



SPECIAL REPORT

Royal Supporters

For anyone seeking to take the pulse of the music business in 2024, there are few better places to begin than the royalties sector. Here, *Music Week* meets some of the stars from this fast-paced area for a special report that delves into its biggest issues to find out why the work being done is more important now than ever before...

— WORDS: JAMES HANLEY —

For all the understandable concerns about AI, the royalties market offers a strong case for the defence in how the technology can serve as a force for good in music.

“Music has been a great adopter of new technology and we are excited about the potential that AI opens up,” says Kate Reilly, chief membership & people officer at music licensing company PPL, which has signed artists such as Lewis Capaldi, Ice Spice, FLO, London Grammar, Kenya Grace and The Last Dinner Party this year alone.

Reilly, who maintains and develops the service the organisation provides, sees both sides of the AI coin.

“We’ve several projects that will lean into AI tools to increase efficiency, improve data accuracy and payments to members,” she says. “However, generative AI does pose a real threat to our industry if it is not used legitimately or with respect for the rights of the original copyright works. We need a regulatory environment that ensures the right guardrails are in place to protect copyright and appropriately remunerate music creators.”

Similarly, PRS For Music CEO Andrea Czapyry Martin says a framework for the “safe development and deployment” of AI is an “urgent necessity”, but adds that it “brings opportunities as well as threats”.

“Our systems use machine learning to streamline and optimise our processes to deliver greater cost efficiencies and enhance services we provide to members,” she notes. PRS members include the likes of Dua Lipa, Little Simz,

Ezra Collective, Fred Again.. and Niall Horan, as well as Shania Twain, Karan Aujla, Charli XCX and more.

“Last year, we successfully matched over 90% of musical works reported to us,” continues Martin.

“By broadening our toolset and using robotic process automation we can accelerate accurate royalty payments to music creators.”

Elsewhere, Austin Jacobs, partner in international advisory and accounting firm Prager Metis, reports that his company is currently working with a third-party organisation that uses AI to identify anomalies in the reporting of royalties to artists and songwriters.

“With the increasing size of royalty statements, which contain huge numbers of low-value transactions, AI is going to play a significant role in the royalty audits of the future,” he declares.

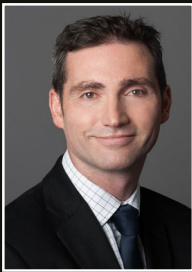
Tom Allen, president of the recently launched Downtown Royalties & Financial Services, says there are many opportunities within the sector to augment data and make predictions using machine learning.

“By using these models to do things like predict revenues into the future, it can become a useful tool for planning cashflows on specific projects,” he points out.

Downtown clients range from large indie labels and publishers, such as Domino, Armada, Defected, Involved and Epitaph, to small indies still in their formative years.

“Within our products, we’re also seeing opportunities with AI to improve how a user interacts with us – for example, running experiments on how we can use large language models against data to make data queryable in

Royal family: Above (L-R) PRS For Music client Charli XCX, Domino-signed Downtown client Wet Leg and Sam Cooke, whose SAR Records Story album is out via The Music Royalty client ABKCO



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**AUSTIN JACOBS,
PRAGER METIS**



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PPL**

PHOTOS: Harley Weir, Hollie Fernando, Michael Ochs Archives, Getty/Stringer



plain English language or identifying anomalies in the data for better income tracking," adds Allen. "We see AI as being super-useful for scaling our processes and enhancing our users' efficiency."

Alex Heiche, founder/CEO of music finance company Sound Royalties, says AI is increasingly prevalent in his 10-year-old firm's work, adding that he expects it to help develop new revenue streams, such as AI-generated content and dynamic pricing models.

"We use AI to enhance data analysis and improve forecasting accuracy," he tells *Music Week*. "AI helps us process large datasets efficiently, ensuring more precise and timely overflow royalty payments to creatives."

Heiche notes they are committed to using AI responsibly.

"It's about ensuring that its integration benefits all stakeholders while maintaining transparency and fairness in the royalties market," he says. "This use of enhanced technology is in tandem with our personalised, high-touch customer service."

The latter point resonates with Brendan Jack, royalties director at The Music Royalty Co (MRC), who is convinced the personal touch remains all-important. The company, which celebrates its 10th anniversary this year, works with clients across royalties and music industry accountancy, including ABKCO Music & Records, Cooking Vinyl, Loose Music, Kartel Music Group and Scruff Of The Neck.

"It probably comes as a surprise, but [AI] is not something that currently factors into our work," reveals Jack. "I think it will become an invaluable tool for automating many tasks involved in processing and accounting for music royalties. However, I believe it will be a long time, if ever, before the human element is no longer needed."

Jack advises that business owners should always seek advice.

"You need someone who not only gets the complexities of your finances but also provides clear, straightforward answers," he points out. "At MRC, our greatest resource is our people, and we know our clients truly value that human connection."

Warming to the theme, Jack stresses that while the rise of software options have advanced the tools available to tackle royalty processing and accounting, it has created a fresh challenge of its own.

"A lot of people conflate having the right software with having the knowledge and expertise needed to truly manage royalties effectively," he says. "The positive feedback we get from our clients tends to focus on things like our attention to detail, flexibility, expertise, communication and support in finding solutions to the weirdly niche problems often thrown up by music royalties and royalty systems, as well as the convenience of being able to have their royalty and bookkeeping needs under one roof. Having an open and transparent conversation with someone will remain invaluable."

Looking ahead, Jack foresees further change.

"More broadly, the streaming payment model debate and questions around royalties and intellectual property raised by the exponential growth of AI could result in some big changes in how royalties are treated in the future," he says.

According to the IFPI, revenues from performance rights increased by 9.5% last year. Performance rights revenues of \$2.7 billion represented 9.5% of the global market.

Tracey Myall, royalties director at Gelfand, Rennert & Feldman (GR&F), is heartened by analysts' projections of an



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"Should predictions come true, industry revenues will be nearly twice as large by 2030"

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SOUND ROYALTIES



impressive annual growth rate for recorded music.

"Streaming revenue is undoubtedly behind this upward trajectory and as the technology available to consumers becomes cheaper and more powerful, along with platforms utilising complex algorithms and AI, it's exciting to follow," she says.

GR&F is on the crest of the wave after retaining the Accountancy Firm Of The Year trophy at the 2024 Music Week Awards.

"We continually strive to achieve the best possible outcome for our clients and for it to have that recognition from the wider industry created such a positive feeling that everyone was proud of," adds Myall. "While there have been commercial difficulties in the UK festival market, for us this summer has been busier than ever, and we have successfully met the challenges facing our clients in the build-up to the festival season."

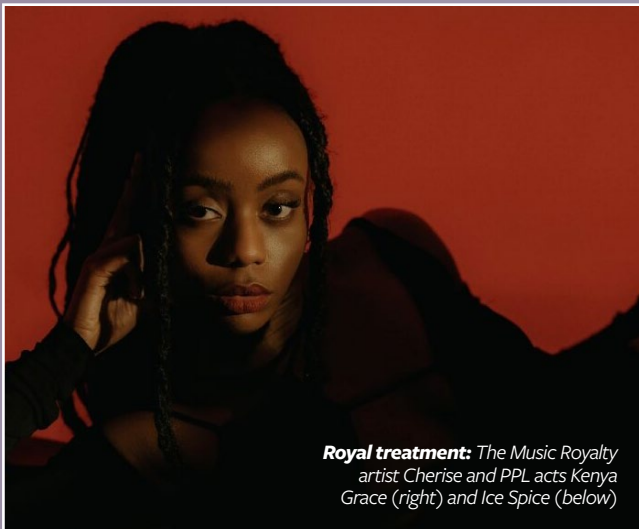
Sound Royalties, which is celebrating its 10th year in business, is currently working in 18 countries and with over 160 PROs, publishers, labels, distributors and administrators across the industry. It financed a reported eight-figure deal with Dominican rapper El Alfa in October last year, while other recent highlights have included the hiring of full-time staff in Canada and Colombia, and the appointment of a senior consultant in the UK to join the growing number of referral partners in the territory.

Heiche, who held executive roles in finance and software companies prior to founding Sound Royalties in 2014, says there is "still a significant amount of unmatched funds" in the market, with fair payment and legislation yet to catch up with changes in consumption and technology. Nevertheless, opportunities abound.

"Global music revenue continues to rise," he observes. "Streaming royalties are the dominating factor and are projected to propel global

Cool, calm and collected: (Clockwise from top left) PRS act Ezra Collective, Defected producer Arielle Free, who is represented by Downtown, Sound Royalties signing El Alfa



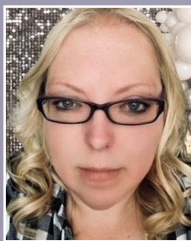


Royal treatment: The Music Royalty artist Cherise and PPL acts Kenya Grace (right) and Ice Spice (below)



“A lot of people conflate having the right software with having knowledge and expertise”

**BRENDAN JACK,
THE MUSIC
ROYALTY CO**



“We’ve been following potential regulatory changes in the US closely”

**TRACEY MYALL,
GELFAND,
RENNERT &
FELDMAN**



Bowler advocates challenging the status quo with self-administration via rights societies.

“Whether a publisher is still the valid option for every songwriter is a question that should come up more frequently, while alternatives to aggregating royalty collections become more commonplace and new options for obtaining advance-like financing provide ways to get off the ground,” he opines.

Dom Scialo, Y Royalties’ head of rights management, says everyone is striving for transparency in data collections.

“Creatives deserve to know where their catalogue has been used, how it has been used and what they have earned from such usages,” he adds. “The industry remains far from what is ideal but we are seeing constant – but gradual – improvements in data quality. DSP per-stream rates remain low, and revenue distribution remains skewed, favouring major label artists. There is continued debate surrounding the legislation of increased per-stream rates to creators and gradually this is increasing, to the creative’s benefit.”

Back at Prager Metis, Jacobs says the company has demonstrated the importance of royalty audits for all rights-holders by uncovering significant amounts of unpaid royalties in the last 12 months.

“Although royalty systems are now very sophisticated, incorrect data can still be input by the user, leading to an underpayment of royalties,” he advises. “The highlights have uncovered six and seven-figure sums of unpaid royalties for several of our clients.”

PPL’s Reilly describes data as an “always on” challenge, but believes the industry has made huge strides, both in terms of managing data and improvements in systems and processes.

“Another important part of the equation is the work we’ve done with other organisations in the industry to help performers and recording rights-holders better manage their data through initiatives such as the Get Paid Guide,” she adds.

Meanwhile, in January, PRS got its Register My Music platform off the ground, which offers members improved functionality. This includes simplified registration of multiple works and tracking to monitor a work’s registration status.

“Over the last 12 months, the industry has fully embraced the solutions to improve the effective management of metadata,” says Martin. “We have also been working fervently on our pioneering Nexus programme. Our partnership with CISAC will soon see the launch of an online tool globally where provisional ISWCs will be made available. By linking a unique work identifier to a streaming service with the digital file of the recording before the release of a new song, the industry will be taking a groundbreaking step forward in transforming royalty payments for songwriters and composer members.”

Indeed, music companies are becoming increasingly data-savvy by and large, suggests Downtown’s Allen. “Where royalties meet trends, metadata and social

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“Where royalties meet trends, metadata and social

music revenue to record highs. Should this prediction come true, industry revenues will be nearly twice as large by 2030 as they were in 2023.”

Illustrating how the rights market has swelled, at the beginning of the century, it was worth \$600 million (2.7%). But with that explosion in value, comes a heightened sense of responsibility.

“At a time when the creation of new works is rising by the millions, there has never been a more important time to revolutionise how efficiently royalties can be matched, processed and paid to songwriters,” says PRS’ Martin. “The more we can process and the faster we are able to do that, the more money we can pay out to members.”

The performance rights organisation fulfilled its goal of becoming a billion pound society in 2023 – two years ahead of schedule – collecting £1.08bn in revenues, an increase of more than 12% on 2022. Martin adds that more than four million musical works and compositions were registered with PRS last year – an increase never seen before in a 12-month period.

“We now represent over 41 million compositions and songs by members from around the world – and that number continues to grow,” she says. “We also welcomed over 10,000 new songwriter and composer members, more than in any previous year.”

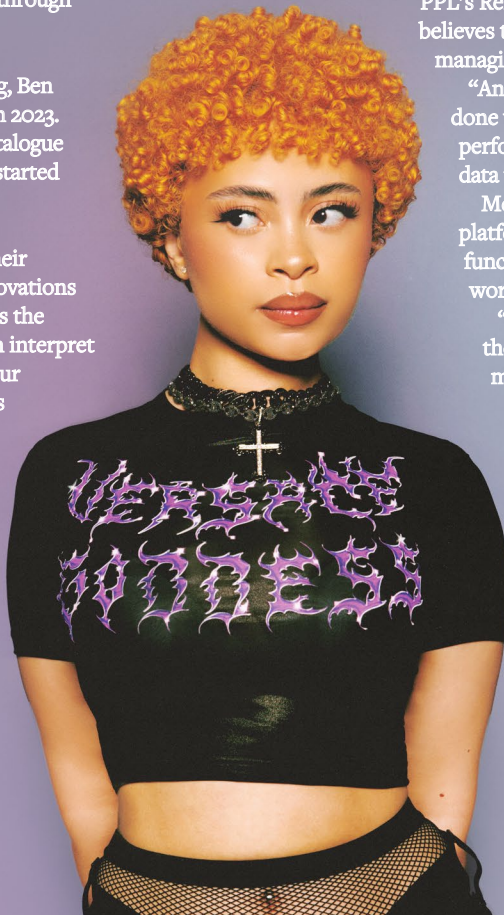
For its part, PPL generated £283.5m in revenue in 2023 – the highest in its 90-year history – and saw an 11% uplift in public performance revenue, with 400,000 venues now licensed through the PPL PRS joint venture.

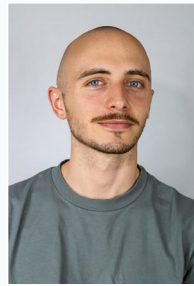
It was against this buoyant backdrop that Colin Young, Ben Marlow and Gary Groutage established Y Royalties in 2023. Specialising in royalty audits, rights management, catalogue valuation and transaction due diligence, Y Royalties started as the royalties division at accounts firm CC Young & Co.

“The increasingly unmanageable amount of digital information that our artists and songwriters receive in their royalty statements has led us to merge technological innovations with our historic pedigree of royalty knowledge,” explains the company’s head of data James Miles. “This means we can interpret extensive amounts of data to provide the best value for our clients in the digital age. Our resources and work streams have also been cumulating with the evolution of streaming. Subsequently, this has allowed Y Royalties to separate from the traditional practices of accounting and move into a direction that is supported by technology and royalty scepticism.”

Head of valuations and royalty due diligence Alex Bowler outlines the fledgling firm’s mission.

“Our goal is to challenge the industry and apply our innate curiosity to ensure that creatives and rights-holders are fairly compensated for their work, which requires deep data knowledge and technology that can keep up with the pace of growth,” he says.





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“There is a big opportunity to solve royalty processing challenges in the music publishing sector”

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DOWNTOWN

data, fascinating insights can be taken from this analysis,” he says. “It’s now about how we can make much of this available for our client base through data warehousing and more enterprise solutions. We also think that there is an additional big opportunity to solve royalty processing challenges that exist in the music publishing sector. It is an area where we are already active, but our goal is to become a market leader similar to our position in the recording business.”

Downtown’s Royalties & Financial Services division works across three core activities – royalty processing, royalty accounting services and payments. Earlier this year, it launched Curve Royalty Services – a new service offering for labels, publishers and distributors looking to outsource all or part of their royalty processes.

“This brought an end-to-end royalty process into Curve [which was co-founded by Allen and acquired by Downtown last year] and enabled us to work with our clients in many different, flexible ways,” explains Allen. “The challenges within processing continue to be the growing amounts of data to manage. Platforms like Curve, however, are there to manage this and create opportunities in the market around using such data and helping our clients understand their data better.”

Allen was pleased to see royalty reporting included in the UK music industry’s Streaming Transparency Code, defining a minimum set of requirements for how people report royalties to each other. An agreement between streaming platforms, creator and rights-holder communities, the code came into force at the end of July.

“While it is a fairly high-level set of requirements, it’s great to see this defined, leaving no doubt for anyone about how they should be reporting their royalties,” says Allen.

Although Spotify has recently found itself on the receiving end of legal action filed by the Mechanical Licensing Collective [see p11], a further development to affect the market in 2024 has also seen the streaming giant introduce reforms to tackle artificial streaming. As a result, tracks now have to have reached at least 1,000 streams in the previous 12 months in order to generate recorded royalties. The platform also once again increased the price of subscriptions in the UK – in some cases by £2 a month.

“This initiative has resulted in an increase in revenue allocated to rights-holders,” asserts Prager Metis’ Jacobs. “The trend has persisted through the current year and is anticipated to continue in the foreseeable future, potentially leading to enhanced royalty distributions.”



As only a third of countries have public performance rights, international looks to hold the key to future growth. PPL’s Reilly says the opportunity is “huge”. “China, the Philippines, and Singapore have all introduced public performance rights in recent years, and we are seeing some important and quite rapid developments in the Middle East,” she says. “This year, PPL received payments from collective management organisations in Guatemala and Indonesia for the first time, and we signed deals to open up new markets, including with RAYS in Azerbaijan and the Indian Singers’ and Musicians’ Rights Association [ISAMRA].”

Reilly notes there has been a great deal of change around qualification rules in different territories, with one of the biggest points of discussion at present being US repertoire.

“More countries in the EU now protect US repertoire than don’t, with Denmark becoming the latest to do so in January this year,” she says. “The EU has been consulting as to whether to maintain this approach. Here in the UK, in January the Intellectual Property Office (IPO) launched a consultation into the qualification rules for recordings and performances, with potentially significant implications for the collection and distribution of public performance and broadcast revenues. PPL, alongside other organisations, is actively engaged in the consultation process.”

PRS’ Martin is hopeful that the election of a new government marks a time of change and opportunity for the UK music industry. As part of its advocacy work, the organisation is represented in parliament on a regular basis “talking to ministers and party representatives for commitments on AI, IP, and trade”.

“Music creators need long-term solutions for working in the EU, if the UK is to remain a world-leading music exporter,” argues Martin. “Analysis of our data from 2019 and 2022 shows a 37% decline in claims by PRS members for live performance at small and medium-sized venues within the EU. We’ve also seen a 22% decline in royalties due to falling performance numbers.”

Wrapping up, GR&F’s Myall signals the way forward.

“Keeping our finger on the pulse is a challenge whilst posing some exciting opportunities,” she concludes. “Staying abreast of emerging markets – which present a massive opportunity to generate new revenue streams – and the potential regulatory changes in the US to statutory royalty rates are topics we have been following closely. However, thinking outside the box has reaped the biggest rewards for our team. Next year is going to be even more exciting as we continue to challenge the status quo.”

By royalty appointment:

(Clockwise from top left) Elles Bailey, who is signed to The Music Royalty client Cooking Vinyl, PRS For Music act Dijjit Dosanjh and Downtown client DJ Yuki



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