Music Industry Cashflow (New Model)

iTunes and websites are the point of sale for music in the form of individual digital files. These storefronts take a small cut of the sale price.

An Online Distributor such as SnoCap distributes files to iTunes and all of the storefront sites, taking a small cut or being paid an annual fee by the Artist/Label.

An Investor puts up a large capital investment for the Artist/Label in exchange for 20% or more of the profits. Other perks may be included in the deal depending on the resources available to the company investing. If the company is a bank, the transaction will be strictly financial. If the company is a former record label (like EMI has done with Robbie Williams) it will offer its existing promotional, distribution and pressing resources to put out albums licensed from the Artist/Label in exchange for a cut of the profits. If the company is a network of live event venues it will make its venues available for the artist's live tour (as Madonna has done with Live Nation). If the company is a coffee shop chain it will sell the product it has licensed from the Artist/Label in its stores.

The Artist/Label the artist creates a label and finds an Investor. In exchange for a capital investment in the label, the Investor gets about a 20% cut of all profits the Artist/Label makes. The Artist/Label pays all expenses related to recording music (retaining ownership of the master recordings), touring, manufacturing and selling merchandise, and promoting the music online, with video and in the media. The Artist/Label retains almost 100% of the sale price of music, but even if music is given away freely as 'promotional material' for the Artist the same way music videos have been used, the sales of merchandise, income from live shows and film/TV/ad licensing income is now administered and controlled completely by the Artist/Label.

A Manager negotiates business deals, serving as a buffer between the Artist/Label and all other organizations,. The manager takes 20% of the artist's income from all sources.

(CRIA & CIRPA) exist in Canada to administrate royalties from one label to another for sound recordings used on compilations and movie soundtracks etc.

ACTRA/AFM distributes royalties for players on sound recordings.

Players are paid upfront by the Artist/Label and also may be payed royalties from Actra if they register each song they play on.

The Producer/Studio/Mix Engineer will likely be one entity, paid upfront for their time by the Artist/Label and also receive an agreed upon cut of the recording's sales. If music is to be given away free as promo for the artist, the producers get an agreed upon cut of merchandise and live show income in exchange for the sonic image they have created.

The Songwriters are each usually represented by a publishing company and seek to be paired with artists and bands to write material for their releases.

Publishing Companies Songwriters often choose to assign 25% of the revenue from their catalog to a publishing company who then pairs the writer with major label artists that need material, places the writer's songs in movies, TV shows, ads and on compilations. The publishing company often gives the writer a cash advance upon signing, which has to be paid back out of any revenue made. Sometimes the publishing company will advance more money for writing trips.

Performing Rights organizations (SOCAN in Canada, BMI & ASCAP in the U.S., PRS in the UK) collect money when music is played publicly. Songwriters and publishing companies register each new song with them and when these songs are reported as played, money is paid out 9-11 months later. Organizations in each country have agreements with each other to forward royalties to writers in other countries.

Mechanical Rights organizations (CMRRA in Canada, Harry Fox Agency in the U.S.) collect 7.7-8 cents per song per album sold from the labels, take a 6% commission and distribute the money back to the songwriters and publishing companies that have registered these songs. For small runs by independent artists and labels, the fees are paid for all albums pressed, not sold. Also collect royalties from the Sales of DVD movies containing licensed songs.

Radio Stations pay an annual fee to performing rights organizations according to their broadcast strength for usage of all of the music they play. Then the songs they play are tracked digitally and songwriters are paid according to spins.

Bars & Concert Venues pay an annual fee to performing rights organizations according to the venue's capacity for usage of all of the songs bands play there. Songs played must be reported by the bands for royalties to be paid.

Film, TV & Ad Usage Venues and stations showing films and broadcasting TV shows or ads that contain songs pay performing rights organizations and the money is paid out to songwriters accordingly.

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