

billboard

CHARTS NEWS VIDEO PHOTOS PRO NEWSLETTERS

THREE SIXTY

TOP ARTISTS VIEW ALL

TOP CHARTS

HOT 100 SONGS BILLBOARD 200 VIEW ALL

TOP VIDEOS

Kourtney Kardashian and Travis Barker Continue to Show Off Their Love in Steamy... Billie Eilish Teases New Single 'Happier Than Ever' | Billboard News VIEW ALL

BUSINESS

Information Is Power: Why the Music Business Is Still Broken For Artists, And How to Fix It (Guest Op-Ed)

By Matthew Smith
4/5/2018

<https://www.billboard.com>

Courtesy of Royalty Exchange
Matt Smith

The music industry may have regained its financial footing thanks to streaming. But there's still a lot broken in the business, and it stems from one fundamental problem.

I call it information asymmetry. And it's everywhere you look in the music biz. For instance:

- Black box royalty calculations force artists to **rely on audit rights and lengthy litigation** just to confirm that they're getting paid what they're owed.
- Deals between labels and music services are typically **covered by NDA agreements**, so just knowing how much artists make from streaming is a matter of speculation.

- Publisher and label deals with artists are private transactions. While they [can be discussed](#), there's no public verification of the details. So they become fodder for press leaks and rumor.

This is an industry built on protecting and restricting information. The result is a broken market where some people win big, while others lose. And the loser in the music business almost always winds up being the creator.

Creators can win if they're lucky enough to have a manager with an information advantage... one who's [connected, talented, and experienced](#). Otherwise, creators rarely -- if ever -- have the information advantage over the party they're negotiating with.

Labels know the terms of each recording contract they sign with artists and licensing deals struck with music services. Artists don't. Publishers know how much they've paid for various writers' catalogs. Artists don't. Any lawsuit designed to challenge the status quo is [settled under non-disclosed terms](#) lest a ruling set a precedent others can follow.

Information is power. And as such, it's in the interest of those with the information advantage to keep the rules vague and protect the information they possess behind high walls. That not only helps them in their battles against their existing competitors, but creates an opaqueness that discourages new players from even attempting to

enter the field. And consolidation, particularly over the last two decades, has given artists fewer options than ever.

The ultimate consequence is that most creators, and their work, are undervalued.

Never has that been more clear than now. The [current “booming” market for music catalogs](#) remains limited to the same larger players, who control the information. Sale prices and multiples are reported through unnamed sources, who may or may not be using the press to influence valuations rather than report them.

They’re being challenged by startups claiming to use AI or cryptocurrencies to disrupt this dominance. But these innovations just create a new form of information asymmetry, designed to give themselves an advantage over not only other potential buyers, but also over the current owner of the catalog.

It’s exploiting a broken market... not striving to fix it.

Yet outside the music business, access to information is near ubiquitous. Just look at the NFL free agency period currently underway. Every new signing is a matter of public record, which players can use to negotiate better deals. So is each player’s performance stats, which general managers can use to identify the best player for their needs. There’s more information about NFL salaries, deals, and statistics in an hour of ESPN than there is available about anything in the music industry.

So why can't the music industry share similar types of information? I can only assume it's because the incumbents who own the data feel it's in their best interests to keep it.

It's not.

Given the influx of new interest in music royalties coming from outside the music business, now's not the time to hide access to useful data. With global asset prices high and bonds not far from record low yields, hedge funds and private equity are turning their attention to the booming music space hoping to snap up royalty streams.

But any market with such lopsided information advantages artificially limits its overall potential. This results in a handful of big winners and limited upside for everyone else.

Multinational companies battling for increased market share doesn't help artists.

Growing the pie helps artists. And only an open, transparent marketplace can grow the pie in a way that increases value for all, not just for an individual.

Consider this... the largest public database of music deals (as far as I know) consists of about 230 transactions totaling about \$14 million in value.

I know that because [it's ours](#). And that's not a boast... it's a lament.

Royalty Exchange is a marketplace for buying and selling royalties through online auctions. All the historical data for each song or catalog listed on our site is publicly available, as is every final sale price.

But our results are a rounding error compared to the volume and value of transactions taking place industry wide. We're a tiny startup in Denver, and we're proud of the work we've done and the results we've achieved so far. But it's absurd that we're the only source of transaction transparency. We shouldn't be.

I encourage all the companies in the business of buying or selling music royalties to embrace this concept... and for creators to demand it.

You may think you need to protect your information advantage for proprietary purposes, but you don't. In the long run you'll do better by sharing more information than protecting it.

Put simply, information asymmetry allows only some to win. Information transparency allows all to win. Making information public is critical to creating confidence among buyers. Confident buyers will spend more, which raises the value of the marketplace, which raises value for the entire ecosystem.

Matthew Smith is the CEO of Royalty Exchange, an online platform for buying and selling royalties. He is an experienced entrepreneur, investor, and advisor who has founded and led

multiple successful businesses. He is a passionate free market advocate dedicated to providing rightsholders and creative professionals with fair financial options.