

THE MUSIC CONTRACT – simulation

General Briefing Notes

Background Info

Cozumel, a young group of musicians and their lead singer-songwriter have made an album that has attracted serious interest from several producers. A meeting between Cozumel and the music company MP4 has been arranged. Both parties have done some preparation and set the conditions they hope to achieve. You will find this information in each of the student profiles.

Student(s) A MP4

Student(s) B Cozumel



The issues

During the contract negotiation, both parties will discuss and try to agree to terms and conditions on the following issues:

| | |
|-----------------------|---|
| Exclusivity | the group's music can only be produced and distributed under the producer's label |
| Royalties | the percentage of sales paid as earnings to the group |
| Foreign rights | the percentage of revenue which the producer guarantees the group for licensing their material to foreign companies |
| Duration | the length of the contract |

In addition, companies and music groups might stipulate a minimum number of **new songs** to be written and produced within the duration of the contract. A certain number of **concerts** may also be agreed to in order to guarantee promotion of the group.

Finally, the group will also be interested in the **company's distribution channels**, i.e. both the national and international ones.

Note:

It is not necessary for the parties to achieve agreement on all of the points above. However, in order to sign a contract both parties must be in agreement on the most important points they wish to negotiate. In general, music groups would rather be paid more and sooner, while producers prefer just the opposite.

Final words of advice:

Cozumel, you are good, but not yet the Beatles!

MP4, you are a well-established label, but not the only one!

TASK

The negotiation takes place at the company's offices and will last 15 minutes.

Confidential Notes for Student A (MP4 Producers)

MP4 is a very well-known producer specialized in finding new, young music groups. You work in the New Acquisitions department and are responsible for signing up new talent. You have recommended Cozumel to your boss. He is interested and has sent you the following memo containing possible terms and conditions:

| | |
|------------------------|---|
| Exclusivity | Yes, a must! We are not prepared to invest in new artists if we don't reap the rewards. |
| Royalties | 9% – our standard for newcomers. |
| Foreign rights | 48% – foreign licensing is not our strength. If we do have any success abroad, it is due to supplementary work on our part. This must be remunerated. |
| Contract length | 2 years – not too long, though! We don't know if they will be hot! |
| Distribution | We'll use our excellent national channels and see if we really need to go international. |

In order to launch the group, we'll need a few new hits which Cozumel will have to play around the country. Our marketing and advertising capabilities are excellent and should do the rest. Therefore, let's get Cozumel to write 3 more hits within the next 3 years and to go on tour. Within the next 3 years they must perform a minimum of 60 concerts.

If we can reach an agreement with more or less the above conditions, we should be able to make something of this.

TASK

You have 15 minutes to reach an agreement with Cozumel. If you don't, you fear they will go elsewhere.

Confidential Notes for Student B (Cozumel)

You are a new group and this is your first opportunity to have your music produced and distributed. This is very good news.

You have a meeting with MP4, who are well-known for their ability to make new bands household names. You want to reach a favourable agreement, so as a reminder to yourself you have jotted down the following terms:

| | | |
|--------------------------|--|---|
| <input type="checkbox"/> | <i>Exclusivity</i> | <i>No – but it seems MP4 prefer it. Not good for us, unless they can guarantee our success along with attractive conditions. Don't want to have our hands tied.</i> |
| <input type="checkbox"/> | <i>Royalties</i> | <i>Above 10% – this is our work! We deserve the rewards!</i> |
| <input type="checkbox"/> | <i>Foreign rights</i> | <i>53% – we should be able to make a name for ourselves internationally. We have the right kind of music for that.</i> |
| <input type="checkbox"/> | <i>Contract length</i> | <i>5 years – we could benefit from MP4's know-how – at least initially.</i> |
| <input type="checkbox"/> | <i>Jimmy, our lead singer-songwriter, needs the money urgently because his wife is about to have a baby. After that he'll be at home a bit more, so he will have time to write a few more hits. But will he be able to go on long tours?</i> | |
| <input type="checkbox"/> | <i>To get launched we need air-time and our CDs being in the shops. Can MP4 guarantee this?</i> | |
| <input type="checkbox"/> | <i>AND remember – this is what Clef has offered us:</i> | |
| <input type="checkbox"/> | <i>Exclusivity</i> | <i>No</i> |
| <input type="checkbox"/> | <i>Royalties</i> | <i>8%</i> |
| <input type="checkbox"/> | <i>Foreign rights</i> | <i>50%</i> |
| <input type="checkbox"/> | <i>Contract length</i> | <i>3 years</i> |
| <input type="checkbox"/> | <i>More hits</i> | <i>2 within the next 3 years</i> |
| <input type="checkbox"/> | <i>Tour</i> | <i>A minimum of 75 concerts within the next 3 years.</i> |
| <input type="checkbox"/> | <i>Clef's distribution channels</i> | <i>Not very strong nationally, but excellent international contacts.</i> |

TASK

Your team has 15 minutes to reach an agreement with MP4 or you will go back to Clef.

The music contract – simulation

(summary of terms and conditions)

| | Cozumel | Clef | MP4 |
|--|--------------------|-------------|-----------|
| Exclusivity | No | No | Yes |
| Royalties | 12% | 8% | 9% |
| Foreign rights | 53% | 50% | 48% |
| Contract length | 5 years | 3 years | 2 years |
| Minimum number of songs in next 3 years | None | 2 | 3 |
| Minimum number of concerts in next 3 years | 50 (pregnant wife) | 75 | 60 |
| Local distribution | | Moderate | Excellent |
| International distribution | | Rather good | Moderate |

H-I-T LIST

Overall negotiation outcome:

If you ... Then we ...

Theirs

Ours

Have to achieve (1 Idea)

Intend to achieve (max. 3 ideas)

Tradables

(Other ideas that you would be willing to trade for something else in return – min. 7!)