Music Industry Cashflow (Traditional Model)

Record Stores sell the CDs & take a cut of the retail sale price of each CD. Being replaced by iTunes and websites selling mp3s.

A Distributor distributes CDs from the labels to stores and takes a cut of the retail sale price of each CD. Being replaced by online distributors such as SnoCap, which puts music from labels and on iTunes and all major websites.

(iTunes) Music sold digitally has entered the cashflow at differing royalty rates but many of the outdated label stipulations (ie money withheld from the artist for CDs damaged in transit to the stores) are still in effect.

A Manager serves as a buffer between the artist and all other organizations, negotiating business deals including all concerns with the label, publisher and live venue. The manager takes 20% of the artist's income from all sources and sometimes finances trips, photo shoots, videos if necessary...all to be repaid by artist out of income.

The Label uses their A&R department to find and shape artists, their financial clout to finance production of CDs and videos, and their promotional networks to sell artists to the public. They pay out a percentage of each CD sold to the CMRRA which pays the songwriters. If all of the money paid out to make the CD is made back through CD sales, then the Artist, Producers & Mix Engineers are paid a combined total of 8-14% of the retail price of each CD sold thereafter. There are many clauses in contracts that prevent full payouts to the artist including deductions for packaging, money withheld for CDs potentially returned to stores within a year, damaged CDs and reduced payouts for CDs bought through music clubs. The artist has to trust that the label is being honest with them about sales, or exercise their right, however costly, to audit the company.

(A Production Company) sometimes exists between the Artist and the Label, taking on some writing, production, financing, A&R, and/or management duties. The artist signs to the production company, and the production company signst to the label, taking up to 50% of all artist profits.

The Artist /band gets 8-14% of the retail price of each CD sold after all recording costs have been paid back to the label, but has to disperse 3-6% of that to the producers of the music and 1-2% to the mix engineer, as well as 20% of all income to their manager and sometimes 50% of their income to a production company. Because it's so difficult in today's world for the artist to make profit off of CD sales, it's extremely important for the artist to find other streams of revenue such as live shows, merchandise, reality TV shows, etc.

Players are paid upfront out of the recording budget and also may be payed royalties from Actra if they register each song they play on.

ACTRA/AFM distributes royalties for players on sound recordings.

The Producers are paid upfront for their time from the recording budget and receive 3-6% of the artist's 8-14% of CD sales after initial recording costs are paid back to label.

Mix Engineers hired for their sonic aesthetic are also paid upfront fees from the recording budget but often also receive 1-2% of the artist's 8-14% of CD sales after initial recording costs are paid back to label.

Studios and recording/mastering engineers are paid at hourly rates from the recording budget. All expenses for recording including flights, hotels and meals are repaid by artist out of their 8-14% of CD sales before the artist, producers & mix engineers are paid royalties.

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

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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