

MUSIC STARTUP ACADEMY

Content Or Access? How To Get The Best Deal

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**DO YOU
REALLY NEED
CONTENT?**




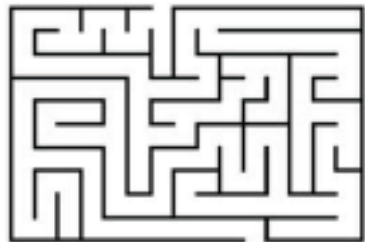


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**OR DO YOU
REALLY NEED
ACCESS?**

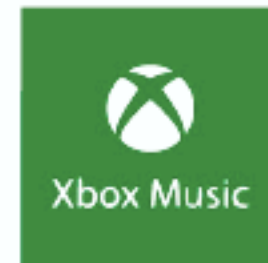


IF THE ANSWER IS **CONTENT**, CAN YOU AFFORD IT?

- Expensive 
- Time Consuming 
- Frustrating 
- Maze of Rights Owners 



YOU HAVE COMPETITION:



**STILL NEED
CONTENT?**



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**OK, LET'S
MAKE A DEAL ...**



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LET'S ASK SOME QUESTIONS:

- What **problem** are you solving for?
- Who are your **target users**?
- How will the content be **used**?
- How **much** content do you need (e.g. some or whole catalog)
- Who are your main **competitors** and how will you **differentiate**?
- What **platforms** or **technologies** have you built or can you leverage others?
- Do you have a working **prototype** and a **white paper**?
- What **territory** or territories will you launch in?
- How are you **funded**?
- What are your **marketing plans**?
- How robust are your **reporting** capabilities?
- Will you **ingest** the content directly or will you use a third party aggregator (e.g. 7 Digital, Omnifone, MediaNet)
- What are your financial **forecasts**?
- Will you **distribute** directly, through a channel partner or bundle?



**— DEPENDING ON
WHAT TYPE OF
CONTENT YOU
WANT TO USE AND
HOW YOU WANT TO
USE IT, YOU **MAY
NOT NEED** A DIRECT
DEAL WITH THE
LABELS ...**



DOZENS OF MODELS IN THE MARKET

Product Type

- Audio (full/clip)
- Video (SF/LF)
- Artwork/Image
- Mobile (Ringtones, RBTs, Wallpapers, etc)
- Games
- Virtual Merchandise
- A/V Programming
- Editorial/Text
- Physical Merch
- Spoken Word
- Exclusive Content
- Clips in Apps/Online

Business Model

- A La Carte Sale
- Subscription/Rental
- Subscription/Own
- Pay Per View/Event
- Ad Supported "Free 2User"
- AYCE (All You Can Eat)
- Gift With Purchase
- Sponsorship
- Product Bundle
- Syndication
- Try & Buy

Usage Rules

- Permanent DL
- Cached DL
- Stream
- On Demand vs Radio
- Fidelity Limitation
- Number of Devices
- Simultaneous streams
- Artist N&L Use
- Programming Limitations
- Broadcast
- Previews/Sampling
- Customization

Many companies have multiple asset types, business models and varying usage rules as part of their deal



DO WE EVEN NEED A DIRECT DEAL?

- Depends on how content is used - DMCA compliance vs Interactive
- Aggregator Partners are a great alternative
 - For Cookie cutter deals, recommend white label aggregator partners such as MediaNet or 7 Digital for streaming and a la carte downloads. Pump Audio and others for production music
 - **Pro:** Time and cost savings, easy approval process with labels
 - **Con:** No direct relationship with labels
- Free Music Archive (archive.org, Creative commons.org)
- Indie artists who own their own recordings and publishing
- Music Industry Sources
 - Music Business Association
 - A2iM
 - Merlin
 - Music Events: Music Biz 2015, SF Music Tech, Music Hack Day, BillboardConferences, MIDEM, CTIA, CES, SXSW, Digital Music Forums?



NEED A DIRECT DEAL?



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**DO YOU HAVE
AN EXTRA
MILLION LYING
AROUND?**



KEY DIRECT DEAL TERMS:

- **Term** - how long will you need the content?
- **Territory** - what countries will you be launching in?
- **Economics** - what will you pay the content owner?
- **Financial Commitments** (Fees, Advances, MRGs) -
How much will you need to commit to? Will you need to submit to a financial review?
- **Equity grants** - Will you have to give a piece of your company away?
- **Marketing** - Will you have to commit to promotional and marketing commitments? IF so, will they be based on marketshare?
- **Security** - How will the content be protected (if at all)
- **Reporting** - Will you be able to comply with the requirements of the content owners?

PROCESS:

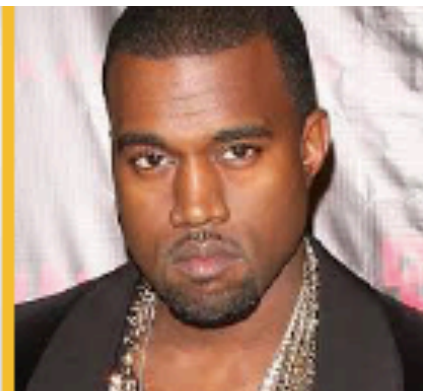
- **Initial Contact/Screening** - Approach Business Development and/or Business Affairs to discuss your company and model
- **Credit Check** - Financial due diligence, vetting process
- **Technical Due Diligence** - Security/Content Protection, usage rules, model
- **Term Sheet** - Key terms memorialized in 3-4 page MOU
- **Approval** - Internal conceptual and formal approval process
- **Draft Agreement** - Term Sheet is converted into a Long Form Agreement
- **Agreement Execution** - Once all terms have been agreed, draft agreement is executed
- **Content Delivery** - Content delivery begins

This process can take anywhere from 3-9 months depending on deal

GLOBAL SOCIAL SUPERSTARS



massive



global



audience





LET'S TALK ACCESS



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**— NEED A GLOBAL
SUPERSTAR TO
ACHIEVE
SUCCESS?**



IT'S GONNA **COST** YA

Cash or equity (likely both)



**— NEED HUNDREDS
OF DEVELOPING
AND MID-TIER
ARTISTS BUY IN
TO ACHIEVE
SUCCESS?**



**IT'S GOING TO
TAKE A LOT OF
TIME, A CREDIBLE
VISION, AND
ASPIRATIONAL
MISSION TO GET
THEM ONBOARD**



SOFTWARE ALONE WON'T CUT IT



Product

It starts with a killer product that solves a need state and makes a unique contribution to your audience, to creators, the biz partners, and to brands. Starting with a remarkable product is expected... its like showing up to work on time wearing clothing.

Brand

What does your brand stand for? What do you believe in? How do consumers and biz partners fall in love with you? How do they remain loyal? Why should we care? Are you thoughtful about creative? about language, about design. What is your brand's personality? Content strategy? How well you nail brand will be hugely influential in your success.

Team +

The team you assemble and/or your advisors must be smart, believable, and connected. Your business canvass and modeling must be thoughtful, credible, and both aspirational yet pragmatic. What's the plan for growth? Marketing? Acquisition? Expansion? Do not expect artist X social graph to drive all your success.

Validation

Can you execute? Have you executed before? Start on a street corner and validate then scale to a block, then a city, then a region and then conquer the world. Prove that you can actually execute this and that your target audience actually cares.

**THOSE WHO
WALK IN
OFFERING
VALUE WILL
STAND APART**



THE ARC OF THE DEAL - 101

- the right balance of enough sizzle and substantial steak
- ABH / ABC
- create concise, clear, professional, gorgeous pitch materials
- clearly identify your unique contribution.
- show validation there is demand for your business notion
- what value do you drive to the other side of the table?
- do your research and walk in with empathy: what is the buy side's primary motivators?
- speak honestly about your current reality and the state of the competitive set.

THE ARC OF THE **DEAL** – 101 (continued...)

- drive the win for your partner and they want you to win
- be thoughtful to pitch on brand to protect your brand - no grasping at straws - don't ask your partners to get involved if it does not make sense
- get the best advisory board you can to open doors
- If you need more connections, find the \$\$ to hire the right consultant to open doors & teach you the ropes. set deliverables & a timeline for success.
- do you really have the ability to change behavior? consumer, biz partners, brands, etc
- sustainability is driving increased happiness among all constituents

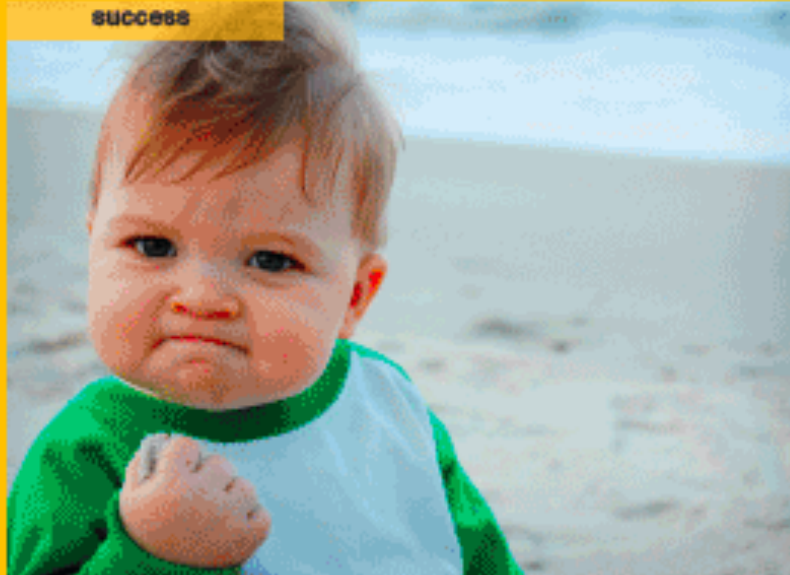


"I've finally
decided to
take my
rightful place
as King!"

Kayne West

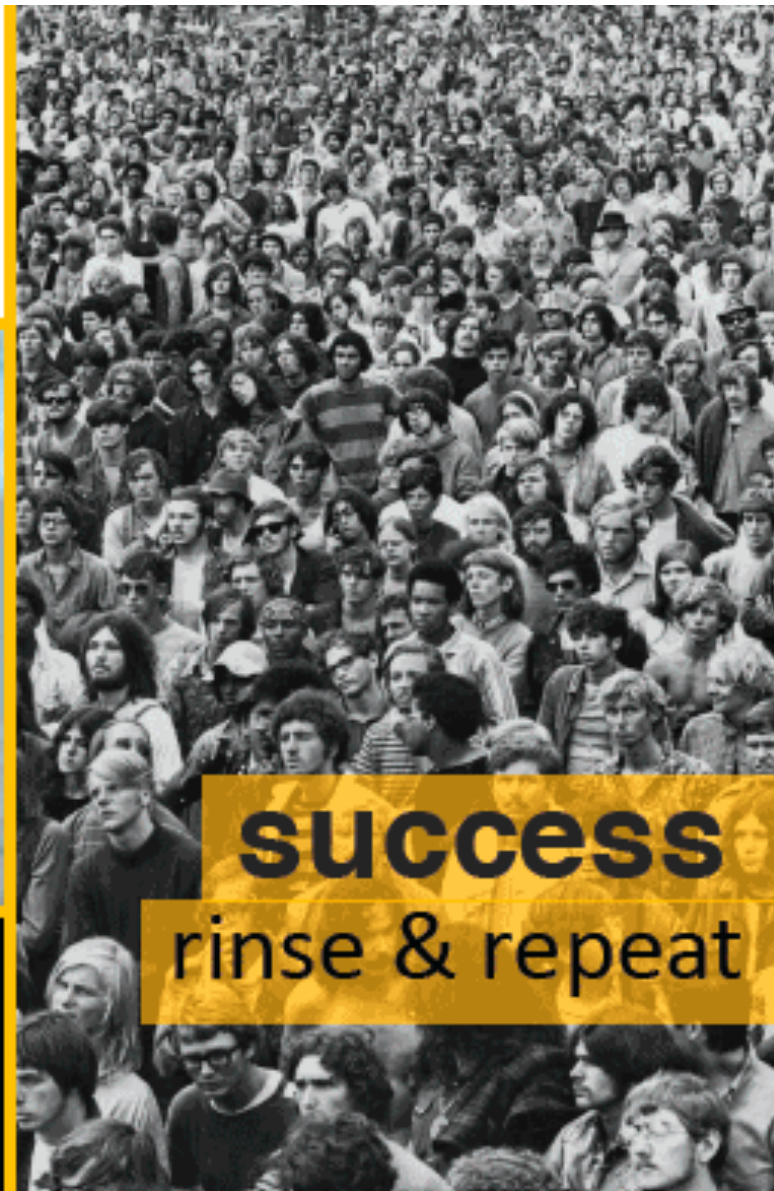


success



warner | music | group

ROCNATION



success
rinse & repeat



THANK YOU