting and payment. Funding to support fees, advances, and royalties for session and featured musicians tends to be advanced by the record label, as an additional investment in the artist, to support production and creativity.

Likewise, artists sometimes use samples from other artists' recordings. As an example, the Notorious B.I.G.'s use of a sample from Diana Ross's <u>"I'm Coming Out"</u> was the backbone for his megahit <u>"Mo Money, Mo</u> <u>Problems"</u>. When samples are used in a song, the IP of the original artist contributes to the success of the new work, and for this reason they must be cleared and licensed. The ultimate responsibility for clearing and compensating samples tends to rest with artists or their management teams, who must ensure they have cleared all rights associated with a sample, including the master *and* the publishing rights. However, record labels often offer guidance and assistance, including legal services, in the clearance process for samples, to ensure that the correct licenses are in place and avoid future copyright problems.

The cost of these types of usages varies widely, and payments can include a flat fee, a percentage of royalties, or, as is common, a combination of both, with fees serving as an advance on royalties.[32]



#### 31

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#### 32

Terms are also dictated by negotiated union agreements where applicable, setting out fees which labels apply to protect musicians and players in the studio, irrespective of whether their music is ever used. Other industry agreements have also been negotiated to find market solutions, such as in France.

#### Record Labels—supporting artist and ecosystem development

Copyright serves as the main avenue through which artists, along with rights holders such as record labels, receive compensation for the utilization of music.

However, we want to re-emphasize that the assistance record labels offer to artists extends beyond endeavors that specifically generate income from sound recording copyrights. Labels support artists as partners across the entirety of their development and career building activities. This includes everything from providing support for live touring, including paying for immigration requirements and supporting travel expenses, to subsidizing and contributing to the production, distribution, and sale of merchandise, and more. Record labels, especially independents, understand that when an artist successfully establishes a sustainable long-term career, it is a success for both the artist and the label, and as such, are in the business of partnering with artists towards their holistic development.

In turn, the work of record labels to support artists across the entire breadth of their careers contributes to strengthening the entire music ecosystem. Label support for holistic artist development indirectly promotes the success of booking agents, promoters, festival organizers, and sound engineers working in live music; graphic designers, print shops, e-commerce platforms, and fulfillment businesses in merchandising; sync agents, administrators, music supervisors, and rights managers working in publishing, and more. These advantages work both ways, as each participant in the broader music ecosystem contributes to the success of the others. Nevertheless, record labels hold a crucial position in fostering a robust music ecosystem due to their direct involvement in nurturing artist careers.







## Part 4:

# than 'just' music

		02	50
Heidi Katen/Unsplash	Music influences and contributes to diverse areas, including economic growth, education, healthcare, inclusion, international development, and more. It plays a foundational role in <u>community cohesion</u> , fostering stronger local and regional economies by <u>driving tourism,</u> <u>increasing nighttime activity, and</u> <u>attracting talent and investment</u> .		





Finally, <u>music promotes inclusion</u>, <u>forging social connections</u>, and <u>cross-cultural understanding</u>. These qualities present an opportunity for governments to leverage their domestic music industries to support economic diversification, growth and livelihoods in the process. Music can foster social mobility, economic growth, civic engagement, and strengthen democracy, if leveraged to its fullest potential. A wide variety of organizations have advocated for this holistic vision of music, as something that can provide broad social, cultural, and economic benefits.

> From the International Music Council's <u>5 Music Rights</u>, to the European Union's <u>One Voice for Music</u> campaign, there are a number of initiatives articulating and providing evidence for music's role as a development tool.[33] Record labels and other music businesses, likewise, support this vision of music's expansive value, and are not solely focused on recording and releasing music. They want to create an environment for music to thrive and produce societal benefits — inclusive of the policies, infrastructure, and frameworks needed for it to happen—and contribute to making these benefits a reality, from <u>investing</u> in community revitalization, to engaging in mental health advocacy and support.

Music can play a crucial role in fostering global development, including <u>contributing</u> to the achievement of all seventeen UN Sustainable Development Goals (SDGs). As we explore below, it is an invaluable asset in addressing global and local challenges. Though this is not an exhaustive list of all the ways that music produces external impacts, we hope it outlines how investment in independent music—and the direct and indirect economic and social benefits it delivers—is in fact, an investment in communities.

#### 33

As an additional example, the European Commission's "Culture and Democracy: the evidence" (2023) study provides an exhaustive review of the literature linking citizen participation in culture, including music, to improved civic engagement, social cohesion, and democracy. The report examines the extensive and growing literature documenting the benefits of participating in cultural activities, including: "an increased likelihood to vote, to volunteer and to participate in community activities, projects, and organizations; the development of positive social attitudes associated with civic and democratic values and identities, such as feelings of community belonging, tolerance, trust and empathy for people from different backgrounds; the development of personal and social skills and competencies that are essential for functioning democracies, as they enable individuals to be more effective citizens-like self-expression, the ability to listen to others, to understand different perspectives and to facilitate conflict resolution: and more.

# Music and economies

The economic impact of music reaches further than investment in artists and their work. Music contributes significantly to boosting national, regional, and local economies at the aggregate and sectoral levels.

The large body of work on understanding the impact of music on cities and local governments demonstrates this. When harnessed and understood, music can help address larger place-based issues, from investment to tourism, and community development to education. In over two dozen cities analyzed by economic consultancy Sound Diplomacy[34]including Huntsville, Alabama, Tulsa, Oklahoma, Belfast, Ireland, and Lausanne, Switzerland-music economies have grown at a faster rate since 2010 than the rest of the local economy, demonstrating music's role in accelerating local job creation. Furthermore, research across the EU demonstrates how the creative economy, including music, increases regional wealth. As demonstrated earlier in this report, recorded music is at the heart of these economic opportunities. This not only includes the copyright income derived from the work itself, but the ecosystem required to produce it, including recording studios, rehearsal spaces, mastering facilities and manufacturers.

However, at all levels of government and within multilaterals, more needs to be done to understand the economic benefits that music delivers and the infrastructure required to support it. In some countries, the economic foundations for recorded music to drive this growth are absent, meaning the jobs, improved livelihoods, and wider economic benefits are also missing. This is changing, as shown by a number of projects exploring the economic impact of music across communities, including the European Music Policy Exchange project[35], the growing membership in the European-focused Music Cities Network, and the UNESCO Cities of Music.[36]

But core services that record labels provide, and the economic ecosystem they support, are only just starting to be understood by local and regional policymakers.[37] Future ORCA-supported research will contribute to producing a better understanding of the impact of independent record labels, and exploring how such investments can be intentional and targeted to better support economic growth.

#### 34

The Center for Music Ecosystems, which supported the development of this report, maintains ties to Sound Diplomacy through its Executive Director, Shain Shapiro, who is a founder of Sound Diplomacy.

#### 35

This project is also coordinated by the Center for Music Ecosystems, in full disclosure.

#### 36

In Europe the independents' association IMPALA underlines the need for a strategic approach via an <u>industrial</u> <u>policy for culture</u>.

#### 37

Some countries are more advanced than others with respect to supporting music and music ecosystems towards producing economic and social development. In France, for example, the national music ecosystem is organized with extensive support from the state, including funding and subsidies, a robust network of cultural centers, and policy instruments such as radio content quotas, and the <u>taxation</u> of certain music-derived revenues to redistribute towards support for French music.

# Music and communities



Aside from direct and indirect economic value, music generates significant socio-cultural improvements, supporting community development, renewal, regeneration and cohesion.

People often take these benefits for granted, such as the power of music to unite people regardless of political or religious affiliation, or its unifying effect at a sports match, parade or fair, or music's importance during weddings, funerals or other life events. These positive effects can be harnessed and increased in all communities, using independent record labels as case studies and partners.

The influence of independent record labels on community development is particularly substantial, given the thousands of indies located in metropolitan cities and small towns worldwide. Secretly Canadian, headquartered in Bloomington, Indiana, started as a small independent label and has grown into a highly esteemed international entity, employing more than 200 people across offices in Bloomington, London, Los Angeles, Chicago, and New York. Its success has resulted in numerous benefits for Bloomington, including the creation of 63 jobs within the city, a substantial boost to the local touring economy, and the recent purchase and renovation of a warehouse that will act as an event space and hub for the label. Similar community contributions can be found across independent labels. Polyvinyl Records makes impactful contributions to its hometown of Champaign, IL; Merge Records played a key role in establishing Chapel Hill, NC, as a prominent musical hub; and Kill Rock Stars and K Records fostered community development in Olympia, WA, while also helping to birth the culturally significant riot grrrl music genre.

Likewise, in Europe and in many other nations for that matter, there are a diverse number of case studies to show the impact that music can have on communities. In Arles, France, the city has taken advantage of the diverse classical and experimental music scenewhich was partly incubated through the development of independent label Harmonia Mundi in 1958-to catalyze the local tourist and arts economy. It now plays hosts to a huge number of music events and its trademark summer festival, Les Suds, that brings in thousands of visitors. Down the road in Orange, France, the development of Les Chorégies d'Orange as one of the best opera festivals in the world has put this small town on the map, and driven the community to come together to support the event and the economy it created. Similar stories of music contributing to community identity and development have played out across Europe, in places like Montreux, Switzerland with their world-renowned Jazz Festival, Bayreuth, Germany with their classical music festival, and Salzburg, Austria, where the legacy of classical music's development is central to the city and its citizens.



One particularly transformative example of independent labels contributing to community building is the work of Nebraska-based independent record label Saddle Creek. Its investment-financial and non-financial-supports a community of musicians in its home city of Omaha, leading to ancillary investments in the community over a long period of time enabled the label to partner with the City of Omaha to <u>redevelop</u> a previously industrial area of the city. The Slowdown Project saw the creation of new offices and warehouses for Saddle Creek, a new live music venue (The Slowdown), a non-profit independent cinema (Film Streams), a mix of local and national retail, residential space, and amenities, including a coffeehouse and bar. The majority of costs were funded by the label, with financing and tax incentives from the City of Omaha. As a result, the project has gone beyond music. It has invigorated a local cultural economy, increased space for social and cultural enterprises, increased footfall, and accelerated the construction of new housing in an area with limited supply. It has also benefited the city more broadly by attracting skilled labor that produces generalized economic growth.

While the specifics of the Slowdown Project are unique, this example broadly demonstrates what has been shown by research in other cities—from <u>Denton, TX</u> to <u>Savannah, GA, Lisbon, PT</u> to <u>Beijing, CN</u>, and more—that music, when effectively utilized, can bring communities together.

# Music meets policy in Seattle, WA

The City of Seattle provides a compelling illustration of how collaboration between policymakers and the music industry, including independent record labels, can produce policies that make places better. At the nexus of this story stands the concerted efforts of industry leaders, city officials, and grassroots organizations, who worked together to steer policy dialogues and expand the city's music ecosystem.

Initially prompted by opposition to the <u>Teen Dance</u> <u>Ordinance (TDO)</u>, a local law imposing restrictive measures on music venues, the Seattle music industry came together to advocate for an understanding of music's impact on the city, and to push for supportive public policy to match. Leading the charge was the Joint Artists & Music Promotions Action Committee (JAMPAC), formed in the late 1990s in opposition to the TDO. JAMPAC's mission quickly expanded to consider the wider music ecosystem, and garnered support within the local music community, with esteemed labels such as ORCA member Sub Pop and several other stalwarts proudly rallying behind the goal of prioritizing the music industry in government decision-making.

These early efforts spurred the City to take music seriously. In 2004, prompted by advocacy, Seattle's Office of Economic Development commissioned research into the <u>Economic Impact of Seattle's</u> <u>Music Industry</u>. The report highlighted the substantial contributions made by the music industry to the city, including \$1.3 billion in total value generated, the creation of over 19,000 jobs, and recognition of music's role in the local education system. This groundbreaking work set the stage, providing industry stakeholders and policymakers with concrete evidence of the value produced by music.

From there, the machinery for music-supportive policy has grown more robust, and the results speak for themselves. The City created a dedicated policy body, the Office of Film and Music, that launched a <u>City of</u> <u>Music plan</u> in 2008, alongside an updated <u>economic</u> <u>impact study</u>. The plan explicitly recognized the essential role of music to Seattle's creative economy and outlined a policy agenda for strengthening this impact, including support for music education programs, and formalizing the music economy by providing professional development and structural support, such as access to healthcare for musicians and creatives, a policy for which the City is now considered a global leader. 'Seattle's journey to support music is a testament to the convergence of policy, industry, and grassroots efforts, showcasing the positive effects of bringing together creativity and governance.'



The plan also catalyzed the creation of the Seattle Music Commission (SMC) in 2010, a formal body of music industry stakeholders tasked with guiding the city's music-related policy and initiatives. The SMC has spearheaded a variety of impactful endeavors, including collaborating with the Port Authority to establish a thriving music program at the Seattle-Tacoma International Airport and most recently, the development of a hub for music nonprofits above its train terminus, King St. Station led by the city's public-private Cultural Space Agency. At the airport, the program features recorded music and live performances, and fulfills the objectives of promoting the creative identity of the city to visitors, while also providing local musicians with performance- and copyright-based revenues. The SMC was also instrumental in shaping city

policy development, including giving music a voice in redevelopment plans for Seattle's waterfront. It also updated parking bylaws to make it easier for audiences to attend live performances, while increasing safety and accessibility for artists.

Seattle's journey to support music is a testament to the convergence of policy, industry, and grassroots efforts, showcasing the positive effects of bringing together creativity and governance. And it all began with local advocates, including those at independent record labels. The City's commitment to fostering a dynamic music ecosystem is an example for cities and policymakers globally and emphasizes the importance of working collaboratively to elevate music ecosystems.

# Music and education

There is substantial academic, scientific, and sociological evidence that illustrates how engaging with music, particularly through dedicated music education programs, enhances educational achievement and broad success. A primary school in Bradford, UK, <u>saw</u> results improve considerably across all subjects after introducing six hours of mandatory music education.

Research demonstrating a direct <u>link</u> between art and overall academic achievement is compelling. Music is akin to math, and the cognitive abilities required to understand it are similar to those needed for coding or programming. A <u>study</u> conducted by the University of British Columbia demonstrated that students who learn to play a musical instrument achieve around "one academic year" ahead of their peers across other subjects such as English, math, and science. The provision of music education also <u>reduces</u> disengagement from school, resulting in higher attendance and better grades.

Music education is not just about creating more musicians or music sector workers; it's about creating better people. The diversity of skills required to learn and engage in music—from the ability to read and understand music notation to listening skills, communication, collaboration, and discipline—underlie its impact on cognitive development and feelings of self-worth. While music education often begins with learning an instrument or a technique, there must also be provision of studies that meet the needs of the sector. This includes not only music business education at a high school or undergraduate level, but also the provision of paid internships, exchanges, and genre diversification of syllabuses, such as the grime and hip-hop focus of the <u>Exchanging Notes</u> program or the electronic music focus of the Lisa Lashes School of Music.

Independent record labels are actively investing in programs that nurture musical talent and education. Partisan Records, for instance, sponsors the <u>Fela</u> <u>Anikulapo-Kuti</u> Scholarship program at Trinity Laban School of Music in London, UK, providing annual financial support and mentoring to a talented musician from Africa or of African heritage. Sub Pop Records' longstanding <u>scholarship program</u> awards three \$6,000 scholarships every year to individuals passionate about music and creative arts, enabling them to attend post-secondary education. The label's founding sponsorship of Seattle's <u>VERA Project</u> fosters all-ages music education, supporting the teaching of event production, promotion, sound engineering, and more. Meanwhile, Hopeless Records' has a 25



year history of non profit work including through Sub City Studios—which collaborates with the non-profit New Directions for Youth to provide studio education for high-risk young people who live in the label's local community in the San Fernando Valley in Los Angeles. !K7 Music partners with a school in Berlin on a program to teach the fundamentals of music, from songwriting to release, to underserved youth, while Ninja Tune focuses on the next generation of industry leaders. Its Emerging Music Professionals program prioritizes marginalized communities and offers free training and paid work experience to support individuals who want to build careers in the music industry. Not only do these endeavors highlight how independent labels directly invest in music education programs, but they also demonstrate the commitment to making a tangible difference in their local communities through financial support and active involvement. There is also an opportunity for industry stakeholders-including ORCA-to work together to create a more structured framework and turn these examples into standardsrather than ad-hoc initiatives-that can foster better. more expansive music and music business education, and extend its impacts in communities.

# Music and healthcare

Music is a powerful tool to help care for people's health. Research has shown that engaging with music—whether listening to recorded music, singing or attending live shows—has an <u>overall</u> <u>positive effect</u> on health, <u>well-being</u>, and quality of life.

> Music helps to improve sleep, motivates exercise and physical health, enables self-actualization through expression, and strengthens relationships and connections with others—and these impacts are <u>consistent</u> regardless of socioeconomic status. Impressively, individuals who take in live music every two weeks tend to live longer, and have a higher sense of well-being, including elevated levels of happiness and feelings of closeness to others.

Music also has proven therapeutic potential, and is especially useful for making healthcare more holistic and <u>cost-effective</u>. There is, for instance, extensive evidence on the role of music as a tool to support the treatment of cognitive and mental health disorders, such as depression, dementia, Alzheimer's, and Parkinson's disease. Listening to recorded music has been shown to <u>reduce agitation</u>, <u>improve mood</u>, and <u>lower the need for medication</u> in dementia patients, with impacts so extensive that they have merited the creation of multiple advocacy groups, including <u>Music</u> <u>for Dementia</u> and the <u>Music Can</u> initiative, led by UK Music and Universal Music Group. Shared music listening <u>strengthens</u> social connections and boosts mood in hospital patients.



Among music's many health and therapeutic benefits, its role in supporting rehabilitation, especially around neurological illnesses, is notable. While there's been an understanding of the qualitative impacts of music on health and rehabilitation for many years, recent advances in neuroscience have demonstrated how engaging with music is linked to brain plasticity and rewiring the brain. Listening, performing, and moving to music impacts parts of the brain involved in non-music functions, making it useful as a tool for helping individuals recover from a wide variety of neurological ailments, including strokes, multiple sclerosis, cerebral palsy, brain injuries, and more. Simply listening to music can help stroke patients with language recovery, while vocal music encourages the rebuilding of neural connections related to speech. Particularly impressive is the cost-effectiveness of this type of approach: providing patients with music to listen to while in hospital is inexpensive and requires no added staff or therapist costs. The impact of music therapy has also been shown to be effective in encouraging rehabilitation among child patients. For instance, doctors have used music-based therapy to help children with brain injuries regain their motor skills and ability to walk and move. The rhythmic element of music is especially relevant, with patient movement tied to synchronicity of the beat, and music enabling learning of repetitive motions such as walking

The list of positive correlations between music and health is enormous-and only hints at the far-reaching potential for increasing the formal role that music and the music industry can play in increasing societal health overall. The on-the-ground work already being undertaken in this area by the recorded music industry is commendable-Independent label Hopeless Records Songs That Saved My Life Project, for example, has artists cover songs that helped them through hard times, with proceeds from the project benefiting mental health charities like the Crisis Text Line and Hope for the Day that provide direct mental health services. Similarly, independent labels have begun to recognize the importance of supporting mental health within the industry itself. Indie label LVRN has launched an entire internal division focused on psychological wellness for the label's staff and artists, while Canadian independent label Royal Mountain Records has committed to offering \$1,500 for each individual musician on their roster to put towards mental health-related services. And there are many more examples across the wider music industry, including at major labels, publishers and across the live sector.

The impact of music's place and use in healthcare can be further accelerated by not only demonstrating the cost-benefit of fostering partnerships between record labels and healthcare providers, but also ensuring that music is available to all those who need it so that it can be as powerful a therapeutic as possible.

# Music and the

# environment



In the face of a climate emergency, music and the music industry can play a large role in catalyzing public and government action towards environmental sustainability, as well as in considering how to reduce the environmental impacts of the music industry and create greener tools that can have wider appeal outside of music.

> Across history, theorists and artists have always pointed to and drawn from connections between music and the natural world—from Johannes Kepler's understanding that the relationships among the planets paralleled musical harmonic intervals, to the historical belief that music's roots lay in those sounds of the natural and animal worlds, or new age musicians' focus on incorporating natural sounds into their work.

In recent years, the relationship between music and climate action has been elevated. Music has come to be understood as a potent vector for driving action around the climate and the environment. It has <u>been</u> <u>incorporated</u> into environmental education initiatives, where lyrics and ideas about the environment can enhance interest among listeners around environmental topics. Likewise, explicit activism linking music to the environment has driven millions to become aware of the challenges facing the planet, and to begin to get involved and take action in ways big and small.

Today, environmental awareness and action is baked into work across the music industry, making music a powerful partner to push for—and create change. <u>Music Declares Emergency</u>, for example, is a group of artists, music industry professionals and organizations—including ORCA members Domino Recordings, !K7 Music, Partisan Records, Playground Music, and Sub Pop—who are uniting their voices to call on governments to act on climate change, while also committing to their own environmental action. Similarly, <u>EarthPercent</u> organizes music businesses and artists to pledge a small percentage of their revenues to be put towards impactful organizations dealing with climate change. And there are <u>many more initiatives</u> that engage music to generate momentum for climate action. The independent music sector has been a particular leader around environmental initiatives and greening the music industry, and sees taking climate change seriously as an important part of its responsibility, both to the music industry and the world. As Music Declares Emergency tells us, there is "no music on a dead planet." Notably, the independent sector has been a first-mover, proactively self-funding and developing a diverse variety of sustainability and climate related initiatives. IMPALA, the trade association representing the independent music sector in Europe, for example, has championed diverse actions, including its best-in-class Sustainability Programme and Charter, which sets environmental targets for the European indie sector. It has also developed a Carbon Calculator, which allows its members to measure their carbon footprint. and take action to reduce it, alongside committing to aggregating reporting from its members to ensure accountability to its targets. The Associação Brasileira da Música Independente (ABMI) in Brazil has signed on to support a new UN process to foreground the impact of arts and culture in tackling climate change, and to push for policies and frameworks to boost this role. In the UK, the Association of Independent Music (AIM) instigated the development of the Music Climate Pact.

includes ORCA members like Beggars Group, !K7 Music, Ninja Tune, Partisan Records, and Secretly Group. This initiative includes signees quantifying their emissions and committing to science based reduction targets, working collaboratively within the industry on climate initiatives, and importantly, communicating openly with fans about the climate impacts of the music industry, while supporting artists in their own activism. Demonstrating its leadership, AIM subsequently developed partnerships around the Pact bringing in groups including the British Phonographic Industry (BPI) entire recorded music sector. In addition to reducing emissions, many independent music businesses are also committing to compensating for their environmental impact. The recently launched Murmur initiative, for instance, which includes ORCA members Because Music, Beggars Group, !K7 Music, Ninja Tune, and Secretly Group, will see participating businesses make an annual financial contribution to a shared climate fund, based on their carbon emissions.[38]

#### 38

There are many additional examples of independent music organizations and trade associations developing programming and projects in support of sustainability and the environment. A few examples include:

In Chile, IMICHILE has supported the development of and worked with La Música Declara Emergencia (Music Declares Emergency's Spanish branch), alongside the Chilean Ministry of the Environment to create the MDE Calculator. This free, Spanish-language tool enables those working in the music industry to record, measure, and understand their environmental impacts, and create sustainability strategies based on the results.

n France, FELIN launched RE-DISCO the first record recycling channel for ndependent labels and distributors. The project facilitates the reuse and ecycling of unsold records by indie abels and distributors.

In South Korea, LIAK, collaborates with an ongoing instrument donation and sharing program and repair shop that organizes activities such as workshops to repurpose discarded or waste instruments and create interior props.



Music and inclusion

Anthony Delanoix/Unsplash

## Alongside its formal medical benefits, music supports other important social outcomes.

It's been shown that <u>listening to music</u> and singing together can <u>forge interpersonal bonds</u>, by <u>increasing</u> peoples' sense of self and belonging and encouraging social integration. Group drumming <u>improves</u> mental health and increases social resilience. And these impacts are not only cultural—music <u>triggers biological</u> <u>processes</u> that lay the ground for stronger social bonding. In addition to promoting connections and community relationships, music introduces people to new cultures and generates cross-cultural understanding, amplifying the voices of marginalized communities. Music, whether experienced together through listening, or learning and performing in educational settings, <u>heightens empathy</u>, encouraging individuals to consider differences. Discovering their voice through rapping and composition has <u>been shown</u> to support marginalized people to feel more empowered and improve literacy. In Spain, for instance, the Rimando Rumors Workshop <u>used</u> hip hop and rap music as tools to help young Catalans gain a deeper understanding of immigrant cultures and to challenge prevailing stereotypes about the community. Likewise, in the UK, <u>Best Foot Music</u> highlights and promotes events that showcase the music of immigrants, specifically focusing on providing opportunities to engage with immigrants and their cultures, with the effect of countering negative stereotypes and influencing debate around UK immigration policy. There are countless examples of artists engaging in the long tradition of <u>using music</u> to inform communities and push for political change towards increased tolerance and inclusion. For example, the group Pussy Riot used its song 'Refugees In' to rally support and solidarity for refugees.

# Music and international development

Alongside music's role promoting inclusion and tolerance is its ability to support international development, fostering understanding and bridge-building in conflict and post-conflict societies and supporting economic diversification and livelihoods.

A strong example of this powerful impact comes from <u>Musicians Without Borders</u>, a program that uses music to increase healing and reconciliation, and support peacebuilding in regions marked by conflict.

In Place of War develop music infrastructure in conflict zones to offer young people an alternative to taking up arms. For example, in Kosovo, a "rock school" <u>program</u> used shared interests in popular recorded music to create authentic cross-cultural connection, and build trust and agency among youth. The <u>results</u> of the programs demonstrate how music can be used to bridge cultural understandings and turn division, isolation, trauma, loss, and fear into empowerment, producing awareness and understanding. It also seeds inclusive communities and propagates optimism and agency. These effects are boosted by education, such as <u>Playing for Change's</u> work, which builds and operates music schools in developing and at-risk communities.

More broadly, music can be a catalyst for poverty reduction and skills development, from direct employment and income to social benefits that enable other economic activity. Significant work and reform is required to ensure everyone can earn income through music, particularly concerning international intellectual property systems. But it is clear that music serves as a valuable source of meaningful employment and income in developing states. In Cambodia, for example, the <u>Sound Initiative</u> program provides music and industry training with the explicit goal of enabling participants to earn income from their musical work, including helping them to register their works and receive payment for plays, and providing paid performance opportunities. In Nigeria, music provides a 'pathway to self-reliance', offering a route to career opportunities and opening up the option of entrepreneurship through a growing industry and market for music. Likewise, music education programs - like Children International's Music for Development program in the Dominican Republic and Colombia – play a dual role, providing participants with the skills and self-esteem to pursue careers in music, while also acting as after-school programs, providing their parents with child care as they work. And these are only a few examples; there are thousands. While these programs and NGOs are ad-hoc rather than structurally embedded in how countries work and invest, they demonstrate a different path to economic diversification and livelihoods. What is required is to prioritize infrastructure – at a national level everywhere - to support the recording of music, so it can offer a developmental return on investment.



Why does all of this matter?

## Each of these areas demonstrates music's role as an economic driver, and as a utility to improve communities.

Each of these areas demonstrates music's role as an economic driver, as a utility to improve communities, and as a leader in cross cutting priority areas for society generally. The programs highlighted and work being done to expand the role of music vary from ad-hoc projects developed without a comprehensive strategy, to concrete long term programmes that are best in class and demonstrate how change at scale can be achieved when sector level schemes are put in place. The long-term investments made by independent record labels are a tool to show, rather than tell, how music can improve livelihoods and economies. The examples provided emphasize the wide-ranging significance of music and underscore the efforts needed to fully realize its value. Ultimately, investing in recorded music forms a fundamental aspect of this endeavor. Increasing music education, providing opportunities to escape poverty through music, or improving economic strategies in cities all have a transversal impact. Not only do they improve the lives of musicians and music companies, they also have the potential to create a better future everywhere that is less extractive, supports more passive income and is climate neutral.





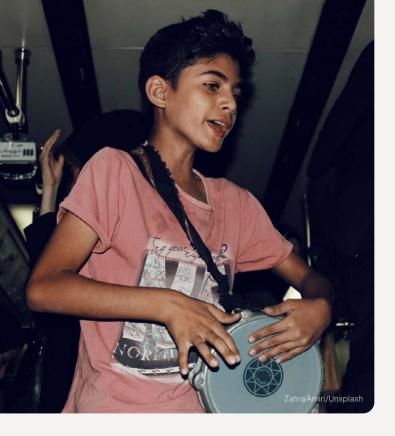
# Part 5:

## Building a better music industry together

This report has demonstrated the critical role played by music in its most foundational sense: as an industry, as a series of complex economies, as a utility, and as an economic, cultural and social good. These benefits are relevant both inside the commercial music industry and outside of it. Recognizing and investing in music can do much more than deliver more revenue for the industrial machine that fuels it.

> Central to the vision that music can be more valuable for everyone involved is the belief that its value must transcend the current paradigm, ensuring equitable rewards for those who create it and everyone involved in making sure it's heard worldwide. The independent label model is a testament to this ethos. As is laid out in this report, independent labels play a key function within the music industry, as measured risk takers that are focused on supporting holistic artist development, from the early stages of individual careers all the way to mainstream success.

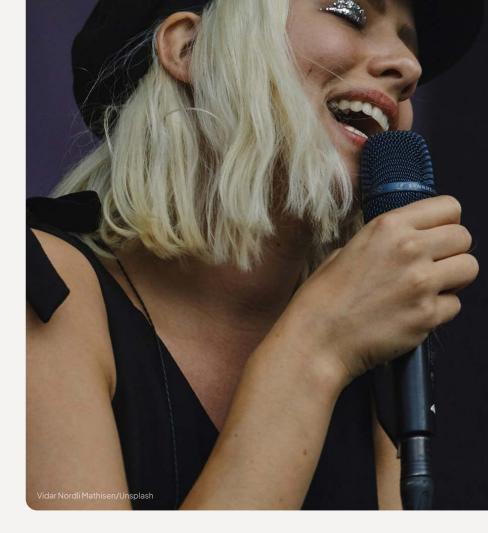
The global music ecosystem does not thrive simply based on individual recordings or songs, but requires the development of artists at multiple scales who capture the imagination of audiences and trigger benefits across the full industry, including live, publishing, merchandising, sponsorships, and more. Artist success is built on developing audiences who will not only listen to an artist's music, but also buy a ticket to see them live, support them through purchasing merchandise, and share their work among their friends and online. This type of success emerges from the hard work of artist development, which includes supporting artists' music, the live shows, their videos, interactions with fans in person and online, partner promotions, media partnerships, promotional items and events, and so much more.



Independent labels play an essential role in catalyzing the virtuous chain that is artist development. They are often the earliest partners for artists, taking risks on innovative new music where others will not - an approach that ultimately paves the way for music to reach new audiences and grow overall. They act as meaningful and trusted partners for artists, committing themselves to offering fair deals, based on the idea that artists and labels are mutually invested in each other, and succeed together. To this end, independent labels offer unparalleled expertise and strategic support across artists' full careers, with passionate teams cultivating deep understanding of artists' goals, and providing assistance across everything from live touring, to merchandising, marketing, developing sync opportunities, and more. At a time where much of the music released struggles to find eyes and ears, independent labels' long-term, collaborative and holistic approach to artist development stands out as an essential part of the global music ecosystem, and a valuable model from which to learn and build on.

The intent with this report is not to provide a singular solution to music's challenges and opportunities, but to spark dialogue, contribute new perspectives, and explain why music matters—and why everyone who works across making places and systems better—can benefit from it. The insights in this report serve as a foundational stepping stone; this is how the music industry works—who is involved, how money flows, and the benefits it produces while also exploring the wide-ranging additional benefits music offers.

This report opens ORCA's ongoing research work. The second ORCA-commissioned report will qualify and quantify the economic and social impact produced by independent record labels. Future reports will delve into specific issues to improve the industry and grow its impact, with a focus on areas where there is high potential for reaching a consensus among industry stakeholders, including healthcare, education, technology and workforce development. The music industry can support artists of all types, while maximizing the economic, social, and cultural value of everything it touches — this requires a concerted effort and collaborative approach. By providing research and objective evidence, and integrating music into broader policy discussions, ORCA-commissioned work can contribute to amplifying music's societal impact, nurturing a more vibrant, equitable music ecosystem, while at the same time addressing pressing global challenges, ultimately forging a more inclusive, prosperous music ecosystem that enriches lives universally.

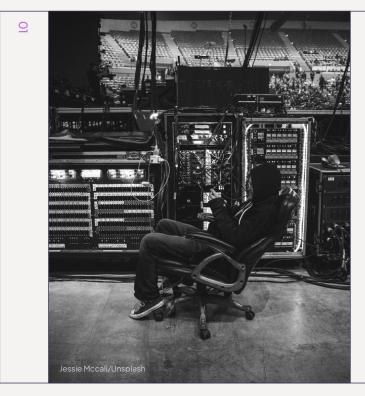






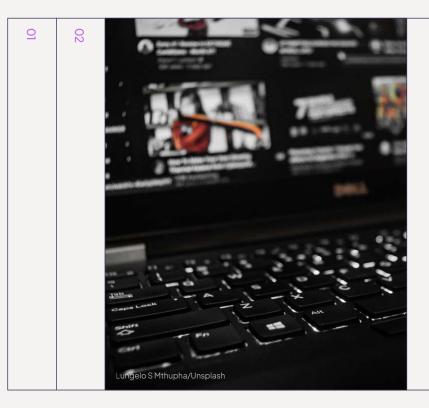
# Appendix 1: The Music Industry— Mapping the Complex Ecosystem

## Key Takeaways



The total value of music copyright is currently worth \$41.5 billion and provides livelihoods for millions, including 2.4<u>million</u> direct jobs in the United States alone. 22

## Key Takeaways



Numerous key players contribute significantly within the dynamic music ecosystem, including <u>artists</u>, <u>record labels</u>, digital platforms, <u>music publishers</u>, rights collection <u>organizations</u>, and supporting entities <u>such as live music businesses and music</u> <u>educators</u>. These key stakeholders work together to drive the huge amount of value - economic, social, and cultural - that emerges from music and recorded songs.

# Key stakeholders

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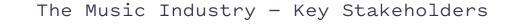
# The music industry comprises diverse jobs, skills, and supply chains.

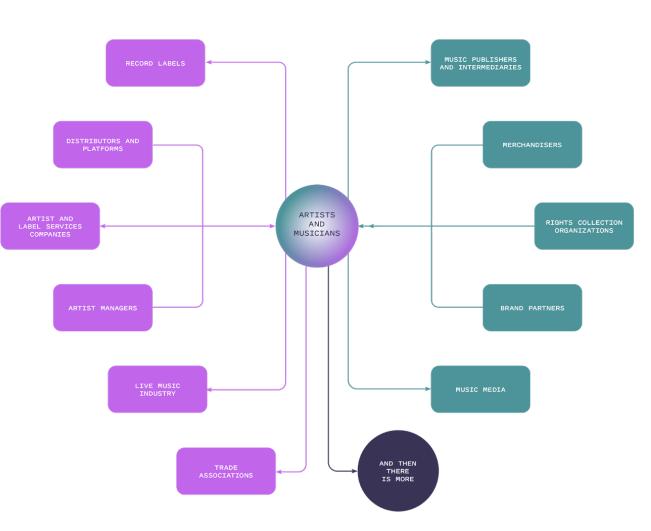
Each part plays a vital role, whether that's the artists and composers who create the music individuals around the world enjoy every day, the **record labels** that nurture their artistic vision and support their career development, distributors and streaming platforms (DSPs) that connect music with global audiences, music publishers that nurture songwriting talent, booking agents and promoters who make concerts and tours happen, copyright organizations managing rights and collecting royalties, or merchandising companies that turn artist popularity into T-shirts, tote-bags and additional revenue for artists and rights holders.



These jobs are the primary source of the <u>\$41.5 billion</u> in global value generated by the music industry, and form the bedrock of an industry that employs millions worldwide, including over <u>2.4 million</u> in the United States alone.

This section explains who the primary stakeholders in the music industry are and the roles they play in driving the value of music worldwide.





## Artists and musicians

Artists — which encompass musicians, performers, and composers of all kinds — **are the heart of the music industry**.

Nothing happens without the artist, their compositions, and recordings. The music industry, from ORCA's member businesses to multinational record labels, music publishers, and the live sector, would not exist without artists.

The roles artists and musicians play are as varied as the music they produce. Artists are most visible as the public face of the music industry: writing, recording, and performing the songs that audiences love. There are also specialized songwriters and composers who pen musical creations brought to life in recordings sometimes by other performers. Likewise, producers collaborate with artists to bring their visions to recorded life, while session musicians perform on tracks, sometimes contributing to their development. There can be dozens of artists represented on a single recording, each responsible for a different element.



#### **Record labels**



#### There are two primary types of record labels.

The first is the **major labels**, made up of three multinational companies: Universal Music Group, Sony Music Entertainment and Warner Music Group. The majors have grown over time through consolidation and the acquisition of many sub-labels and imprints dedicated to genre, geography, or discipline.[39]

The second is **independent record labels**. There are thousands of these companies globally, spanning genre, size, jurisdiction, and more.[40] Record labels—both major and independent develop and market sound recordings and work as partners with artists to advance their careers. As mentioned earlier in this report, Independent music businesses, a categorization that includes labels and artist service companies (described below), represent <u>approximately 40%</u> of the global music industry.

#### 39

As of the end of 2023, Billboard <u>reports</u> that the major labels represent 64.25% of overall record label market share, by label ownership, with indies representing 35.74% of overall market share.

#### 40

As a rough comparison of the scale of major labels to independent labels, Warner Music Group, the smallest of the three major labels brought in §5.919 billion in revenue in 2022 (including publishing), while Beggars Group, one of the largest independent music groups, in 2022 (including sub-labels and their publishing arm, Beggars Music). Likewise, in terms of the overall album market, Beggars Group represented 1.2% (UK) and 1.39% (USA) in 2023, as compared to Warners' 15.1% (UK) and 17.1% (USA)—according to numbers from the Official Charts Company (UK) and Luminate (USA).

## Artist and label service companies

Artist and label service companies offer a range of services similar to record labels, but on an à la carte basis.

Some firms support artists to upload music to digital platforms, some provide specific marketing or press distribution, and others offer social media marketing, ad purchasing, or royalty administration. Unlike record labels, the services provided by these companies are generally offered on a flat-fee, release-by-release basis, and the business model tends to be focused on a per-release basis, rather than across a longer period of time.

While these companies have democratized access to the music industry by allowing more artists to distribute their music, there is a wide diversity of approaches, with some prioritizing sound over music, and volume[41] over partnership. This open approach to distribution can contribute to contemporary music industry challenges such as oversaturation, which lowers the value of music released by actual artists.

#### 41

Recently, some DSPs have attempted to disincentivize the volume of music being uploaded for streaming. Spotify's new royalty system, for instance, will update its payout model in 2024 so that tracks will need to meet at least 1,000 streams in the previous 12 months to generate recorded music rovalties. It is also implementing new rules to limit the amount of noise music recordings (i.e. white noise, etc.) that are eligible to generate royalties. Likewise, Deezer introduced a new payment modelcurrently being tested alongside specific label partners-that will 'double boost' royalties for artists who receive at least 1,000 monthly streams from at least 500 unique listeners, and remove noise content from the platform.



## Distributors and platforms

## Recorded music is disseminated to audiences in a variety of ways.

It can be released on a streaming or digital platform; manufactured and sold as a physical product (such as a CD or vinyl record); played on the radio; used to support the promotion of something else, such as in an advertisement; employed as a soundtrack to a video game; sung in a karaoke bar; or synced in a film. Partners in this process include distribution companies, manufacturers, physical retailers, and streaming platforms like Spotify or Apple Music. Physical distributors oversee the manufacturing, packaging, and distribution of physical copies of music sold in shops, at merch tables, and online. Digital distributors make sound recordings available online, from digital music stores to app-based music experiences and streaming services.[42] While **physical record stores** and sales still make up an important segment of the global music industry, over the past 15 years, **digital service providers ("DSPs" or streaming platforms)** have emerged as the primary medium through which music is consumed. **Interactive streaming platforms** like Spotify, Anghami, Boomplay, and Apple Music offer "on-demand streaming", where audiences can select the individual songs they are listening to, and the order in which they are played. In contrast, **non-interactive platforms**, including traditional terrestrial radio and internet radio stations like SiriusXM or Pandora, provide audiences with pre-selected playlists.

#### 42

While a large number of artists and labels work with digital distributors, there are also some labels that handle digital distribution in-house, through direct relationships with digital platforms. to numbers from the Official Charts Company (UK) and Luminate (USA).

## Music publishers

## Every recorded musical work has two primary copyrights, or **forms of intellectual property**, assigned to it.

The master right represents the recording, and the publishing right represents the original song or composition. The industry supporting the exploitation of publishing rights is substantial, complex, and of significant economic and social value to the music industry and communities. Think of them as two adjoined houses that could have either the same or different owners. They may look similar, but are distinct and have different needs and associated stakeholders. <u>Part 3</u> of this report provides more information on this distinction. Music publishers monetize and promote musical compositions, actively seek opportunities for songwriting collaborations and usage of musical works, and ensure songwriters are paid for their work. Publishing copyrights generated <u>\$15.5</u> <u>billion</u> in revenues for artists, their publishers, and global rights collection organizations in 2022, and this figure is rising each year. Record labels sometimes act as music publishers, but the recorded music element (creating and disseminating the sound recording) and the publishing side (disseminating the composition) are usually treated as separate entities. This is true for major labels and independents. Publishers (and record labels) also work with **music supervisors**, either in-house or with third parties. The music supervisor's role is to find opportunities for music across audio-visuals, including film, TV, advertisements, sports, gaming, and other usages.

## \$15.5bn

Publishing copyrights revenues generated for artists, their publishers, and global rights collection organizations in 2022

## **Rights collection organizations**

These organizations are often called performing rights organizations (PROs), collective management organizations (CMOs), independent management entities (IMEs), or neighboring rights organizations.



They track the use of sound recordings and compositions—from plays on the radio, TV, and in film, to music broadcast into public spaces like cafes or office buildings. They also negotiate licensing, and collect royalties on behalf of rights holders, including artists, labels, songwriters, and publishers. [43] Essentially, they act as intermediaries to ensure those who use music pay for it, and those who create it and own it are compensated.

These organizations exist around the world, and their capacities vary from country to country. Unfortunately, over 50 countries around the world lack such an organization, demonstrating the incredible opportunity globally across the value chain to expand such societies. CISAC, the global network representing rights collection societies (on the composition side), reported total music collections of ~\$11.5 billion in 2022.

#### 43

There exist a huge variety of different rights collections organizations worldwide, each working to collect royalties related to specific uses of music (for e.g. broadcast; streaming, etc.) that align with specific legal copyrights (e.g. sound recording, composition) and sub-rights (e.g. reproduction, public performance, etc.). Part 3 of this report elaborates further on how rights and royalties work.

## **Artist managers**

Managers are invaluable partners and contributors to the economic and social development of artists. They are the artists' primary advocates and support their day-to-day affairs and strategic decision-making, acting as liaisons with record labels, booking agents, and publishers, among others. Artists will sometimes have separate managers for day-to-day operations and business administration.

Managers primarily invest in artists through their time and expertise, in exchange for a percentage of total gross earnings, whereas record labels provide support through financial capital.

## Music media

The music media ecosystem comprises a diverse variety of roles, including public relations professionals, social media managers, advertising experts and analysts, ad buyers, brand partnership executives, journalists, radio presenters, marketing agencies, advertising firms, naming rights professionals, endorsement executives, and playlist editors, among others.

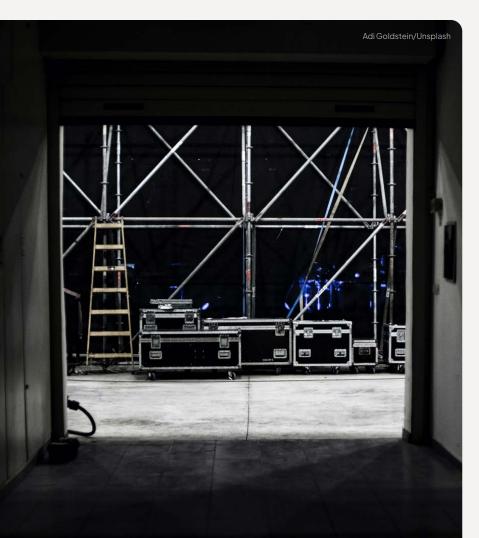
Music has always been one of the first movers to take advantage of, and respond to, technological change, and many of these roles represent the cutting-edge of new media and technology.

These jobs can be created and incubated anywhere and have helped promulgate, alongside other creative industries, the <u>rise of</u> <u>the digital nomad</u>, where individuals perform their roles from anywhere in the world, bringing economic opportunities to regions outside of major metropolitan areas.



## Live music industry

Live music is the extension of one's experience with recorded music and is one of the main economic drivers for artists at all levels.



This ecosystem supports a wide variety of jobs, including booking agents, ticketing companies, venues, tour managers, live audio engineers, caterers, transport specialists, equipment companies, accountants and more. The live music industry generates massive economic returns, estimated at \$25.27 billion in 2022, including \$20.35 billion in ticket sales. As a result of concerts being rescheduled due to Covid lockdowns, 2023 saw exceptional growth, including double-digit increases across measures such as total grosses for the Top 100 Tours worldwide.

These tours brought in \$9.17 billion, up 46% from 2022 (although Covid shutdowns impacted that year). While this report does not explore the live music industry in the same detail as it does the recorded music industry, the integral value of live music to communities is indisputable. Venues are community gathering spaces. Audiences travel to and from venues, eat locally, and buy merchandise. Live music makes places better. It is the ultimate storyteller.

#### Merchandisers

From the **creatives** producing original merch designs, to **manufacturers** overseeing physical production, **retailers** operating digital and physical storefronts, **shipping companies** fulfilling orders for fans worldwide, and **merch sellers** supporting direct sales at live shows, the music merchandising industry provides an important revenue stream to artists.

> The global value of music merchandise sales is in the <u>billions of dollars</u>, offering a revenue value-add opportunity to artists beyond their music itself. Merch enables artists to develop unique offerings for their superfans, who see owning artist merch (such as a T-shirt) as a way to express their fandom outwardly. Likewise, the creation of merchandise offers an additional creative outlet for artists, through which they can tell their stories and develop their identity.

## **Brand partners**

## Some artists work with brands to develop mutually beneficial <u>partnerships</u>.

These collaborations take many forms, from artists directly promoting a brand and their products on their digital media channels, to artist sponsorships, where a brand provides financial support for an artist to develop a creative project in exchange for formal recognition and association with the artist.

Like merchandising, brand partnerships offer artists a way of generating value beyond their music. This value can take multiple forms. Along with direct financial compensation, brand partnerships also enable artists to reach new, and often larger, audiences, tapping directly into fans of a partner brand and introducing them to their music.



#### **Trade associations**

The industry is also supported by associations who provide essential services and stability at national, regional and international level.

> In the independent label sector, trade associations add scale and impact and take on essential work that can't be done at the level of an individual business. In sectors such as music where most businesses are micro and small operators, with very few medium or large companies, associations and other collective structures help their members punch above their weight and achieve visibility and influence. Many of the independent music trade associations are mentioned in appendix 2.

## And then there's more

Multiple additional sub-sectors of the music industry further support and contribute to the breadth and depth of the ecosystem. These are businesses that use or support music—in one way or another—contributing to the further development of artistry, recordings, compositions, and usage.

> Examples include studio engineers, producers and architects; business professionals like lawyers, accountants, and data analysts; tech companies working to create new experiences using music across areas like Al, blockchain and the metaverse; healthcare professionals such as therapists and elder-care workers; the breadth of music educators across all age groups and disciplines; venue and facility designers; acousticians; cultural policy experts and arts administrators; and more. It is important to recognize their work and how each contributes to the development and expansion of the music economy.

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**ORCA** Organization for Recorded Culture and Arts

# Appendix 2:

# Endnotes

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## Table of acronyms

A2IM – American Association of Independent Music (US): A non-profit trade association representing independent record labels in the United States.

ABMI - Associação Brasileira da Música Independente: A trade association representing independent record labels in Brazil.

AIM – Association of Independent Music (UK): A non-profit trade association representing the independent music industry in the United Kingdom.

#### AIMP – Association of Independent Music Publishers: A non-profit organization representing the interests of independent music publishers and songwriters.

#### BPI - British Phonographic Industry (UK):

A trade association representing the interests of the British recorded music industry, including record labels and recording artists.

CISAC – International Confederation of Societies of Authors and Composers: A non-profit organization representing collective management and rights organizations for creators and copyright holders worldwide, across repertoires (music, audiovisual, drama, literature, and visual arts).

#### CMOs - Collective Management Organizations:

Intermediary organizations in the music industry which represent the performance and mechanical rights of songwriters, composers and music publishers.

DSP – Digital Service Provider: Online platforms or services that feature music, in the form of albums or singles, as key elements in their product. While DSPs are inclusive of download stores like iTunes and Bandcamp, the term is most often used to refer to interactive streaming services like Spotify, Apple Music, and Amazon Music. **EU – European Union:** A supranational political and economic union of 27 European countries, enabling its members to collaborate on common policies and initiatives.

#### FÉLIN – Fédération Nationale des Labels et Distributeurs Indépendants: A trade association

representing the independent music industry in France.

IFPI – International Federation of the Phonographic Industry: A non-profit organization representing the recorded music industry worldwide.

**IMF – International Monetary Fund:** An international organization of 190 member countries that promotes global economic stability and cooperation around financial and monetary policy.

IMPALA – Independent Music Companies Association (Europe): A non-profit trade association representing independent European music companies and labels.

IMPF – International Music Publishers International Forum: A global network and advocacy organization representing the interests of music publishers.

#### ISS – Interactive Streaming Services:

Digital streaming platforms (DSPs) where listeners may select the individual songs that are played. These services are also often referred to as 'on-demand' platforms and include the likes of Spotify, Apple Music, Amazon Music, Tidal, and more.

**MMF – Music Managers Forum:** A non-profit professional organization representing the interests of music managers within the music industry worldwide.

#### NISS - Non-Interactive Streaming Services:

Digital streaming platforms where listeners do not have the ability to select the individual songs that are played. Internet radio stations like SiriusXM and Pandora fall into this category. NMPA – National Music Publishers Association (US): A trade association representing the interests of music publishers in the United States.

**ORCA – Organization for Recorded Culture and Arts:** A think tank of independent music labels committed to increasing music's economic, social, and cultural value.

**PROs – Performing Rights Organizations:** Intermediary organizations in the music industry that represent the performance rights of songwriters, composers, and music publishers.

RIAA – Recording Industry Association of America (US): A trade association representing the recorded music industry in the United States.

UNESCO – United Nations Educational, Scientific and Cultural Organization: An agency within the United Nations system focused on promoting international cooperation and collaboration around the fields of education, science, culture, and communication.

VUT - Verband unabhängiger Musikunternehmer\*innen

e. V.: A trade association representing the independent music industry in Germany.

#### WIN - Worldwide Independent Network:

A global network of trade associations representing the interests of the independent music community worldwide.

#### WIPO - World Intellectual Property Organization:

An agency within the United Nations system focused on promoting cooperation and collaboration around protecting intellectual property (IP) rights worldwide.

Note on currency All financial figures presented in this report are denominated in United States Dollars (USD), unless otherwise specified.

#### Thank you

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ORCA is coordinated through the Center for Music Ecosystems, which acts as its secretariat.

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