THE GLOBAL MUSIC COPYRIGHT BUSINESS IS WORTH MORE THAN YOU THINK – AND GREW BY NEARLY $1BN LAST YEAR

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DECEMBER 13, 2016

BY TIM INGHAM (HTTP://WWW.MUSICBUSINESSWORLDWIDE.COM/AUTHOR/TIM/)

How much is the global music business really worth?

The regularly-cited answer to that question: $15bn.

That's the (approximate) figure the IFPI has placed on the recorded music business's annual revenues for the past few years.

In 2016, according to early estimates, that figure looks likely to rise up towards $16bn. (http://www.musicbusinessworldwide.com/why-2016-will-go-down-as-a-giant-year-for-the-global-recorded-music-business/)

But in truth, it still only conveys one part of the music copyright landscape.

Last year, Spotify Director of Economics Will Page helped MBW put the first ever figure on the entire music copyright industry (http://www.musicbusinessworldwide.com/25-billion-the-best-number-to-happen-to-the-music-business/) – that's recorded music, plus revenues generated by publishing/authors rights.

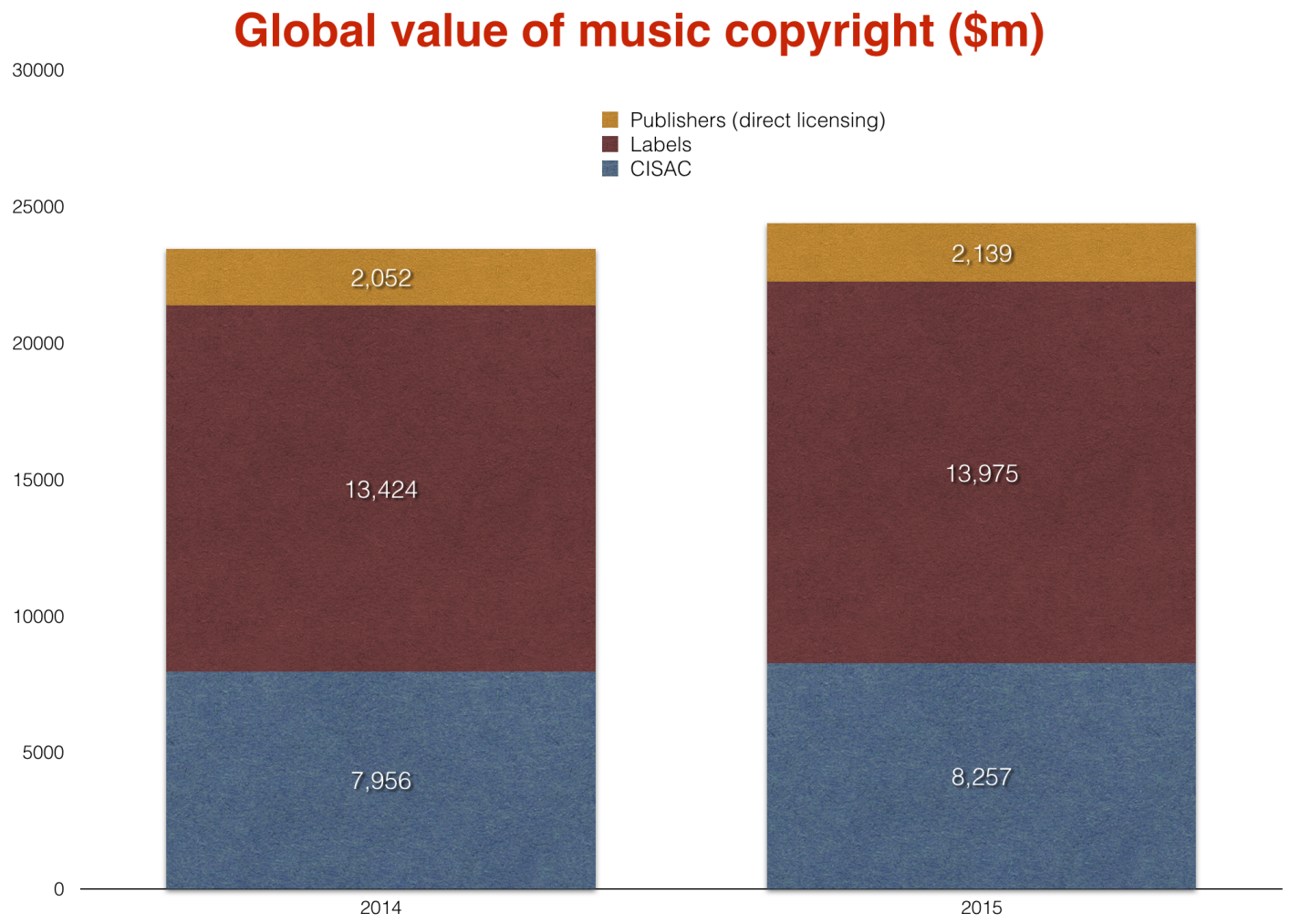
He's just done it again.

And today, MBW can exclusively present his latest findings.

The headline figure: According to Page, global revenues generated by music copyright in 2015 stood at **$24.37bn.**

Based on a US$ constant currency method, Page now estimates that the equivalent figure from 2014 was **$23.43bn**.

That's a year-on-year rise of **$941m** or **4%**.



(http://cdn.mbw.44bytes.net/files/2016/11/Valuestack.png)

Page's figures take into account IFPI's findings, in addition to global publishing/composer collection revenue stats from CISAC.

The foundation for his conclusion is created by adding these two data sets, then removing 'double counting' on mechanical royalties – an overlap created by the fact that record companies traditionally pay through mechanicals to publishers after collecting cash from retailers (on physical formats, and download in the US market).

In addition, Page referred to MIDIA Consulting's model covering directly licensed publishing revenues not captured by CISAC's annual report (such as sync).

There are added complexities – including the calculation of Pan-European Licensing (PEL) revenues, plus SESAC's recent purchase of US mechanicals house the Harry Fox Agency, which has created more transparency on that income stream.

Page worked out USD$ revenues in constant currency, converted from the 'root' currency of each market's original income.

Below, Page explains exactly how he reached his headline figure. But first, let's delve into the most notable numbers.

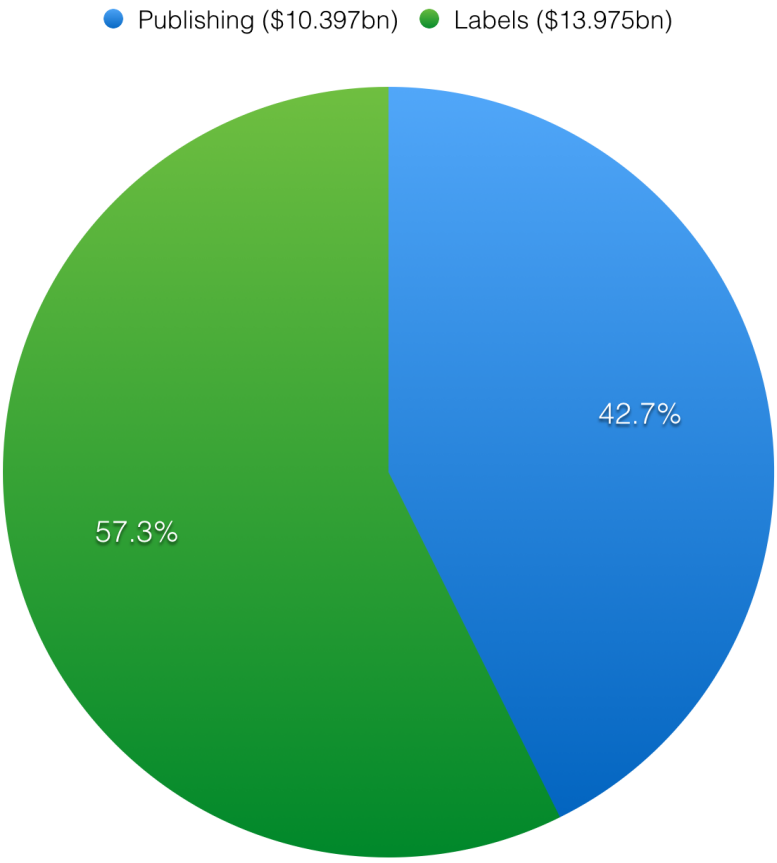
Once mechanical royalties pay-through is subtracted from IFPI data for 2015, says Page, wholesale global recorded music revenues in the year stood at **$13.98bn** (+4.1% YoY).

Meanwhile, CISAC societies paid out **$8.26bn** (+3.8%) in the year, while publishers generated **$2.14bn** (+4.3%) outside of society income.

Overall, that means 'publishing' (inc CISAC authors' money) generated **$10.4bn** (rounded up) in 2015, with 'labels' (inc artist money) generating **$13.98bn**.

'Publishing' therefore contributed **42.7%** to music copyright's bottom line in 2015, with 'labels' on **57.3%** – the same percentage split, says Page, seen in 2014.

Global value of music copyright in 2015: Publishing vs Labels



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MBW: The Global Value of Music Copyright	2015 ($m)	Change %
CISAC Performing Right Collections	$6,828	3.5%
CISAC Mechanical Right Collections	$1,207	6.5%
CISAC Private Copying Income	$222	-0.7%
Non-CISAC Publishing Mechanicals	$471	-12.9%
Publishing Synchronization	$849	5.8%
Publishing Other	$820	15.6%
IFPI Physical (Adjusted)	$5,056	-4.5%
IFPI Digital (Adjusted)	$6,496	11.5%
IFPI Performance	$2,068	5.0%
IFPI Sync	$355	6.6%
Grand Total	$24,372	4.0%

(http://cdn.mbw.44bytes.net/files/2016/11/Screen-Shot-2016-12-13-at-21.19.38.jpg)

Page also drills down further to examine which areas of both sides of the music copyright business contributed the most in 2015.

He discovered that only three areas of the business fell last year: CISAC Private Copying income (-0.7%), Non-CISAC publishing mechanicals (-12.9%) and adjusted IFPI income from physical music sales (-4.5%).

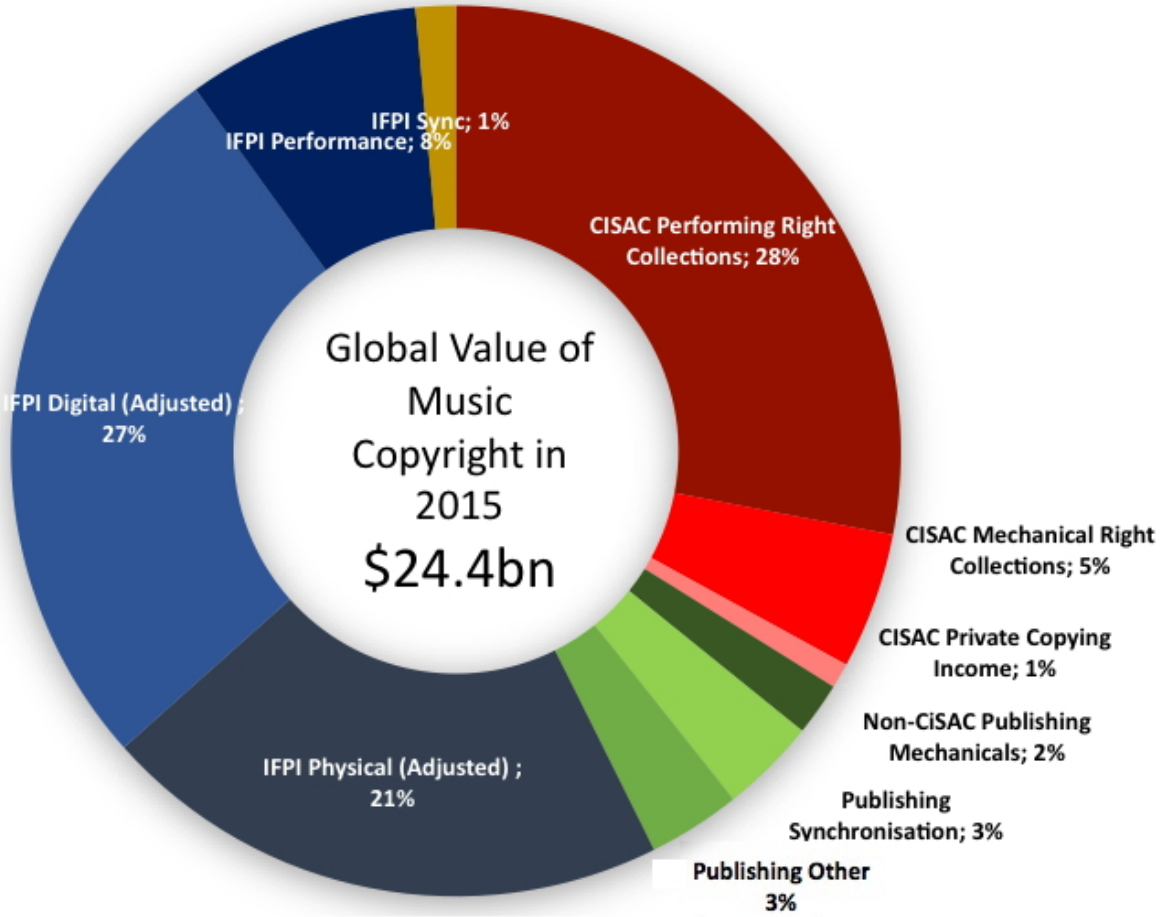
Every other area of both the master and publishing worlds increased in value – not least recorded music (IFPI) digital revenues, which rose 11.5%, or by $668m, to $5.83bn.

The biggest contributor to 2015's overall music copyright figure (when recorded revenue is split between physical and digital) was CISAC's performing rights collections ($6.6bn, +3.5%) – claiming 28% of the total.

IFPI physical sales ($5.29bn, -4.5%) contributed 21%, while IFPI digital brought in 27%.

One interesting bit of trivia: the amount of money generated by publisher sync departments (**$849m**) trounced that generated by recorded music sync departments (**$355m**) – although the latter was up 6.6% in 2015 while the former grew more slowly at 5.8%.

Other gains were made in areas such as CISAC mechanical collections (+6.5%), 'Publishing Other' (non-sync, non-collection revenues – +15.6%) and IFPI performance collections (+5%).



(http://cdn.mbw.44bytes.net/files/2016/12/Will2.jpg)

Kind of self-explanatory, but Will Page's figures only take into account music copyright.

Another giant area of the business, one especially of interest to artists and managers – live music – is left untouched.

For any brave soul wishing to work out the music industry's true value, then, a couple of starting points:

- In calendar 2015, Live Nation's concert promotion business turned over $5.23bn (http://investors.livenationentertainment.com/news-center/news-center-details/2016/Live-Nation-Entertainment-Reports-Fourth-Quarter-And-Full-Year-2015-Results/default.aspx), up 11% YoY. In the same period, the company's ticketing business (across all events) generated $1.71bn. Even with just one (market leading) live music player factored in, then, 2015 annual music business revenue is already headed well north of $30bn.
- IbisWorld (http://www.ibisworld.com/industry/default.aspx?indid=1960) analysts calculate that the total live music promotion market in 2015 turned over $25bn in the US alone – which goes to show how lucrative any holistic music business figure is likely to end up being.

But for now, we're here to talk about music copyright: how much it's making, and, crucially, how much it's growing.

Over to Will Page.

(HTTP://CDN.MBW.44BYTES.NET/FILES/2015/12/WILLPAGE.JPG)THE HEADLINE FIGURE: $24.4BN. THE GRAND TOTAL IS LOWER THAN THE $25BN FIGURE WE REPORTED LAST YEAR – BUT IT'S UP $941M. EXPLAIN?

Firstly, the lower absolute figure shouldn't be a surprise. As already mentioned, we've diluted a lot of non-Dollar revenues with the weaker exchange rate.

Secondly, many of the third-party data points were updated and there are more adjustments this time round as the methodology has been improved.

Third, there were revisions to many of the third-party data points, like music publishing, which fed into the total.

HOW DID YOU TACKLE THE ISSUE OF EXCHANGE RATES ACROSS A GLOBAL ANALYSIS OF MUSIC COPYRIGHT?

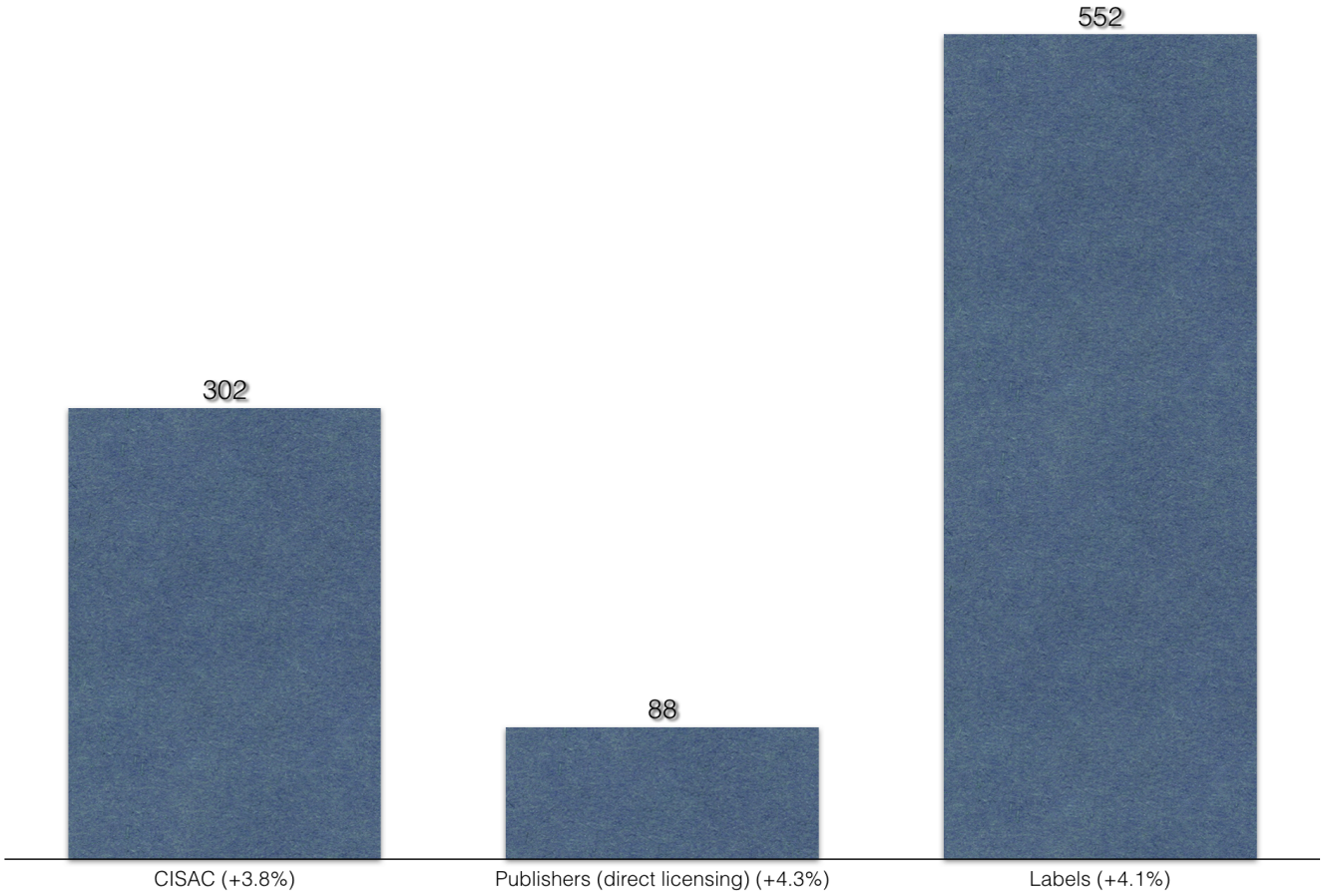
There is no perfect solution to dealing with this issue but what we've done is consistent, and that's important. Three points:

- Think what's happened – the USD has strengthened from 2014 to 2015, so if I measure all these international monies in USD 2015 constant currency, then I am making all those non-USD monies in the previous year worth less than before. We saw this with the IFPI headline in April, which essentially said 'the industry is worth the same as we reported in 2014, but it's actually grown';
- We need to keep in mind that CISAC reports their international composite figures in Euros, and you can't transfer JASRAC (Japan's PRO) Yen monies into Euros and then flip that into Dollars as it wouldn't be correct. CISAC were incredibly helpful in converting their granular figures in USD$ constant currency, so it would be consistent with the IFPI;
- Let's be clear – the USD exchange rate is currently favourable to growth stories as it dilutes the value of the previous year's wealth. But recall UMG is reported is in Euros and SME is in Yen – confusing matters more. Therefore, an accountancy view of 'profits' might differ from an economist's view of turnover, and counter-argue 'you are worth what you reported in each stated year'.

> **BASED ON CONSTANT CURRENCY, THE BIG TAKE-AWAY HERE IS THAT THE GLOBAL VALUE OF MUSIC COPYRIGHT GREW BY ALMOST A BILLION DOLLARS IN ONE CALENDAR YEAR, RIGHT?**

Right. Everything is up.

2015's $941m growth in music copyright revenues ($m)



(http://cdn.mbw.44bytes.net/files/2016/11/Growth.png)

> **HOW DID YOU WORK OUT YOUR PUBLISHING FIGURES – BOTH CISAC AND NON-CISAC (DIRECTLY LICENSED)?**

Working with CISAC and Chris Carey's Media Insight Consulting, we were able to 'shave off' the non-music part of their collections to make it reflective of music-specific copyright, and then convert into dollars from the root currencies.

As for non-CISAC revenue, MIDIA are the clear leaders in the space of measuring music publishing. Before adjusting, MIDIA reported that publishing revenues grew double digit in 2015, up 10.3% or $465m.

FX explains half that story (variable FX growth was only 5.3%) but it underlines the strength of music publishing. Of just under $5bn in gross revenues, $2.1bn flowed through to our total.

> **FINALLY, THE IFPI FIGURE OF $14.9BN – THAT GETS LOWERED AS A RESULT OF ALL THIS RIGHT?**

Same as last year, where labels pass through mechanicals, you need to reduce the IFPI figure as you've already captured it on the publishing side – this is a one-sided adjustment.

In this case, we reviewed and improved the measure of trade income which was passed through from label to publisher and the countries where it existed for physical and download format.

The net effect is to take over $800m from the label side, improving the ratio between them.

As a result, the label side of the fence is worth $13bn, but interestingly as we're removing the part of the original IFPI figures that is falling [mechanicals], growth accelerates to 4.1%.

> **HOW DO YOU INTERPRET THE $941M GROWTH?**

Over the past 15 years, the gains of publishing would have been off-set by the pains of labels, but this time around labels are complimenting the growth as opposed to taking it away.

So, a $941m growth story is remarkable, but like I said earlier it becomes possible when everything is up (…including the US dollar!).

> **CAN YOU COMMENT ON THE SPLIT BETWEEN LABELS AND PUBLISHING?**

When MBW helped me explain the work last year, what was clear was that there was a misconception about the David-Goliath relationship between labels and publishing.

When you factored in all the monies that flow to PROs, publishers and songwriters, they were much more neck-and-neck in true value than often perceived.

However, how that money then flows from firms (labels, publishers and collectives) to individuals (artists and songwriters) is an entirely different conversation.

> **FINALLY, WHAT DOES THIS MEAN FOR SPOTIFY?**

The figure itself. The simple fact is we pay both sides of the fence.

Far too often, analysts boil the music industry down to just the recorded sector – without considering PROs and publisher collections.

It's important that people view the contribution Spotify is making to all rights holders, not just some.

Working out the value of all musical copyright helps us do just that.

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