

A NEW MUSIC BUSINESS MODEL - PEDRO ALEMÁN ABOGADOS

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Falling CD sales and the difficulties of successfully exploiting internet downloads is prompting record companies and recording artists to explore new types of commercial contracts, explains Pedro Alemán of Pedro Alemán Abogados in Madrid.

Las discográficas y los artistas están desarrollando nuevos modelos de negocio ya que la caída en la venta de CD y las dificultades continúan rodeando la comercialización exitosa de las descargas en Internet, afirma Pedro Alemán, de Pedro Alemán Abogados. Los resultantes contratos de «360 grados» atan todos los aspectos de la actividad artística: grabación, gestión, comercialización, giras, publicidad y promoción.

"Music labels are extending their activities from their traditional core business – selling records – into all related sources of revenue. The resulting '360 degree' or 'full rights' contracts increasingly cover all matters relating to an artists' business activity: recording, management, merchandising, touring, publishing, promotion, sponsorship and endorsement."

In recent years record companies have begun to enter into a variety of alliances and agreements with management companies, venue owners and media groups, he says. Significant in Spain has been Prisa Group's acquisition of a majority share in RLM, a leading management company - and on which the firm advised - and Warner Music's majority acquisition of another company Get In.

"Labels need to diversify and to find alternative sources of revenue, while managers and promotion services are in greater demand across the sector," says Alemán. "Increasing competition between labels and other players, media companies, concert promoters, and even telecoms companies, may also in the future result in opportunities for artists to benefit from a still evolving business environment."

The only significant element not usually included in 360 degree contracts, at least for established artists, is music publishing, he says. "Historically, publishing has been managed by dedicated subsidiaries of music labels so they have not felt the need to include it into new contracts. In any event, established artists' publishing rights are generally subject to specific long term agreements and therefore not readily available."

Such a business evolution inevitably presents novel legal issues. There is some concern about avoidance of potential conflicts resulting from record companies providing management services but there are ways to address those hypothetical conflicts," says Alemán "For labels and other competitors the key point will be their comparative ability to generate revenues for the artists. As traditional sources of revenue, CD sales, concerts and merchandising, are difficult to expand, alternative sources such as endorsement and sponsorship are increasing in weight."