



## Examples of New Business Models in Music \* and how labels, artists and songwriters are paid

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\* Compensation figures and agreements included in this chart are based on research, published FAQs and prior knowledge of services, but should be verified with actual sources for accuracy.

			Are they compensated, and how much?			
SERVICE	FORMAT	DETAILS	LABEL	PERFORMER	SONGWRITER	
DIGITAL RETAIL	CD Baby	Online mailorder and digital retail store.	Consumers buy physical CDs that are then shipped to them in the mail, or can buy digital albums via website.	N/A. Almost entirely unsigned artists, or artists running their own labels, so entire payment goes directly to artist.	YES. Artist sets price of their album. CD Baby keeps \$4 for each physical CD sold. The rest goes to the artist. For digital sales, artist gets 91%. Paid out every Monday. \$100 million paid to date.	Songwriter and publisher are paid mechanical rate: label/artists' responsibility.
	iTunes Music Store	Digital retail store.	Consumers buy individual tracks or albums for set rates, usually 99¢/track or \$9.99/album.	YES. Of \$9.99 sale, label or digital distributor reportedly gets \$6.50-\$7.00. iTMS pays out on sales monthly.	YES. <u>unsigned artist</u> : gets anywhere from 91% to 100% of the \$7.00 paid to label/aggregator. <u>Indie label or major label artist</u> : more complicated because sales are based on percentages or "points" on contract.	Songwriter and publisher are paid mechanical rate: label/artists' responsibility.
	Amazon Music Store	Digital retail store. All MP3 tracks.	Consumers buy individual tracks or albums for set rates, usually 99 cents/track or \$8.99/album, though some tracks are steeply discounted.	YES. Though terms are not disclosed, it's similar to iTunes Music Store where, of \$9.99 sale, label or digital distributor reportedly gets \$6.50-\$7.00.	YES. Same as above. Unsigned artists get 91% - 100% of what's paid to label/aggregator. Indie label or major label artist gets whatever their contract stipulates.	Songwriter and publisher are paid mechanical rate: label/artists' responsibility.
	Amie Street	Digital retail store with demand-based pricing. All MP3 tracks.	Users purchase songs at a price that varies according to demand, starting at 0¢ and ending at 98¢. Users also earn credits by recommending songs to their friends.	Unclear.	YES. Unsigned/unaffiliated artists collect 70% of the money from each song after it has made \$5. Paid directly to artist via Paypal.	Songwriter and publisher are paid mechanical rate: label/artists' responsibility.
SUBSCRIPTION	Rhapsody or Napster	Online subscription service (with other features including downloads, to go, etc).	For subscription streaming service, consumers pay \$12/month to have real-time access to enormous library of albums and songs. (Paid downloads also available for subscribers).	YES. For interactive streams: direct licensing fee negotiated with the labels. Rates are not disclosed. For noninteractive streams, label gets 50% of SoundExchange digital performance royalties.	YES. For interactive streams, a few pennies per play. For noninteractive streams, featured performer <i>also</i> gets 45% of SoundExchange digital performance royalties.	YES. For the subscription/ streaming services, Rhapsody and Napster each have licenses with ASCAP/BMI/SESAC for songwriter/publisher performance compensation.
	eMusic	Online subscription download service. All MP3 tracks.	Consumers pay \$11.99/month for 24 downloads, or \$20.79/month for 50 downloads. Since songs are MP3s, they can be played on any player, including iPods and iPhones.	YES. eMusic pays a set percentage of subscriber revenue/month to label or distributor, calculated on their share of downloads.	YES. Same as above. Unsigned artists get 91% - 100% of what's paid to label/aggregator. Indie label or major label artist gets whatever their contract stipulates.	Songwriter and publisher are paid mechanical rate: label/artists' responsibility.
ARTIST-TO-FAN	Magnatune	Label with physical and digital retail store, with variable pricing and online licensing.	Consumers can download entire albums or songs (similar to iTunes), but can choose their price between \$5 and \$18. Can also order a physical CD via mailorder. High bitrate options.	YES. Magnatune, acting as the label, keeps 50% of sales/licenses.	YES. Artist gets 50% of any sale/ license fees.	Songwriter and publisher are paid mechanical rate: label/artists' responsibility.
	Sheeba.ca (Issa/Jane Siberry)	Pre-Radiohead version of an artist-run digital retail store with variable pricing.	Consumers can buy Jane Siberry's songs in MP3 format for anywhere from "a gift from Jane" up.		YES. Assumption that Jane has ownership of these songs so she's probably getting 100% of net profits.	YES. Jane is the songwriter, so she retains all the income from these sales.

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ARTIST-TO-FAN	Radiohead experiment	Short term digital release experiment run by the band that offered variable pricing option.	Consumers could pay "nothing", although there was a \$1 "handling charge", plus Radiohead collected everyone's contact info.	N/A. No record label involved.	YES. Though real figures are not available, it's assumed that Radiohead kept the vast majority of the income from these sales	YES. Radiohead are also the songwriters, so they retain all the income from these sales.
	Nine Inch Nails experiment	Digital release of 36-track album, Ghosts I-IV, that offers a range of pricing and features.	On website, fans can choose from: A) getting first nine songs for free; B) paying \$5 for a high bitrate download of whole record; C) \$10 for 2 CD set; D) \$75 for deluxe CD set or E) \$300 for signed edition. Also released simultaneously on Amazon, and seeded to P2P networks.	N/A. No record label involved.	YES. Trent Reznor reported to media that all the box sets sold out (\$750,000), and that, in the first week, there were 781,917 transactions that earned \$1.6 million.	YES. NIN are also the songwriters, so they retain all the income from these sales.
PATRONAGE	ArtistShare	Label that builds patron communities around its artists.	Consumers/music fans can not only buy digital/physical CDs of Artistshare artists, they fund the projects in exchange for the privilege of accessing "the creative process" -- attending recording sessions/rehearsals, working drafts of music in progress, credit on the CD. Money collected underwrites artists' costs.	YES. Artistshare, as the label, keeps a small percentage.	YES. Artist gets a large percentage of revenue from sales.	Songwriter and publisher are paid mechanical rate: label/artists' responsibility.
	Jill Sobule	Jill raised \$89,000 from her fans to record a recent record.	Fans had option of contributing anything from \$10 to \$10,000. For \$10, fan get a free digital download when released. For \$1,000, fan had a theme song written about them. For \$5,000, Jill pledged to come and play a house concert for donor.	N/A. No record label involved.	YES. Raised over \$89,000 to record. Assumption that she will keep the vast majority of income from sales when it is released in April 2009.	Jill is also the songwriter so she retains all the income from these sales
	Kickstarter	Website that facilitates project funding by helping artists build pages, create incentives, track fundraising progress	Musician sets up a goal -- say, raising enough money to record an album or buy a van -- and offers his/her funding patrons different incentives to contribute. \$5 may get you a free CD, and \$5000 may get you executive producer credit. Money is <u>not</u> given to artist unless project goal is met.	N/A. No record label involved.	YES. If the project goals are met, the artist receives the money that Kickstarter collected for them. If they do not meet their goals, the funders are given their money back.	N/A in this case.
	Sellaband	Online service that sells "parts" in a band's future work	Music fans can by a \$10 "part" in a band. Each band must sell 5,000 parts to gain access to \$50,000 recording budget.	Sellaband -- as "label" -- gets exclusive 5 year license for exploitation of recording, as well as ad revenue and transaction fees.	SORT OF. An artist who "wins" gets access to \$50,000 for recording/CD manufacturing, but doesn't get the cash directly. Also gets 50% split on ad revenues and CD sales.	Sellaband requires artist to assign copyrights in all songs for 5 years; mechanical compensation due to publisher, but unclear who pays, or if "non-controlled" compositions are permitted.
LICENSING	Rumblefish/Pump Audio	Online licensing service	B2B service. Music directors can use Pump Audio or Rumblefish as a source for affordable music for ads/TV/movies.	YES. If label is the entity that submits the music, it gets 50% of any fees on a license deal, then passes on percentage to artist.	YES. If artist submits the music directly, he/she gets 50% of any fees on a license deal.	YES. If licensee gets a synch license, and ASCAP/BMI/ SESAC royalties would be sent directly to songwriter and publisher if song was performed as part of TV show/movie.

Are they compensated, and how much?

RADIO/WEBCASTING/DIGITAL PERFORMANCES

SERVICE	FORMAT	DETAILS	Are they compensated, and how much?		
			LABEL	PERFORMER	SONGWRITER
<b>Pandora</b>	Webcast stations formed around music recommendation engines	Two models: Ad-supported model for free, or ad-free version for \$36/yr. Search for bands you like and services will also play music that's similar, thus increasing consumer's musical knowledge. Hugely popular iPhone app.	YES. 50% of SoundExchange digital performance royalties. Pandora also links to Amazon and iTunes for digital sales.	YES. 45% of SoundExchange digital performance royalties paid directly to featured performer. Pandora also links to Amazon and iTunes for digital sales.	YES. Pandora has licenses with ASCAP/BMI/SESAC for songwriter/publisher performance compensation. Pandora also links to Amazon and iTunes for digital sales.
<b>Last.fm</b>	UK based internet radio and music community site that also offers on demand streaming.	Free for users. Create custom radio stations and playlists from any of the audio tracks in Last.fm's music library, and are able to listen to some individual tracks on demand or download tracks if the rights holder has previously authorized it.	YES. 50% of SoundExchange digital performance royalties. Indie labels that are not SoundExchange members can be paid directly by last.fm's Artist Revenue Program. Also links to Amazon, iTunes and 7Digital for digital sales. Downloads require label permission but do not provide compensation.	YES. 45% of SoundExchange digital performance royalties paid directly to featured performer. Indie/unsigned artists that are not SoundExchange members can be paid directly by last.fm's Artist Revenue Program. NOTE: If your indie label is signed up to last.fm's ARP Program, performer's royalties will go to the label, which undercuts your ability to receive your statutory share. Also links to Amazon, iTunes and 7Digital for digital sales.	YES. Last.fm has licenses with ASCAP/BMI/SESAC for songwriter/publisher performance compensation. To permit song downloads (which are free), you must own the copyright in both the recording and composition. Also links to Amazon, iTunes and Digital7 for digital sales.
<b>MySpace Music</b>	Social networking site that allows users to stream songs, and make and share playlists.	Free for users. Ad supported model.	YES. Four major labels signed direct equity-sharing deals with MySpace Music prior to launch. However, indie labels were not offered the same favorable equity terms. Ad revenue is shared with the label. Also links to Amazon's MP3 store for digital sales.	SORT OF. Major label artists <i>should</i> be getting shares of the major label's equity revenue and share of the ad revenue. <b>For indie and unsigned artists, no mechanism for payment yet.</b> Also links to Amazon's MP3 store for digital sales.	In the abstract they should have PRO licenses for the performances and would also need the publishers' permission depending on the rates the PROs set.
<b>KEXP (for example)</b>	terrestrial radio station with webcast	Seattle-based radio station with streaming webcast. Free access.	YES. 50% of SoundExchange digital performance royalties for webcast (not for terrestrial broadcast).	YES. 45% of SoundExchange digital performance royalties paid directly to featured performer for webcast (not for terrestrial broadcast).	YES. Radio stations have licenses with ASCAP/BMI/SESAC for songwriter/publisher performance compensation for terrestrial broadcast and webcasts.
<b>Sirius XM Satellite Radio</b>	satellite radio stations	Consumer pays for equipment plus monthly subscription fees, about \$13/month.	YES. 50% of SoundExchange digital performance royalties.	YES. 45% of SoundExchange digital performance royalties paid directly to featured performer.	YES. Both also have licenses with ASCAP/BMI/SESAC for songwriter/publisher performance compensation
<b>MusicChoice</b>	music on cable TV stations	Part of consumer's monthly cable package bill	YES. 50% of SoundExchange digital performance royalties.	YES. 45% of SoundExchange digital performance royalties paid directly to featured performer.	YES. Also have licenses with ASCAP/BMI/SESAC for songwriter/publisher performance compensation
<b>Podcasts</b>	online audio files	Consumers can either subscribe to podcasts or listen to audio files online	NOT USUALLY. Technically, podcasters would need both reproduction and distribution licenses. Currently mostly free for promotion.	NOT USUALLY. Per artist contract. Interactive performance, reproduction and distribution rights could be implicated, but currently mostly for promotion, so these rights are waived.	NOT USUALLY. ASCAP/BMI/SESAC do offer a podcast license, but many podcasters use pre-cleared music.
<b>MP3 blogs</b>	Blogs that provide full-track links to MP3s of songs.	Music fans can listen to and/or download full-length MP3s from blogs.	NOT USUALLY. Currently for promotion only, though many blogs make it clear that songs are available short term only and that label/publisher has right to request takedown	NOT USUALLY. Currently for promotion only, though many blogs make it clear that songs are available short term only and that label/artist has right to request takedown	For promotion only. Publisher has a right to request takedown

<b>Music on Twitter feeds (Blip.fm, Twisten.com)</b>	Twitter users search for a song or artist using these services, then can forward link to the song to their Twitter followers	Free for the moment	UNCLEAR, BUT PROBABLY NOT. Reproduction and distribution licenses are required, but not obtained, so no compensation for labels.	UNCLEAR, BUT PROBABLY NOT. Reproduction and distribution licenses are required, but not obtained, so no compensation for artists	UNCLEAR, BUT PROBABLY NOT. Reproduction and distribution licenses are required, but not obtained, so no compensation for songwriters
<b>Unlicensed P2P networks</b>		Consumers search for and download items without paying for the music.	NO. Reproduction and distribution licenses are required, but not obtained, so no compensation for labels.	NO. Reproduction and distribution licenses are required, but not obtained, so no compensation for artists	NO. Reproduction and distribution licenses are required, but not obtained, so no compensation for songwriters
<b>ISP music access proposals</b>		Consumers would pay a monthly fee, say \$5, on their cable or DSL bill for access to unlimited music content. Money collected would be distributed to artists/labels	TBD	TBD	TBD