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## john benedict: Would you allow your kids to join this business?

### opinion

"I wouldn't have my kids in this business. I wouldn't want them doing what I do, working seven days a week for a smaller return all the time." (Indie retailer, Music Week 26.02.05)

Buying and selling music successfully, whether dealt with as 'rights' by lawyers, or 'records' by indie retailers or as 'content' by online operators has to obey the fundamental principle of commerce; namely buying for one penny and selling for two. This principle has to apply to each part of the commercial cycle; traditionally, from sourcing the talent (artist) – recording the music (label) – distributing the product (distributor) – exposure to the market (media) – making product available to be 'bought' (retailer) – buying the product (customer).

There are three key factors vital for this commercial cycle to begin:-

- (1) Value – that is, the cost of purchase measured against the price of sale. The cost includes all physical costs relating to the acquisition of music (recording costs, advances and so on) together with the costs of the acquisition of related rights that are deemed necessary to achieve the price of sale (may now include publishing rights; merchandising rights; rights to live income).
- (2) Distribution – that is, the cost of getting the music to the market in a manner that ensure that the product is available to be 'bought' by the customer (distributor and retailer in the online world being effectively one and the same in many cases). This cost historically for the independent sector was on average 20% of the dealer price (single figures for majors) with the retailer taking another discount on top. Online and mobile distribution costs are far higher than this – on average 50% - with the price of sale per transaction being far lower than for records. Whilst the rights required by these distributors and retailers are by way of licence and include in many cases both performance and mechanical rights; making available rights and rights of communication to the public – they, unlike traditional licensees or retailers, neither pay for product nor do they

pay advances for rights.

- (3) Access – that is, the ease / difficulty of accessing the customer in the market – the opportunity to hear the music. Traditionally the media was only radio and tv stations which paid substantial fees by way of blanket licenses with dedicated identifiable listening audiences; now the media includes any number of webcasters etc paying nominal fees and fragmenting audiences. Fees for the rights of 'making available' and 'communication to the public' are yet to compare to the fees that continue to be generated for performance and broadcast through traditional media.

Whilst music sales were traditionally based on physical products and shops the relevance of the value of the intellectual property that was being bought and sold was invisible; in today and tomorrow's digital music business, where music will be portable and played, rather than physically purchased, it is vital. My kids can join this business – they just have to be mindful of what the business is and what it will become. Sadly, for many, including me, rattling around the indie shop may just not be an option – unless, that is, you're at the online indie cornershop picking up your files.

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