

Appendices and glossary

Appendices

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Glossary

Appendix A: Terms of reference

1. In exercise of its duty under section 22(1) of the Enterprise Act 2002 (the Act) the Competition and Markets Authority (CMA) believes that it is or may be the case that:
 - (a) a relevant merger situation has been created, in that:
 - (i) enterprises carried on by Sony Group Corporation, including its subsidiary, Sony Music Entertainment, have ceased to be distinct from enterprises carried on by the AWAL business¹ and the Kobalt Neighbouring Rights business;² and
 - (ii) the condition specified in section 23(2)(b) of the Act is satisfied; and
 - (b) the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition within a market or markets in the United Kingdom (UK) for goods or services, including the wholesale digital distribution of recorded music in the UK.
2. Therefore, in exercise of its duty under section 22(1) of the Act, the CMA hereby makes a reference to its chair for the constitution of a group under Schedule 4 to the Enterprise and Regulatory Reform Act 2013 in order that the group may investigate and report, within a period ending on 2 March 2022, on the following questions in accordance with section 35(1) of the Act:
 - (a) whether a relevant merger situation has been created; and
 - (b) if so, whether the creation of that situation has resulted, or may be expected to result, in a substantial lessening of competition within any market or markets in the UK for goods or services.

Colin Raftery
Senior Director, Mergers
Competition and Markets Authority
16 September 2021

¹ The AWAL business comprises AWAL Digital Limited, AWAL Recordings Licensing Ltd, AWAL Recordings Ltd, AWAL Recordings America, Inc., AWAL Recordings Licensing America, Inc. and In2une Inc.

² The Kobalt Neighbouring Rights business comprises Kobalt Neighbouring Rights Limited, Kobalt Neighbouring Rights II Limited, Kobalt Music Netherlands Artists B.V. and Kobalt Music Netherlands OH Records B.V.

Appendix B: Conduct of the inquiry

1. On 16 September 2021, the [CMA referred](#) the completed acquisition by Sony Music Entertainment of the AWAL and Kobalt Neighbouring Rights (KNR) businesses from Kobalt Music Group Limited for an in-depth phase 2 investigation.
2. We published the biographies of the members of the inquiry group conducting the phase 2 inquiry on the [inquiry webpage](#) on 16 September 2021 and the administrative timetable for the inquiry was published on the [inquiry webpage](#) on 30 September 2021.
3. At commencement of the inquiry, the statutory deadline was 2 March 2022, but this was [subsequently extended](#) to 17 March 2022 as a result of the delay by Sony to comply with the requirements of a notice under section 109 of the Act to provide certain documents and information. Revised versions of the administrative timetable were published on the [inquiry webpage](#) on 18 November 2021 and 26 January 2022.
4. The CMA held virtual site visits with each of the Parties. The site visits occurred separately with each of the Parties and included members of the inquiry group. AWAL's site visit took place on 12 October 2021 and Sony's site visit took place on 15 October 2021.
5. On 11 October 2021, we published an Issues Statement on the [inquiry webpage](#) setting out the scope of the inquiry and the theories of harm on which the inquiry would focus. Sony's response and one third party's response to the Issues Statement have been published on the [inquiry webpage](#).
6. We have invited and requested a wide range of interested parties to comment on the Merger. These included artists, labels, A&L providers, DIY platforms, industry bodies, DSPs and other stakeholders. We issued detailed questionnaires to some of these parties and a number of them provided us with further information in hearings and in response to written requests. Evidence submitted during phase 1 was also considered in phase 2.
7. We received written evidence from the Parties in the form of submissions and responses to requests for documents and information (including by issuing notices under section 109 of the Act).
8. We held separate main party hearings with the Parties. Sony's was held on 16 December 2021 and AWAL's was held on 22 December 2021. In advance

of those hearings, we provided to the Parties an Annotated Issues Statement and a number of working papers setting out our emerging thinking.

9. On 11 February 2022, we published a notice of provisional findings and a summary of our provisional findings report on the [inquiry webpage](#). A non-confidential version of our provisional findings was published on the [inquiry webpage](#) on 15 February 2022.
10. We invited interested parties to comment on the provisional findings. The deadline for comments on the provisional findings was 4 March 2022.
11. On 8 March 2022, non-confidential versions of responses to our provisional findings were published on the [inquiry webpage](#).
12. On 16 March 2022 a non-confidential version of the final report was published on the [inquiry webpage](#).
13. We would like to thank all those who have assisted in our inquiry.

Appendix C: Third party evidence

Third party questionnaires

1. We have received a range of third-party evidence from customers (artists and labels) and Providers (the majors, independent labels, A&L services providers and DIY platforms).
2. In this appendix, we set out our key findings from questionnaires that were sent to customers of the Parties and we then set out competitor profiles.

Artists and label questionnaires

3. The CMA asked 60 customers of the Parties in phase 1 to respond to a short (11–12 questions) written questionnaire and received 20 responses.¹ At phase 2, we contacted 446 customers of the Parties with an expanded questionnaire and received 34 responses. Where identical questions were asked during both phases the responses have been consolidated. Our analysis of customer responses, set out below, is based on 47 customers.²

Our assessment

4. In phase 2, we split customers into strata and sent questionnaires to a random sample within each sub-category as set out in Table C1. Within the AWAL tiers, we note that responses are skewed towards those artists earning the highest revenues ie customers of AWAL Recordings.

Table C1 – Number of customer questionnaires sent and responses received

Customer type	Party	Sub-category	Available customers	Questionnaires sent	Responses
Artists	AWAL Recordings	Highest revenue	50	44	8
		Lowest revenue	50	22	-
		Last 12 months	[X]	24	1
	AWAL +	Highest revenue	50	26	-
		Lowest revenue	50	28	1
		Last 12 months	[X]	29	1
	AWAL Core	Highest revenue	50	25	1
		Lowest revenue	50	0	-
		generating clients	[X]	52	2
Labels	The Orchard	Highest revenue	150	67	6
	AWAL	Highest revenue	[X]	26	4
	The Orchard	Highest revenues	300	81	9
		Last 12 months	[X]	22	1

Source: CMA analysis.

¹ We received responses from artists and labels of AWAL and The Orchard.

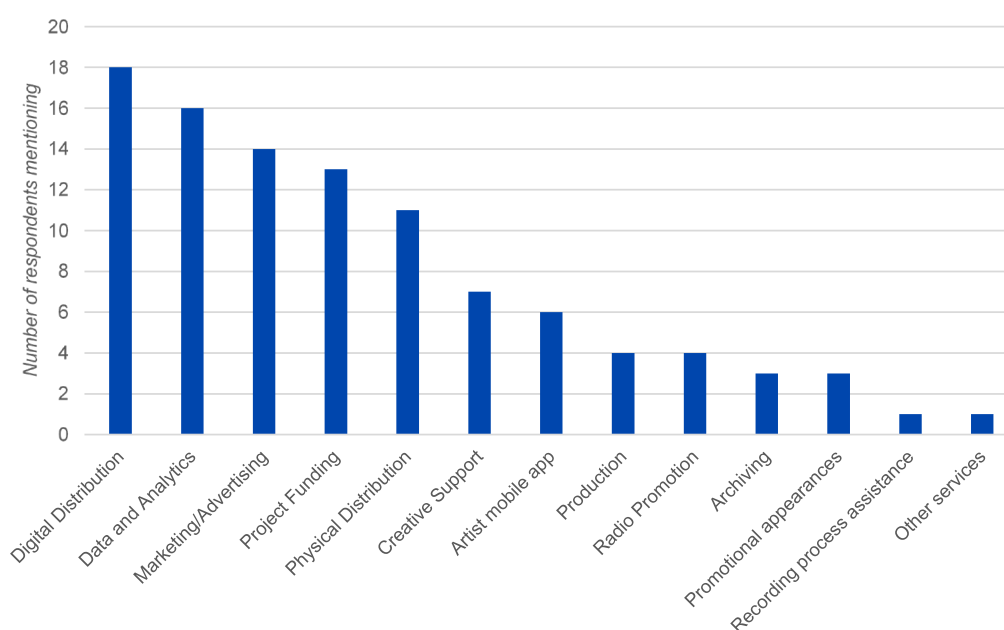
² Seven customers responded in both phases.

5. Both the absolute number of responses and the response rate are low. Given this, and consistent with our approach in other cases where we have obtained comparable samples, we have interpreted this evidence qualitatively, rather than drawing firm quantitative conclusions. Since this evidence does not carry determinative evidential weight in isolation, we have considered it in combination with other evidence provided to us.

Differences between artist customers and label customers

6. Responses from the Parties' customers show that artists and labels have different but overlapping/related service requirements. Most artists received five or more services from the Parties. The most common services received were distribution (digital distribution was mentioned by all respondents), Data and Analytics, Marketing/Advertising and Project Funding as set out in Figure C1.

Figure C1: Services procured by artists*



Source: CMA analysis.

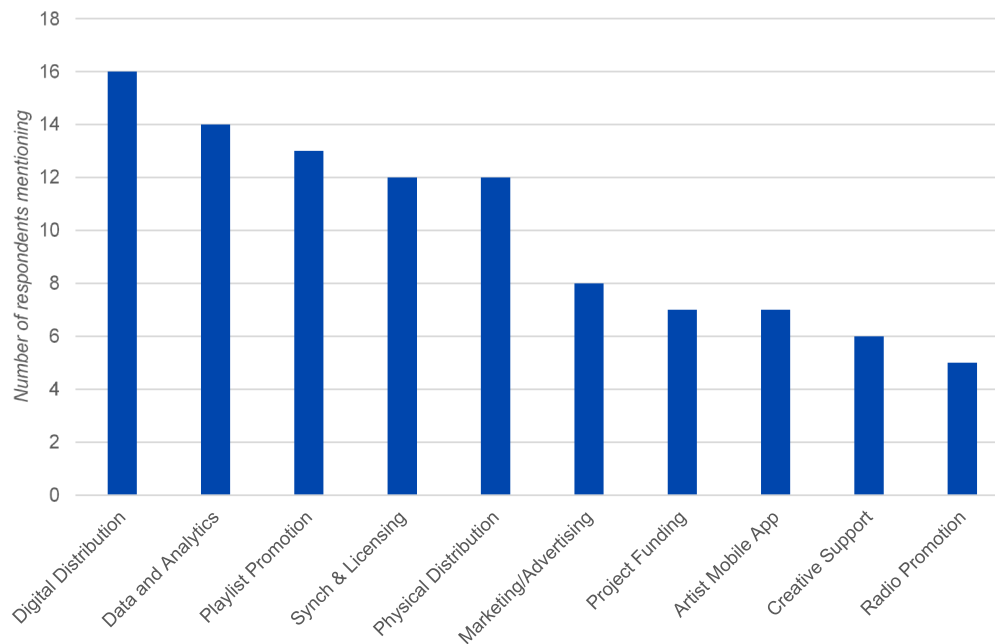
*Responses to Q4. Please indicate which of these services you receive from [Party].

Note: Base is all phase 2 artist respondents. n=18.

7. Most labels also received five or more services. As set out in Figure C2, Distribution and Data and Analytics were the most common services received. However, for labels, Playlist Promotion and Sync and Licensing were the next most important services received.³

³ Playlist Promotion and Sync and Licensing were not given as options to artists.

Figure C2: Services procured by labels*



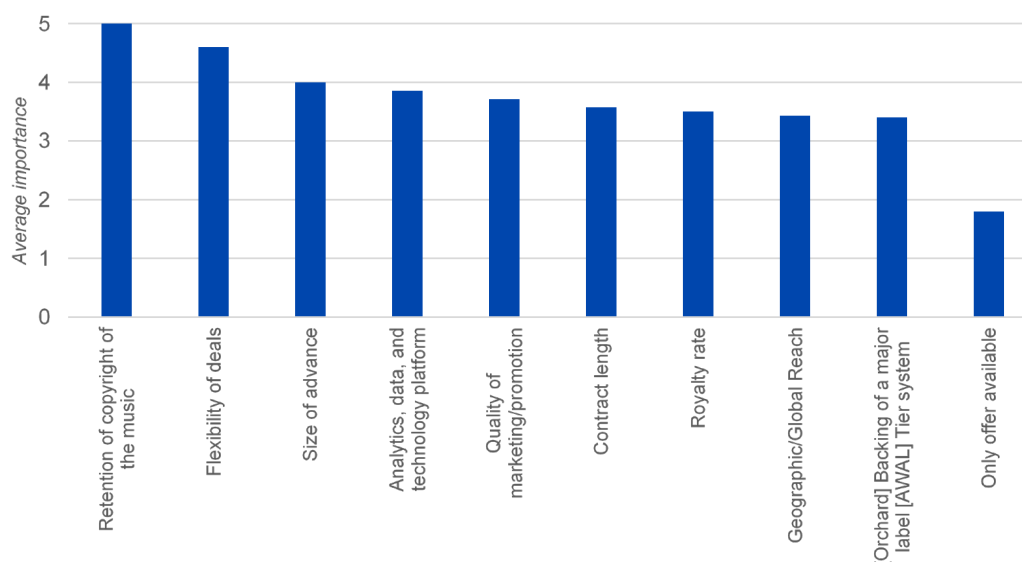
Source: CMA analysis.

*Responses to Q4. Please indicate which of these services you receive from [Party].

Note: Base is all phase 2 label respondents. n=16.

8. A wide range of factors, as set out in Figure C3, were important to artists in their choice of Provider, notably the retention of copyright. The 'Only offer available' option was ranked relatively low, implying that most artists felt they had a choice of Provider.

Figure C3: Factors most important to artists when choosing a Provider*

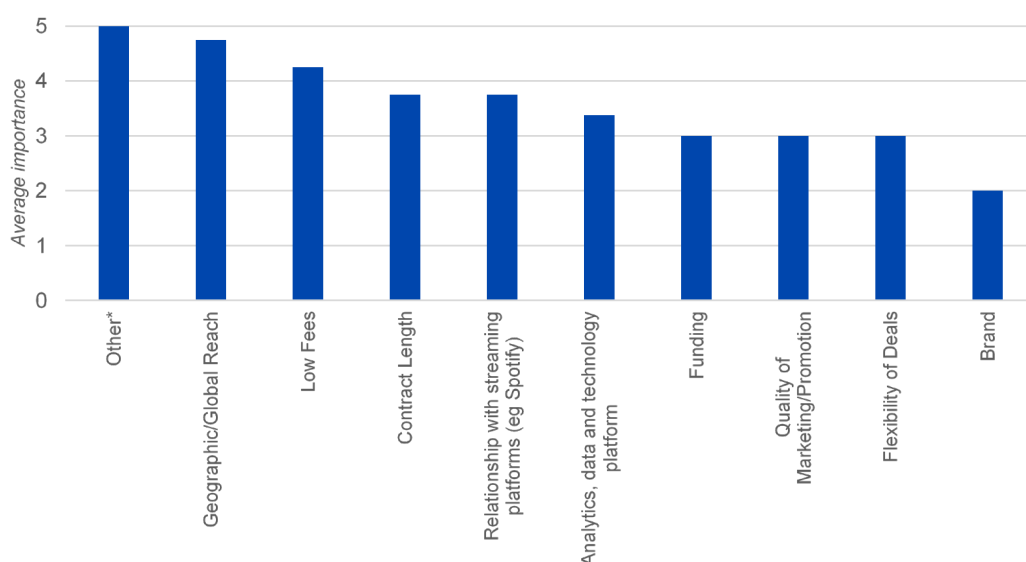


Source: CMA analysis.

*Responses to Q5. Please indicate how important the following factors were in your decision to use [Party] instead of another Provider. [Rank (scale of 1-5, with 1 = not important, 5 = very important) + Reason for importance if ranked 5 or 4.]

9. A wide range of factors were also important to labels in their choice of Provider as set out in Figure C4. A different list of services were provided to artists and labels.⁴ Label management (Other), geographic reach and low fees were the three factors with the highest average importance amongst those mentioning them. The 'brand' of the Provider was not ranked as a particularly important factor, which may imply that developing a brand is not itself a strong barrier to entry.

Figure C4: Factors most important to labels when choosing a Provider†



Source: CMA analysis.

* Other was an available option. Two respondents selected this and listed 'Top notch label management' and 'Label manager' respectively.

† Responses to Q5. Please indicate how important the following factors were in your decision to use [Party] instead of another Provider. [Rank (scale of 1-5, with 1 = not important, 5 = very important) + Reason for importance if ranked 5 or 4.]

Note: Base is all phase 2 label respondents. n=16.

When competition occurs

10. Competition for artist and label clients occurs both at the point of initial signing and whilst under contract. All of AWAL's artists, and three out of four of AWAL's labels that responded, said that they had considered other options. Only two out of six of The Orchard's artist clients considered other Providers; others had longstanding relationships with Sony or chose not to engage with alternative Providers more widely. Seven out of 12 of The Orchard's label clients did consider other Providers.
11. The picture for customers under contract was more mixed. About half of AWAL's artist clients, and three out of four of its label clients, had been

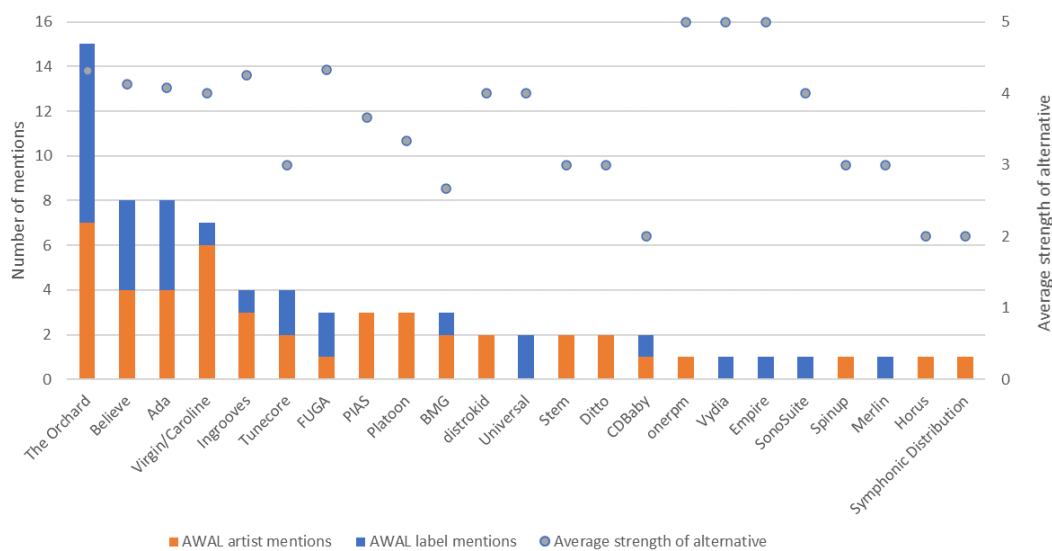
⁴ Geographic, quality of marketing/promotion, contract length and analytics, data and technology platform were listed in both questionnaires.

contacted by other Providers. Of The Orchard's customers only one artist, but around half of its label customers, had been contacted by another Provider.

Diversion

12. We asked customers of AWAL who they considered were the closest alternatives to The Orchard. AWAL's customers responded that there are many alternative Providers to AWAL as illustrated in Figure C5.

Figure C5: Alternative Providers for AWAL customers*



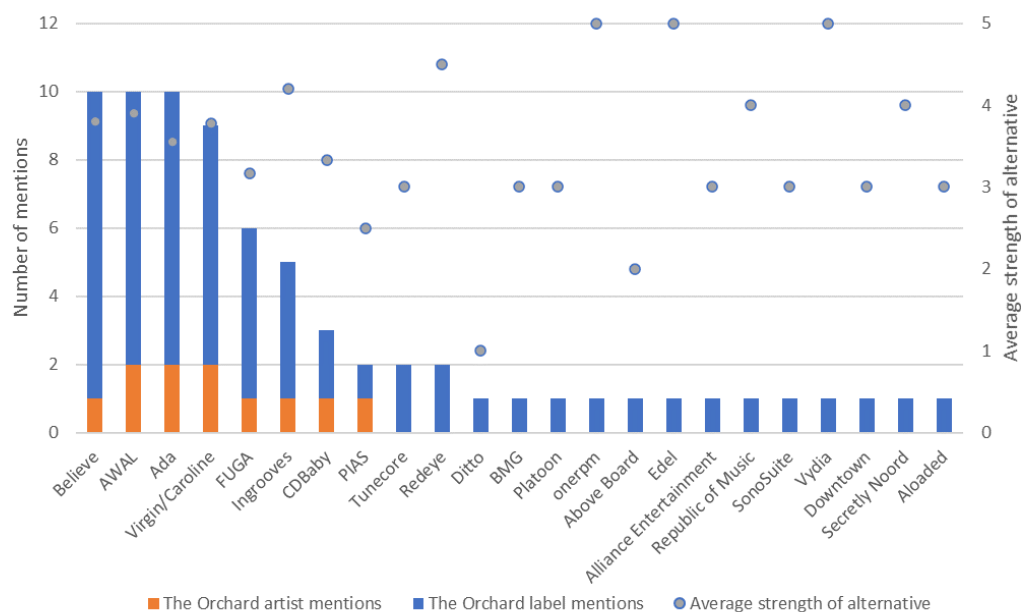
Source CMA analysis.

*Responses to Q6: 'The CMA is seeking to understand the Providers of recorded music services (eg A&L Providers, DIY platforms, major labels) who are the closest alternatives to AWAL from an artist/label's perspective. Therefore, please consider a hypothetical scenario where AWAL (and all its current services) was no longer available, and you had to move to a different Provider for those services. Which other Provider(s) would you be most likely to move to? Please list these Provider(s), provide a score in terms of how good an alternative they are to AWAL, and provide reasons for your scores'. [Score out of 5 (1 = materially inferior alternative to AWAL, 5 = equivalent to AWAL).]

Note: base is combined phase 1 and phase 2 respondents. n=25, artists=16, labels=9.

13. The Orchard was mentioned more than any other Provider by AWAL's customers as a strong alternative to AWAL. Believe, ADA and Virgin were also frequently seen as strong alternatives. A long tail of other Providers were also mentioned.
14. We asked customers of The Orchard who they considered were the closest alternatives to The Orchard. As illustrated in Figure C6, customers of The Orchard responded that there are many alternative Providers.

Figure C6: Alternative Providers for customers of The Orchard*



Source CMA analysis.

*Responses to Q6: The CMA is seeking to understand the Providers of recorded music services (eg A&L Providers, DIY platforms, major labels) who are the closest alternatives to The Orchard from an artist/label's perspective. Therefore, please consider a hypothetical scenario where The Orchard (and all its current services) was no longer available, and you had to move to a different Provider for those services. Which other Provider(s) would you be most likely to move to? Please list these Provider(s), provide a score in terms of how good an alternative they are to The Orchard, and provide reasons for your scores. [Score out of 5 (1 = materially inferior alternative to The Orchard, 5 = equivalent to The Orchard).]

Note: base is combined phase 1 and phase 2 respondents. n=20, artists=5, labels=15.

15. Believe, AWAL, ADA and Virgin were mentioned with similar frequency and most commonly seen as medium to strong alternatives to The Orchard. A long tail of other Providers were also mentioned.

Competitor profiles

16. In this section we set out competitor profiles, including expansion plans, to help us assess:
 - (a) the current and potential constraint that other Providers present on the Parties in the supply of A&L services in Chapter 7; and
 - (b) the current and potential constraint that other Providers present on the Parties in the supply of high-touch services to artists in Chapter 8.
17. We draw upon competitors' internal documents, the Parties' internal documents, the streaming shares of competitors, evidence from customers and evidence from competitors.

Other independent A&L services providers

Believe

Business model

18. Believe operates a multi-tier service structure comparable to that of AWAL.⁵ Believe has four offerings:
- (a) TuneCore which is a standalone DIY platform offering 100% retention of royalties (for a flat fee);
 - (b) label and artist distribution which gives Believe between [X]% of the royalties;
 - (c) artist services which can provide Believe with a margin of [X]% or above;⁶ and
 - (d) several in-house record labels that offer a model for top artists similar to the ones offered by 'traditional players', [X].⁷
19. Believe has a global presence. Believe is present in the UK market and services [X] UK clients on its artist services offering.⁸ However, Believe has a stronger presence in France and Germany compared to the UK.⁹
20. Believe noted that it is more focussed on label distribution than AWAL. Of Believe's artist distribution, label distribution and artist services UK revenue, [X]% is from artist services and distribution. Believe offers a variety of services to artists.¹⁰ With the exception of creative support, Believe offers each of these services to label clients. Under its artists services agreements artists retain full ownership of the copyright to their recorded music and are offered advances.¹¹

⁵ In particular, Believe's internal documents show that it 'upstreams' artists from its lower service tiers to its artist services offering.

⁶ Believe services artists with a comparable revenue profile to AWAL on these contracts, for instance one of Believe's artist services clients earned €[X] million in 2021.

⁷ Given the context of this submission, we consider 'traditional players' to imply the major labels and larger independent labels.

⁸ These clients generated €[X] million in 2020.

⁹ Believe is present in 50 countries and has built local teams of 150-200 in France and Germany that operate across all genres of music and in all market segments. Believe has a team of 50 in the UK that does not operate in all market segments. Believe notes that this is due to market conditions in the UK, in particular the UK's smaller local and independent artists market.

¹⁰ These services include, but are not limited to project funding, marketing, synchronisation, physical and digital distribution, DSP playlist promotion, and creative support.

¹¹ A Believe internal document shows that it has offered advances of up to €[X] for projects.

Competition with AWAL/The Orchard

21. Believe stated that it competes with AWAL across the first three offerings in paragraph 18.¹² Additionally, it stated that The Orchard, Ingrooves, ADA, Virgin, and to a lesser extent PIAS are competitors: it said that Virgin, ADA and The Orchard offer distribution on an 85/15 split with artist services normally on a 70/30 split.
22. Believe's internal documents frequently mention AWAL and The Orchard as competitors. For example:
 - (a) A 2019 UK business review document lists AWAL, BMG, The Orchard, PIAS, Caroline, ADA, and DITTO as UK competitors.¹³
 - (b) A 2020 UK distribution business review document benchmarks AWAL and The Orchard as artist distribution competitors for the pop and urban genres.¹⁴
 - (c) A 2019 UK distribution business review document names AWAL as its 'number one' competitor in artist distribution.
 - (d) A 2020 label distribution strategy document outlines competitors across six different categorisations of label distribution deal structures/client types. AWAL and The Orchard are mentioned as competitors for '[X]' and The Orchard is mentioned as a competitor across another four deal structures/client types.¹⁵

Customer responses

23. [One artist] stated that Believe is 'a much newer enterprise in comparison to AWAL with less global brand awareness'. [Another artist] stated that Believe's DIY platform, TuneCore, does not 'offer the same kind of services' as AWAL.

¹² Believe highlighted further that AWAL did not compete with its in-house labels as it is 'not operating as a traditional record label'. Additionally, it noted that, in terms of music genre, it focusses on hip hop and dance music in the UK compared to AWAL that focuses on world pop

¹³ Across its artist services, artist distribution, and label distribution offerings. This document further outlines its strategy to: '[d]irectly take on AWAL to sign artists without a label' in artist distribution, and to develop its label offering in order to challenge '[The] Orchard and Caroline who are winning multiple deals with large indies'.

¹⁴ Additionally, the following Providers are benchmarked as artist distribution competitors in the urban and pop genres: DITTO, Caroline, ADA, BMG (for pop only), and XL recordings (for pop only).

¹⁵ In particular, The Orchard is listed as the only competitor for two higher margin deal types.

Market share and past growth

24. Believe represented a [0–5%] share of all music streamed in the UK in 2021 up from [0–5%] in 2016. Including TuneCore its streaming share was [0–5%] (see Chapter 6, Table 12).¹⁶
25. Believe's UK artist distribution, label distribution, and artist services revenues are all growing.

Expansion plans

26. Believe submitted that it plans to [X] its UK market share by 2023. Believe is forecasting a [X]% increase in revenues for the period 2020-2022 across its artist distribution, label distribution and artist services segments. Additionally, it stated that its recent IPO has provided capital for further investment in the UK.
27. Believe's internal documents demonstrate that it had both external and internal growth strategies:
 - (a) [X].
 - (b) A 2020 internal document details the launching of a new artist brand that competes with AWAL, DITTO, and Platoon.
 - (c) Another 2020 internal document shows that Believe has [X].
 - (d) A 2020 internal document appraises numerous potential acquisition targets including [X].

EMPIRE

Business Model

28. EMPIRE is a US based independent distributor, record label, and music publisher.¹⁷ EMPIRE operates globally and has an A&R presence in the UK. EMPIRE traditionally has had an urban rap and hip-hop genre focus, which today is increasingly more diverse.
29. Though founded as a distribution company, from 2015 it started offering 'record' deals that provided additional services to artists including touring support, video production, and marketing elements. EMPIRE offers

¹⁶ Other evidence indicates that these shares may be an underestimate. Believe's internal documents show that it had a [0-5%] share of the UK streaming market in 2019 ([0-5%] including TuneCore).

¹⁷ See: [EMPIRE - Music Business Worldwide](#).

distribution deals to artists and labels although with the development of its higher service offering considers itself to be more akin to a label than a DIY platform. Historically, EMPIRE has not taken a copyright interest in the music of its artists.

Competition with AWAL/The Orchard

30. EMPIRE acknowledged that it competed with a number of competitors in the distribution space. It further noted that there was a broad range of competitors in label services.
31. As its offering aims to be closer to a label than a DIY service, EMPIRE considered the majors to be competitors alongside large regional independent labels; it noted that it had lost clients to the majors due to the large advances they are able to pay.
32. EMPIRE noted that (apart from the services arms of the majors' A&L services providers) it did not consider other A&L services providers (including AWAL) to be 'an exceptional competitive threat'.
33. We note that EMPIRE was not frequently mentioned as a competitor in third party internal documents. We have seen one internal document from a third-party A&L services provider that discusses its competition with EMPIRE (alongside other Providers). We infer from this that EMPIRE offers artist services as they are listed as an artist distribution competitor and are noted to have a higher level of service than others listed.

Market share and past growth

34. EMPIRE represented a [0–5%] share of all music streamed in the UK in 2021, which was an increase from its stream share of [0–5%] in 2016 (see Chapter 6, Table 12).
35. EMPIRE's UK revenues grew [X]% in the period from 2018 to 2019.

Expansion plans

36. EMPIRE stated that:
 - (a) Its lower service distribution offering is [X]. It is expanding its range of services to artists.
 - (b) It is planning to expand its presence in other music genres, such as Country, Afrobeats, and world music.

- (c) Its international investment is focussing on markets such as the Middle East and Africa, rather than the UK.

PIAS

Business model

37. PIAS operates globally and signs UK artists. It operates two businesses:
- (a) PIAS Label Group (PLG) – a record label that signs artists on exclusive, long-term contracts that typically commit the artist to several projects/albums and give PLG widespread rights to the recorded music for a period of [X] years.
 - (b) Integral Distribution and Label Services (Integral) – a label services Provider.¹⁸ Integral does not hold the copyright to the recorded music of its labels and offers short-term contracts lasting [X] years ([X]).
38. Integral does not have an explicit artist services offering although PIAS submitted that Integral:
- (a) generated approximately £[X] million in artist services revenue in 2020;
 - (b) offers services to standalone artists or their managers that have their own label; and
 - (c) offers services to small independents that want a base level of service and can then add on additional services as needed.

Competition with AWAL/The Orchard

39. PIAS listed The Orchard and AWAL among the top five competitors to whom it would lose artists and labels if it charged materially higher fees or reduced its service quality.¹⁹
40. It said that it competes with AWAL, Believe, Absolute, BMG, the majors and other independent labels for artists.

¹⁸ It offers label distribution and other services including project funding, marketing, synchronisation, physical and digital distribution, radio promotion, DSP playlist promotion and creative support.

¹⁹ Question 4 and 5: 'Please list the top five competitors that you would lose artist [label] clients to if you charged materially higher fees for your recorded music services (eg by retaining a materially higher share of the artists' [labels'] revenues) or likewise reduced the quality of your services to artists [labels]. Please provide your best estimate of the amount of artist [label] clients you would lose to each competitor (many, some, or few) and explain the reasons for your choice'.

41. PIAS explained that it supplies a more evolved offering to a narrower repertoire of acts. Relatedly, PIAS noted that:
- (a) AWAL's offering targets a larger volume of artists and that an artist that 'graduated through AWAL' could join one of the majors or PIAS.
 - (b) It distributes a smaller volume of music than The Orchard as it has a greater focus on artists that are at a more advanced stage of their careers.

Customer responses

42. One label customer stated that PIAS is '[redacted]' currently for longer term deals' but it used The Orchard because, 'at the time we needed a more flexible partner for one off distribution deals'.

Market share and past growth

43. PIAS represented a [0–5%] share of all music streamed in the UK in 2021, which was a decline from its stream share of [0–5%] in 2016 (see Chapter 6, Table 12).²⁰ This share includes PLG which accounted for [0–5%] of music streamed in the UK in 2021.

Expansion plans

44. PIAS stated that its growth in market share is based on continued development of its services and continued expansion into an ever-increasing diversity of rights and genre area:
- (a) One PIAS internal presentation shows that it is seeking to grow [redacted].
 - (b) Another document notes that: 'Through its scale and international footprint, [PIAS] enjoys a stable financial profile in line with overall market growth'.

FUGA

Business model

45. FUGA is a global business-to-business label services provider [redacted]. [redacted].²¹

²⁰ In part, this decline, while substantial, is limited in importance as it is due to the loss of one sizable distribution client.

²¹ [redacted]

46. [REDACTED]:

(a) [REDACTED]; and

(b) [REDACTED].

Competition with AWAL/The Orchard

47. [REDACTED]

48. [REDACTED]²²

Market share and past growth

49. FUGA represented a [0–5%] share of all music streamed in the UK in 2021, a decrease from [0–5%] in 2016 (see Chapter 6, Table 12). We note that this decline is not corroborated by other sources of market share information, [REDACTED]. In view of this we have placed no weight on its declining share, as is indicated by the OCC data.²³

50. [REDACTED]

Expansion plans

51. [REDACTED]

Majors' A&L arms

ADA

Business model

52. ADA is owned by Warner. It is an A&L services provider offering services to artists and labels.²⁴ ADA offers advances to its clients and marketing to its artist clients. The majority of ADA's artist and labels services revenues were from label services, but [REDACTED]% were from artist services in its 2021 financial year.²⁵

²² [REDACTED]

²³ Specifically this decline is not observed in a DSP's stream shares [REDACTED] (Appendix F, paragraph 14).

²⁴ ADA's offering to artists and labels includes but is not limited to project funding, synchronisation, physical and digital distribution, radio promotion, DSP playlist promotion, and creative support.

²⁵ For the financial year October to September. This includes UK and US signed repertoire in the UK. With respect to its UK signed repertoire [REDACTED]% of its revenues were from artist services clients.

53. Under its agreements, artists retain full ownership of the copyright to their recorded music. These are short-term agreements (typically two to three years) with a revenue-based fee of [X]% for distribution (and an additional [X]% for basic marketing and other additional services).

Competition with AWAL/The Orchard

54. ADA listed The Orchard and AWAL amongst its top five competitors to whom ADA would lose artists in the event that it charged materially higher fees or reduced its service quality, further noting [X]. With respect to label clients ADA listed The Orchard, but not AWAL amongst its top four label competitors.²⁶
55. ADA submitted that its competition with AWAL is limited as ADA focuses on a higher tier of artist.

Market share and past growth

56. ADA represented a [0–5%] share of all music streamed in the UK in 2021, which was an increase from [0–5%] in 2016. ADA distributes for BMG which accounted for [0–5%] of all music streamed in the UK in 2021 (see Chapter 6, Table 12).
57. Between 2019 and 2021, ADA's global revenues [X]. Over the same period its UK signed artist services revenue in the UK increased from £[X] million to £[X] million.

Expansion plans

58. [X]²⁷

²⁶ Question 4 and 5: 'Please list the top five competitors that you would lose artist [label] clients to if you charged materially higher fees for your recorded music services (eg by retaining a materially higher share of the artists' [labels'] revenues) or likewise reduced the quality of your services to artists [labels]. Please provide your best estimate of the amount of artist [label] clients you would lose to each competitor (many, some, or few) and explain the reasons for your choice'.

²⁷ [X]

Virgin Music Label and Artist services

Business model

59. Virgin is owned by UMG. It is an A&L services provider offering services to both artists and labels.²⁸ Virgin's revenues [REDACTED] between artist and label services.²⁹
60. Under most of its agreements, artists [REDACTED] of the copyright to their recorded music. These agreements typically last for [REDACTED] years and do not necessarily grant Virgin [REDACTED].³⁰
61. Virgin is active globally and has a direct presence in the UK. Virgin's internal documents show it is active across all genres, caters to several artists that earn [REDACTED] per year³¹ and has an explicit strategy to [REDACTED].

Competition with AWAL/The Orchard

62. A 2021 Virgin UK internal document entitled 'mapping our competitors, scoping our positioning' shows that [REDACTED]:
- (a) [REDACTED]
- (b) It notes that 'The Orchard, ADA, and AWAL are the key market players in the UK' based on their UK 2020 Singles Market Share.
- (c) [REDACTED]
- (d) [REDACTED]³²

Customer responses

63. [One artist] stated that, compared to AWAL, Virgin is 'tied to a major label group, thus less attractive from a position of 'independence'. [One label customer] stated that 'Virgin has great data analytics, and support staff, along with offices all over the world. Great company, comparable to Orchard'.

²⁸ Virgin's services include but are not limited to digital and physical distribution, marketing and promotion, content creation, playlist promotion, radio promotion, synchronisation and brand partnerships.

²⁹ Of Virgin's artist and labels services revenues, [REDACTED]% were from artist services in 2020.

³⁰ In particular, a Virgin internal document notes that its deals do not always include [REDACTED].

³¹ Figures relate to 2018 and include all artists globally.

³² [REDACTED]

Market share and past growth

64. Streaming shares as outlined in Chapter 6, Table 12 are not available for Virgin. Virgin's internal documents show that its Spotify stream share was [REDACTED]% in 2020.³³
65. Virgin's [REDACTED].

Expansion plans

66. A representative from Virgin told us that Virgin is [REDACTED]. Additionally, Virgin stated its intention to expand its label services business.³⁴
67. Virgin's internal documents show that it intends to continue its growth and that it had [REDACTED] growth strategies. For example:
- (a) A 2021 UK strategy document shows that Virgin is forecasting UK revenue growth of [REDACTED]% in 2022.
 - (b) A 2021 internal document shows that Virgin is forecasting global revenue growth.³⁵
 - (c) [REDACTED]
 - (d) Another document notes Virgin's intention to grow its artist and label segments, further noting that it is bringing its focus onto the '[REDACTED]' to artists who will '[REDACTED]'.

Ingrooves

Business model

68. Ingrooves is owned by UMG. It is an A&L services provider with both artist and label clients. Ingrooves is focused on distribution and offers a [REDACTED] relative to Virgin. Ingrooves does not have an explicit [REDACTED] offering.
69. Ingrooves offers a wide range of services to labels but does not offer [REDACTED].³⁶

³³ Figures relate to the period January-July only.

³⁴ [REDACTED]

³⁵ Namely, it is forecasting growth to €[REDACTED] million in 2022 from €[REDACTED] million in 2020.

³⁶ [REDACTED]

Competition with AWAL/The Orchard

70. Ingrooves' internal documents show that it [REDACTED].³⁷
71. We infer from another (undated) internal document [REDACTED]. This document lists the current provider of Ingrooves' pipeline and target customers. [REDACTED].³⁸

Market share and past growth

72. Ingrooves represented a [0–5%] share of all music streamed in the UK in 2021, largely unchanged from [0–5%] in 2016 (see Chapter 6, Table 12).

Expansion plans

73. [REDACTED]. Ingrooves' internal documents show that it is projecting global digital revenue growth.³⁹
74. In the UK, UMG said that [REDACTED]. Ingrooves' internal documents provide some evidence of its intention to expand and develop [REDACTED].

Independent labels

BMG

Business model

75. BMG is a record label group that offers 'traditional royalty-based' deals and deals with an 'a new-style artist services structure'.⁴⁰ BMG offers artists a full range of services and in most cases funds the production of an artist's recorded music.⁴¹ BMG is active globally and has a direct UK presence.
76. BMG submitted that its 2020 UK revenues from artist services were £[REDACTED] million. According to a third-party competitor, BMG offers services deals as its 'main model' (as opposed to 'traditional' record deals).

³⁷ For example: an Ingrooves internal document, benchmarks the [REDACTED]; a 2021 UK business strategy document acknowledges that Ingrooves has [REDACTED]; and a 2021 UK business strategy review document mentions [REDACTED].

³⁸ In particular, [REDACTED].

³⁹ Namely, it is forecasting growth to €[REDACTED] million in 2022 from €[REDACTED] million in 2020.

⁴⁰ See: [Recordings \(bmg.com\)](https://www.bmg.com/Recordings).

⁴¹ BMG's services include (but are not limited to) project funding, digital and physical distribution, creative support, marketing, synchronisation and licencing, DSP playlist promotion, and radio promotion.

Competition with AWAL/The Orchard

77. BMG stated that it competes with AWAL in a limited number of circumstances (where an artist is not interested in BMG's additional in-house services).
78. BMG listed the majors, PIAS, and Beggars amongst its top five competitors to whom it would lose artists in the event that it charged materially higher fees or reduced its service quality.⁴²

Market share and past growth

79. BMG represented a [0–5%] share of all music streamed in the UK in 2021, an increase from [0–5%] in 2016.⁴³

Beggars

Business model

80. Beggars is a record label group with offices and employees in 'every significant record market in the world'. Beggars competes across a range of contracts as many artists no longer want to sign away copyright and prefer 'the alternative model' ie shorter-term deals where the artist retains their copyright and is not contractually committed to future albums/projects. Notwithstanding that Beggars is agreeing to different types of deals, it always attempts to gain the maximum rights period it possibly can as it has 'significant overheads' that need to be covered. It also said that long-term deals enable it to provide risk finance to artists, as recouping over a longer period enables Beggars to cover losses on new releases.

Competition with AWAL/The Orchard

81. Beggars stated that it competes with AWAL for artists and gave an example of competing unsuccessfully with AWAL to sign a high-profile artist.

⁴² Question 4 and 5: 'Please list the top five competitors that you would lose artist [label] clients to if you charged materially higher fees for your recorded music services (eg by retaining a materially higher share of the artists' [labels'] revenues) or likewise reduced the quality of your services to artists [labels]. Please provide your best estimate of the amount of artist [label] clients you would lose to each competitor (many, some, or few) and explain the reasons for your choice'.

⁴³ Note: BMG distributes to DSPs via ADA. As a result, ADA's share includes streams from BMG.

Market share and past growth

82. Beggars represented a [0–5%] share of all music streamed in the UK in 2021, which was a decline from its stream share of [0–5%] in 2016 (see Chapter 6, Table 12).

Distributors and DIY platforms

DITTO

83. DITTO is a UK headquartered company offering low cost, flat-fee DIY distribution to artists and labels. Its lowest tier offering is distribution to most (if not all) DSPs. DITTO offers (for an additional flat fee) services such as publishing and basic promotion services.⁴⁴ We infer from third party evidence that DITTO also has an explicit ‘artist services’ offering.⁴⁵
84. A third party A&L services provider’s internal document indicates that DITTO (alongside United Masters and Amuse) competes with its artist distribution in the UK and that has a particular strength in the urban music genre. With respect to this, the Provider told the CMA that DITTO (and Amuse) is for artists at a much earlier stage in their career than fully established artist services providers (and therefore it does not offer full record label services).⁴⁶ This Provider considered DITTO to compete with AWAL’s lower-tier artist distribution services and further commented that the flagship artists of DITTO have moved to the major labels.
85. Another A&L services provider’s internal documents lists DITTO (alongside TuneCore, CDBaby, Distrokid, and Amuse) as competitors but categorises these as technology platforms compared to others, including AWAL and The Orchard, which are viewed as closer to ‘creative partner[s]’.
86. DITTO represented a [0–5%] share of all music streamed in the UK in 2021, which was an increase from its stream share of [0–5%] in 2016 (see Chapter 6, Table 12).

⁴⁴ DITTO offers digital distribution to artists from £19 and offers a 40 artist label distribution for £299 (a price which varies by label size) (see: [Pricing | Ditto Music](#)).

⁴⁵ Namely, a third-party A&L service Providers internal documents benchmarks itself against DITTO and notes that it has an artist services offering.

⁴⁶ Such as marketing, international digital marketing, and A&R services.

United Masters

87. United Masters has a multi-tiered offering consisting of three ‘tiers’.⁴⁷ Its lowest tier offering is distribution to most (if not all) DSPs.⁴⁸ It submitted that [X]. Additionally, it submitted that it does not have a targeted UK focus for expansion and that it intends to start expanding internationally over the next year or two.
88. We infer from the third party evidence outlined in paragraph 84 that United Masters has a more limited artist services offering than established A&L providers.
89. United Masters listed AWAL amongst the top five competitors to whom it would lose artists if it charged materially higher fees or reduced its service quality. It further submitted that it would lose ‘few’ artists to AWAL, adding that it competes with AWAL on its higher-tier offerings.⁴⁹ Additionally, United Masters listed The Orchard amongst the top five competitors to whom it would lose label clients. United Masters noted that it would lose ‘many’ artists and labels to Distrokid, a flat-fee DIY platform.⁵⁰
90. While it plans to start expanding internationally United Masters [X].
91. United Masters represented a [0–5%] share of all music streamed in the UK in 2021 (see Chapter 6, Table 12).

Amuse

92. Amuse offers low-cost, flat-fee DIY distribution to both artists and labels and offers a free distribution service. Its lowest tier offering is distribution to most (if not all) DSPs.⁵¹
93. Amuse has an explicit ‘artist services’ offering.⁵² As noted in paragraph 84, third party evidence indicates that Amuse has a more limited artist services offering than established A&L services providers. Another A&L services

⁴⁷ This comprises for both artists and labels: Exclusively Signed, Priority Distribution, and DIY Distribution.

⁴⁸ Its full range of services include but are not limited to: project funding, digital (but not physical), distribution, creative support, marketing, synchronisation and licencing and DSP playlist promotion.

⁴⁹ United Masters further submitted that its competition with AWAL is limited as it has a hip hop and R&B genre focus.

⁵⁰ Question 4 and 5: ‘Please list the top five competitors that you would lose artist [label] clients to if you charged materially higher fees for your recorded music services (eg by retaining a materially higher share of the artists’ [labels]’ revenues) or likewise reduced the quality of your services to artists [labels]. Please provide your best estimate of the amount of artist [label] clients you would lose to each competitor (many, some, or few) and explain the reasons for your choice’.

⁵¹ See: [Pricing - Amuse](#).

⁵² See: [Amuse Music Record Label](#).

provider told us that that while they come up less frequently, Providers such as Amuse do compete on some deals.

94. Amuse represented a [0–5%] share of all music streamed in the UK in 2021, which was an increase from its stream share of [0–5%] in 2016 (see Chapter 6, Table 12).

ONErpm

95. ONErpm has a multi-tiered offering.⁵³ Its core offering is distribution to most (if not all) DSPs. It offers a wide range of services to its higher-tier artists including marketing budgets.⁵⁴
96. ONErpm represented a [0–5%] share of all music streamed in the UK in 2021, which was an increase from its stream share of [0–5%] in 2016 (see Chapter 6, Table 12).

⁵³ This consists of: 'DIY' for a 15% royalty fee, 'Taking off', and 'Next Level'.

⁵⁴ OneRPM's offering includes (but is not limited to): playlist promotion, project management, access to studio facilities (and production support), advertising support, and marketing budgets and tour support. See: [How It Works - ONErpm](#).

Appendix D: Sony's internal documents

During the course of this investigation, we have reviewed a large number of the Sony and The Orchard's internal documents. Where relevant, those documents are referred to in the main text of the final report. This appendix provides further detail on the source and date of the documents referred to, as well as (as applicable) the available context and screenshots of the most relevant slides or extracts.

Sony's internal documents

1. FY21 Review/FY22 Strategy, within the past two years

Key slides



Source: Sony.

2. MRP Strategy Deck, September 2019

Key slides



Source: Sony.

3. Competitive Slide Versions, February 2019

Key slides

Major Competitor Update			
Name	Est. Pricing	Services Provided	Update
Traditional Label Distribution and Services	believe	15% margin	Label Distribution Artist Services DIY
	ADA	15% margin	Label Distribution Artist Services
	PIAS	15% margin	Label Distribution Artist Services Recorded Music
	Caroline	12% margin	Label Distribution
	Ingrooves	12% margin	Label Distribution
	One RPM	15% margin	Label Distribution DIY
Artist Services	United Masters	N/A	Artist Services
	Empire	15% margin	Artist Services
	Kobalt / AWAL	10% margin	Publishing Admin Artist Services
Other	DIYs	Flat Rate	DIYs
	Merlin	Members: 1.5% Other: 4.0%	DSP contracts
	FUGA	Flat Rate / Line	Supply Chain
	STEM	N/A	Royalty Payment

The Orchard

Competitive Dynamics

Most of the competition is on rates, risky deal structures, or strong local presence.

Artists who desire more control and an a la carte approach to marketing and promo services.

[<]

Source: Sony.

4. FY19 Review & Platform Achievements, January 2019

Key slides

Competitive Landscape			
Primary			
Name	Ownership / Funding	Deal Status	Update
ADA	Warner		
Believe	TCV, Xange		
Potential			
Kobalt	Google Venture, MSD (Dell), Section 32. Raised \$89M in 2017 at \$789M Valuation		
Others			
PIAS	Kenny Gates, TBD		
Ingrooves	Shamrock, Universal		
Caroline	UMG		
One RPM (Latam)	Founder (Emmanuel Zinz)		
STEM	Evolution Media, Ufront Ventures, Series A. \$12.5M. 40 employees		
United Masters	Alphabet, Andersen Horowitz, Floodgate, 20th Century. \$70M raised		

Source: Sony.

5. The Orchard FY2020 Review FY2021 Strategy, within the past two years

Key slides

Item 1

ARTIST SERVICES		
	STATUS	COMPETITIVE DIFFERENTIATION
AWAL	Increased label signing focus Aggressive margins	Lack of major label collaboration
DI+++O	Significant International expansion DIY with AS upsell	Lack of major label collaboration Limited Services
EMPIRE	Upstream relationship with UMG	Lack of International Presence
onerpm	Reduced value due to Orchard poaching key clients	Lack of Global Presence No major label collaboration

Item 2

LABEL DISTRIBUTORS		
	STATUS	COMPETITIVE DIFFERENTIATION
caroline 	Increasing examples of integration with UMG for services	Lack of International presence For Caroline, lack of Tech Platform Limited Services
	Client attrition due to multiple issues (BMG is enterprise client)	Limited International Presence Lack of Tech platform Limited Services
believe.	Acquisitions in France, Germany & India Investment in staff in APAC / Africa	Lack of US presence Lack of major label collaboration

























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Item 3

ARTIST SERVICES & DIY COMPETITION											
FEATURE	ARTIST SERVICES					DIY					THE ORCHARD
	AMUSE	AWAL	DITTO	EMPIRE	UNITED MASTERS	CDBABY	DISTROKID	ONERPM	STEM	TUNECORE	
Integrated Services	●	●	●	●	●	●	●	●	●	●	●
Technology Platform	●	●	●	●	●	●	●	●	●	●	●
Global Presence	●	●	●	●	●	●	●	●	●	●	●
Music Major Label Collaboration	○	○	○	●	○	○	○	○	○	○	●
Music ASR & Artist Services	○	●	●	●	●	○	○	●	○	○	●

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Item 4

DISTRIBUTORS COMPETITION					
FEATURE	BELIEVE	INGROOVES	ADA	CAROLINE	THE ORCHARD
Integrated Services					
Technology Platform					
Global Presence					
Music Major Label Collaboration					
Music A&R & Artist Services					

Source: Sony.

Item 5

[3<]

6. The Orchard Strategy Update, September 2020

Key slides

Item 1



Source: Sony.

Item 2



7. UK/Ireland F21 BP Support Doc, January 2020

Key slides

MAJOR COMPETITORS: UK & IRELAND

Competitor	Major Markets	Value Proposition	Notes
Believe	France, Germany, UK, EEU	<ul style="list-style-type: none"> Competitive dashboard & tech Low margin and account carve outs for large clients Multiple representatives in most markets to communicate in local language Entered the market first w/ strong local presence 	<ul style="list-style-type: none"> Merged with TuneCore and purchased Naive Sizeable VC investment Global consultant network of artist managers/industry players Signed Kobalt's biggest label, Marathon Artists
Caroline	US, UK	<ul style="list-style-type: none"> Promotion – Radio, TV, Online and Print A&R Advice Flexible deal structures D2C store build and fulfillment Brand Partnerships 	<ul style="list-style-type: none"> Signed Because Music to a VWW physical distribution deal earlier this year Fiction Records have been fully folded into Caroline Had a recent number 1 single in the UK with Dave, see slide 3 Caroline put a deal together with VFILLES to release music from artists who are active within the VFILLES community.
ADA	US, UK, France, Germany, AU	<ul style="list-style-type: none"> Warner sales teams actively working ADA releases Radio and PR services In house licensing function 	<ul style="list-style-type: none"> Recently had a number 6 charting album with Bugzy Malone Recently signed High Times Records
Kobalt/AWAL	UK	<ul style="list-style-type: none"> Competitive dashboard & tech AWAL App allows access to financials, streaming, playlists, videos, and audience data Low margin and account carve outs for large clients 3 tier offering, top tier offering A&R and creative services Funding, Press & Radio and Product Management part of the top tier service 	<ul style="list-style-type: none"> Kobalt seem to be struggling to keep their top artists. Matt Riely has been promoted to VP A&R Sizeable VC investment into Kobalt from Google amongst others Latest artist signings include The Night Café, Little Simz and Kevin Garrett Deadmau5's label mau5trap renewed earlier this year extending their agreement with AWAL

Source: Sony.

8. UK – Territory Review, February 2021

Key slides

UK - COMPETITOR UPDATE			
Competitor	Major Markets	Value Proposition	Notes
Believe	France, Germany, UK, EEU	<ul style="list-style-type: none"> Competitive dashboard & tech Low margin and account carve outs for large clients Multiple representatives in most markets to communicate in local language Entered the market first w/ strong local presence Sometimes including non recoupable marketing advance and a guaranteed number of playlist placements. 	<ul style="list-style-type: none"> Looking to IPO Global consultant network of artist managers/industry players Signed one of Kobalt's biggest labels, Marathon Artists They also have several labels like Naive, AllPoints and an Artist Services department
Caroline	US, UK	<ul style="list-style-type: none"> Promotion – Radio, TV, Online and Print A&R Advice Flexible deal structures D2C store build and fulfillment Brand Partnerships Upstreaming possibilities into Capitol 	<ul style="list-style-type: none"> Marketing setup more inline with a major frontline label Still setup separately from Ingrooves within Universal Eclectic roster from D-Block Europe, Aitch to more physical heavily artists like Van Morrison and Underworld. Partnership with MixTape Madness
ADA	US, UK, France, Germany, AU	<ul style="list-style-type: none"> Warner sales teams actively working ADA releases Radio and PR services In house licensing function 	<ul style="list-style-type: none"> Aggressively expanding into new markets with hires and offices Hire Trenton Lewis, SVP Artist and Label Development
PIAS	UK, Benelux, FR	<ul style="list-style-type: none"> Artist and Label Services set up Internal label setup which is fully independent Strong Physical setup 	<ul style="list-style-type: none"> Mainly physical distribution deals, hence strong release schedule from big Indies Really entrenched with big UK independent based label Strong in Classical with Harmonia Mundi Tom Hoare has recently been hired as the new Head of Digital

Source: Sony.

9. Pre MRP-Budget Meeting, February 2020

Key slides



Source: Sony

10. The Orchard – Label Distribution and Artist Services, April 2018

Key slides

Competition & Disruption

Category	Description
Global Distributors	Greater investment in technology and services from key competitors: ADA, Believe, Caroline, Ingrooves
Local Distributors	Reduced influence, due to tech and consolidation - exceptions: One RPM, Empire
Merlin + Bespoke Services	Indie trade body Merlin offers contractual relationship with services for 1.5% Labels use third parties for business/operational needs
DIY / Artist Services	Flat Fee DIY models attracting larger artists who don't want services Artist Services growth regionally with Empire (US), Musicast (FR), AWAL/Kobalt (UK/US)
AWAL / Kobalt Pub + Master	\$150M investment announced on masters side Combined rights offering could be significant competition to Artist Services
Partner Disintermediation	Spotify encouraging direct label and artists deals, Apple and Google/YT now more resistant, but have direct portals to manage business
Label Consolidation	Aggressive acquisition of catalogs by Concord/BMG Rights/Majors at high multiples

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Source: Sony.

11. The Orchard – Label Distribution and Artist Services, March 2018

Key slides

Item 1

Disruption: Competition



Category	Description
Label Consolidation	<ul style="list-style-type: none"> Aggressive acquisition of catalogs by Concord/BMG Rights/Majors at high multiples BMG acquired Broken Bow; Concord acquired Musart, Veejay
Merlin + Bespoke Services	<ul style="list-style-type: none"> Merlin offers contractual relationship with services for 1.5% Labels use third parties for business/operational needs: <ul style="list-style-type: none"> Supply Chain: FUGA, CI Analytics: Soundcharts (FR), Revelator (IS)
Global Distributors	<ul style="list-style-type: none"> Greater investment in technology and services from key competitors <ul style="list-style-type: none"> ADA making technology investments, partnership with OpenPlay Believe aggressive pan-Europe (though lesser in Latam/Asia) Caroline partnership with Because Ingrooves purchases Artist Royalties consulting firm
Local Distributors	<ul style="list-style-type: none"> Reducing influence, as need to technology investments grow exceptions are One RPM and Empire <ul style="list-style-type: none"> One RPM – over 60 people across Brazil, Mexico, Colombia Empire – significant Urban marketshare growth in US

[3<]

Item 2

Disruption: Competition



Category	
DIY / Artist Services	<ul style="list-style-type: none"> Flat Fee DIY models attracting larger artists who don't want services Artist Services growth on a regional basis with Empire (US), Musicast (FR) and AWAL (UK)
Partners Disintermediation	<ul style="list-style-type: none"> Spotify open to (and encouraging) labels for direct contractual relationship, we expect this to continue Apple and Google/YT have recently been more resistant to direct label deals
Kobalt	<ul style="list-style-type: none"> \$150M investment announced on masters side, potential significant competition on both Label and Artist Services, building on AWAL's success in the UK Long Term, providing a Masters+Pub offering could make the offering compelling for Artist Services deals

[3<]

Source: Sony.

12. Integrated Services Strategy, November 2017

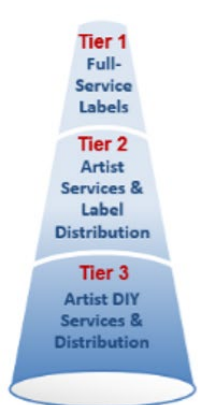
Key slides

Item 1

Competitive Landscape

The master rights market is starting to segment artists and labels by offering solutions tailored to the balance of service and ownership or control they desire

The Orchard



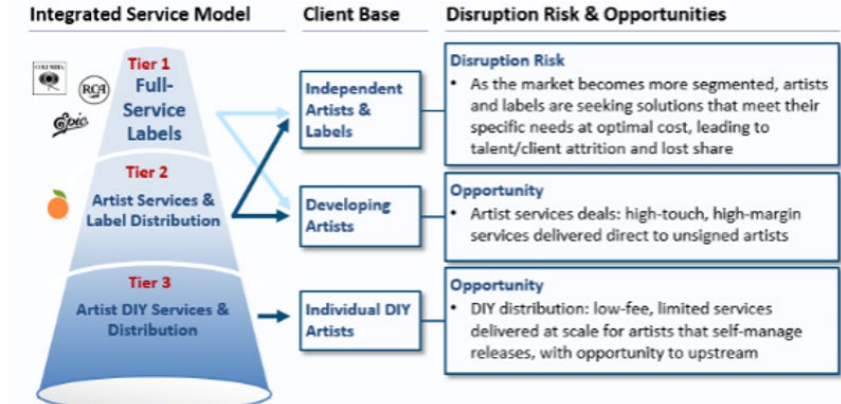
	Competitor Pressures	Examples
Label Consolidation	<ul style="list-style-type: none">The Orchard's Label clients are being acquired by Majors/Concord/BMG	<ul style="list-style-type: none">Concord bought Musart and VeejayBMG acquired Broken Bow and part of Victory
Global / Local Distributors	<ul style="list-style-type: none">Competitors offering risky deal structures at low rates (large M/Gs, carve-outs)Local competitors have strong in-market presence and expertise	<ul style="list-style-type: none">Global: Believe, ADA (Warner), PIAS (Europe)Local: Atlatonte (Latam), Hungama (India), One-RPM (Brazil, Columbia), Empire (US Urban), etc.Potential: Kobalt
Merlin + Bespoke Service	<ul style="list-style-type: none">Labels are piecing together optimized solutions by combining low-cost specialist servicesDSP deals, supply chain, asset management, data analytics, etc., can be sourced separately	<ul style="list-style-type: none">Mom+Pop left to use Merlin + Fuga + RevelatorSom Livre evaluated this option
Direct-to-Artist DIY Platforms	<ul style="list-style-type: none">Low-cost DIY platforms are attracting small labels and enabling independent artists to forego label deals entirelyDIY platforms are also leveraging data and scale to extract further value from artist bases	<ul style="list-style-type: none">Tunecore, CD Baby, Ditto, DistroKid attract major acts e.g. Frank Ocean, Chance The RapperEmpire identified and heavily promoted budding DIY artist XXXTentacion, securing a share of revenues when artist signs with a major

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Item 2

Sources of Disruption & Opportunity

The established label & distributor model is facing disruption due to market shifts and competitor pressures that impact all players in the top tiers:



Integrated Service Model	Client Base	Disruption Risk & Opportunities
Tier 1 Full-Service Labels	Independent Artists & Labels	Disruption Risk <ul style="list-style-type: none">As the market becomes more segmented, artists and labels are seeking solutions that meet their specific needs at optimal cost, leading to talent/client attrition and lost share
Tier 2 Artist Services & Label Distribution	Developing Artists	Opportunity <ul style="list-style-type: none">Artist services deals: high-touch, high-margin services delivered direct to unsigned artists
Tier 3 Artist DIY Services & Distribution	Individual DIY Artists	Opportunity <ul style="list-style-type: none">DIY distribution: low-fee, limited services delivered at scale for artists that self-manage releases, with opportunity to upstream

[3<]

Source: Sony.

13. The Orchard FY19 Review & Platform Achievements, March 2019

Key slides

ARTIST & LABEL SERVICES COMPETITION										
Feature	AWAL	ABSOLUTE	ADA	EMPIRE	UNITED MASTERS	BELIEVE	CAROLINE	DITTO	PIAS	PLATOON
Global Marketing / Campaign Mgmt	✓	✓	✓	✗	✗	✓	✓	✓	✓	✓
Digital Marketing	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓
In-House Digital Advertising	✗	✓	✗	✗	✗	✗	✓	✗	✓	✗
In-House Promo Mgmt	✓	✗	✓	✗	✗	✗	✓	✓	✓	✗
In-House PR Mgmt	✗	✗	✓	✗	✗	✗	✓	✗	✓	✗
In-House Design	✗	✗	✗	✓	✗	✗	✗	✗	✗	✗
In-House Sync	✓	✗	✓	✗	✗	✓	✓	✗	✓	✗
Brand & Partnerships	✗	✗	✓	✓	✓	✗	✓	✗	✓	✗
Video & Creative Commissioning	✓	✗	✓	✓	✗	✗	✓	✗	✓	✓
Creative & Recording Studio	✗	✗	✓	✗	✗	✗	✗	✗	✗	✓

Source: Sony.

14. March Meetings Presentation Notes, March 2019

Key slides

Slide 13 - Competitive Landscape

- We wanted to present an overview of where we sit from a services point of view verses our competitors
- It's clear from this that our closest competitors at Co-op, ADA and Caroline
- Interesting to note that AWAL offer a fraction of the services we offer. A story we need to tell better
- A key point of difference for us is on the creative services, namely in-house design and in-house studio facilities.

Source: Sony.

15. **AWAL competitive analysis, May 2020**

Key slides

Item 1

[3<]

Item 2

[3<]

Source: Sony.

16. **Sony Music Executive Strategy Meeting notes, March 2019**

Key slides

Item 1

[3<]

Item 2

[3<]

Source: Sony.

17. **Mid-range Strategy Preview, October 2019**

Key slides

Item 1

[3<]

Item 2

[3<]

Item 3

[3<]

Item 4

[3<]

Source: Sony.

18. MRP Meeting, November 2018

Key slides

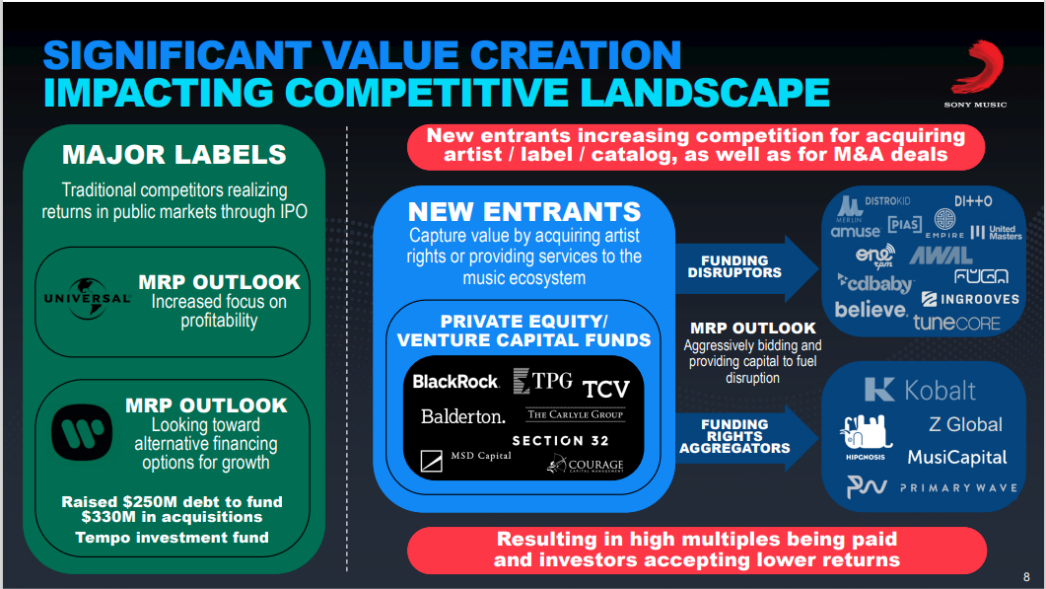


Source: Sony.

19. MRP, November 2020

Key slides

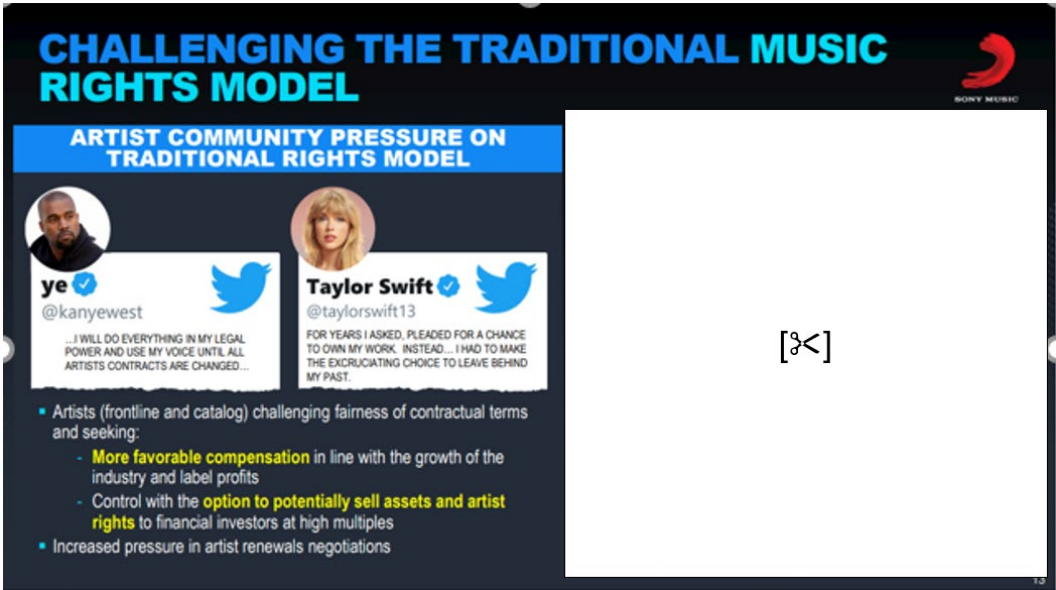
Item 1



Item 2

[3<]

Item 3



Source: Sony.

20. **Artist Business Plan, September 2018**

Key slides

Item 1

[3<]

Item 2

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Source: Sony.

21. **Town Hall Meeting, November 2018**

Key slides

[3<]

Source: Sony.

22. **FYE20 Budget Meeting, March 2019**

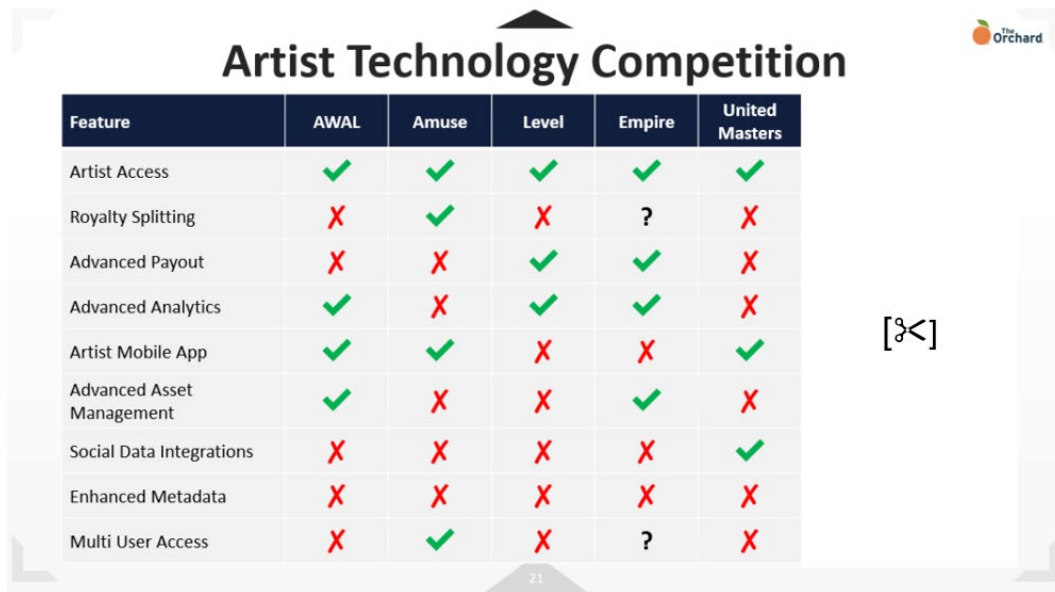
Key slides

[3<]

Source: Sony.

23. FY19 Review & Platform Achievements, January 2019

Key slides



The slide is titled "Artist Technology Competition" and features a table comparing various features across five platforms: AWAL, Amuse, Level, Empire, and United Masters. The table is set against a dark blue background with a white header. To the right of the table, there is a small icon of an orange with the text "The Orchard" and a bracketed symbol "[3<]".

Feature	AWAL	Amuse	Level	Empire	United Masters
Artist Access	✓	✓	✓	✓	✓
Royalty Splitting	✗	✓	✗	?	✗
Advanced Payout	✗	✗	✓	✓	✗
Advanced Analytics	✓	✗	✓	✓	✗
Artist Mobile App	✓	✓	✗	✗	✓
Advanced Asset Management	✓	✗	✗	✓	✗
Social Data Integrations	✗	✗	✗	✗	✓
Enhanced Metadata	✗	✗	✗	✗	✗
Multi User Access	✗	✓	✗	?	✗

Source: Sony.

24. FY19 Review & FY20 Strategy, within the past two years

Key slides



The slide is titled "ARTIST SERVICES COMPETITION" and features a table comparing various features across seven platforms: AWAL, AMUSE, LEVEL, EMPIRE, UNITED MASTERS, and STEM. The table is set against a dark blue background with a white header. To the right of the table, there is a small icon of an orange with the text "The Orchard" and a bracketed symbol "[3<]".

Feature	AWAL	AMUSE	LEVEL	EMPIRE	UNITED MASTERS	STEM
Artist Access	✓	✓	✓	✓	✓	✓
Royalty Splitting	✗	✓	✗	?	✗	✓
Advanced Analytics	✓	✗	✓	✓	✗	✗
Artist Mobile App	✓	✓	✗	✗	✓	✗
Creative Asset Management	✓	✗	✗	✓	✗	✗
Social Data Integrations	✗	✗	✗	✗	✓	✗
Enhanced Metadata	✗	✗	✗	✗	✗	✗
Collaborator Access	✗	✓	✗	?	✗	✓

Source: Sony.

25. The Orchard FY19 Review & Platform Achievements, March 2019

Key slides


TECHNOLOGY COMPETITION						
Feature	AWAL	BELIEVE	LEVEL	EMPIRE	INGROOVES	STEM
Artist Access	✓	✗	✓	✓	✗	✓
Royalty Splitting	✗	✗	✗	✗	✗	✓
Advanced Analytics	✓	✓	✓	✓	✓	✗
Artist Mobile App	✓	✗	✗	✗	✗	✗
Creative Asset Management	✓	✗	✗	✓	✓	✗
Social Data Integrations	✗	✗	✗	✗	✗	✗
Enhanced Metadata	✗	✗	✗	✗	✗	✗
Collaborator Access	✗	✗	✗	✗	✗	✓
Video Builder	✗	✗	✗	✗	✗	✗

Source: Sony.

26. Global Management Meeting, April 2021

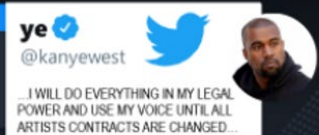
Key slides

CONTINUING TO BE THE MOST ARTIST FRIENDLY COMPANY



ARTIST COMMUNITY

- Challenging contractual terms, ownership model and seeking more favorable compensation
- Increasing pressure with growth of industry revenue, profits and valuations



[3<]

29

Source: Sony.

27. PJ Overdrive Investment Presentation, May 2021

Key slides

[3<]

Source: Sony.

Appendix E: AWAL's internal documents

During the course of this investigation, we have reviewed a large number of AWAL's internal documents. Where relevant, those documents are referred to in the main text of the final report. This appendix provides further detail on the source and date of the documents referred to, as well as (as applicable) the available context and screenshots of the most relevant slides or extracts. The second part of this appendix examines the AWAL documents showing the monitoring and benchmarking of competitors in more detail.

AWAL's internal documents

1. [✂]

[✂]

Source: AWAL.

2. [✂]

[✂]

Source: AWAL.

3. [✂]

[✂]

Source: AWAL.

4. [✂]

[✂]

Source: AWAL.

5. [✂]

[✂]

Source: AWAL.

6. [✂]

[✂]

Source: AWAL.

7. [X]

[X]

Source: AWAL.

8. [X]

[X]

Source: AWAL.

9. [X]

[X]

Source: AWAL.

10. [X]

[X]

Source: AWAL.

11. [X]

[X]

Source: AWAL.

12. [X]

[X]

Source: AWAL.

13. [X]

[X]

Source: AWAL.

14. [X]

[X]

Source: AWAL.

15. [X]

[X]

Source: AWAL.

16. [REDACTED]

[REDACTED]

Source: AWAL.

Documents identifying competitors encountered in deals and negotiations

17. This section examines AWAL's documents that show the monitoring and benchmarking of competitors. Competition is considered to take place over [REDACTED]. Paragraphs 22 to 25 examine documents relating to specific deals that are referenced in email and deal memoranda.
18. Internal newsletters that AWAL provided to us feature a 'competition' section, but the material contained in these wasn't particularly insightful. The section typically focusses on [REDACTED], rather than considering specific examples of competition on particular deals or with particular companies.

Competitors encountered in deals and negotiations

19. The competitors that AWAL encountered (or considered) while in the process of making deals give further insight into the competition, and AWAL's views on it. These are described in emails that relate to ongoing negotiations around deals, and specific deal memoranda which are more formal documents prepared for consideration when the money AWAL was required to commit was above a certain threshold (eg \$[REDACTED] from 2018 onwards). The deal memoranda, over the period February 2018 to October 2021, therefore, capture the competitors at the higher end of AWAL's offering.
20. Of those competitors at the higher end of AWAL's offering The Orchard features prominently, along with [REDACTED] and [REDACTED]. The latter two feature particularly prominently in the more focussed deal memoranda and illustrate the level of competition between AWAL and [REDACTED]. This can be seen in Table E1 below:

Table E1: Count of competitor mentions in AWAL emails and deal memoranda

<i>Company</i>	<i>Emails</i>	<i>Deal docs</i>
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]

Source: CMA analysis.

21. The email data implies that The Orchard was (or was considered to be) a serious competitor to AWAL. It does not feature as much in the deal memoranda, but this might be because larger deals would be picked up by [REDACTED] as shown in Table E1. However, the deal documents show that AWAL mention [REDACTED] more frequently than any other competitor except [REDACTED].
22. A count of label versus artist deals pre and post September 2020 (when AWAL began its sale process) offers some support for the proposition that AWAL [REDACTED], although this was based on a very small number of documents. We place limited evidential weight on this given the relatively small document set.

Appendix F: Market shares

1. In this appendix we summarise the market structure for the digital distribution of recorded music and its implications for the estimation of market shares. We then discuss our approach to assessing market shares, the limitations with our approach and other corroboratory evidence.

Market structure

2. The digital distribution of recorded music is a two-sided market where Providers compete to provide services to artists in order to acquire repertoire which they then compete to distribute to streaming services, ie DSPs. There are different competitor sets operating in each of these spheres with some Providers, including AWAL and The Orchard, operating in both.
3. As discussed in paragraphs 2.30 to 2.32, there are five different types of Provider: major labels, independent labels, artist services providers, label services providers and DIY platforms. In practice, the distinction between these types of Providers is not always clear and some Providers operate across one or more of these categories. In light of this, we have considered the Parties' market shares in a broad market (see paragraphs 6.31 to 6.48).
4. Some independent labels are only active in relation to artists' recordings and use other Providers to distribute their recordings. AWAL and The Orchard both distribute music on behalf of labels; this means the Parties' market shares for distribution are not equivalent to their shares for signing artists with the difference being the share of distribution which is on behalf of their label clients.
5. We have primarily focussed our attention on the side of the market for signing artists. Any issues that might arise in the DSP-facing side of the market, as a result of this Merger, are likely to be driven by the potential reduction in competition for artists (see paragraphs 6.44 to 6.48).
6. There are many challenges to the assessment of market shares for signing artists in addition to those noted in paragraphs 2 and 3:
 - (a) The copyright to the recorded music of some artists is owned in perpetuity by some record labels. This particularly applies to the repertoire of the Major Labels. In this regard, a portion of a providers' market share is from the distribution of legacy artists' repertoire, which is not informative of competition for new artists (or new materials from established artists who are not contractually prevented from switching).

- (b) We are considering theories of harm with a forward-looking element. Market shares reflect current shares arising from past competition (eg see paragraph 6(a)) and so will not necessarily be informative of future competition.
- (c) The distinction between artists and labels is not clear cut in practice, for the reasons set out in paragraphs 7.9 to 7.27, which makes it difficult to estimate shares for artists (who might have set up a label for themselves to access label services).
- (d) The broad measures of market share provided by the Parties are not informative about the different options that are available to artists at different stages of their careers.

Market shares

- 7. In line with our focus on the digital distribution of recorded music, we have relied on UK music streaming shares submitted by the Parties as a proxy for market shares. These are sourced from the Official Chart Company (OCC) and capture data from all the major DSPs.¹
- 8. Noting the issues raised in paragraph 6, streaming shares are the best available data for assessing market shares. However, as streaming shares are calculated based on the Provider that distributes the music, rather than the artist services provider, the share of those Providers who distribute for labels will be overstated. This, and other caveats, mean that the data set has limited usefulness for our competitive assessment.
- 9. The UK music streaming shares show that the market for digital distribution of recorded music is highly concentrated, and that the majors account for most digitally distributed recorded music in the UK.² There are also numerous smaller Providers. Excluding the major's frontline labels, The Orchard is the largest Provider.³ AWAL is the third largest by stream share, although this might overstate its position relative to other A&L service providers, as AWAL's data includes streams from its DIY platform, whereas data for some other Providers is reported separately for their A&L brand and their DIY brand (eg Believe reports separately from TuneCore).⁴

¹ OCC data includes streaming data from Amazon, Apple, Deezer, Napster, Qobuz Strm, SoundCloud, Spotify, Tidal, Vevo, and YouTube.

² Digital distribution is made up of streaming and downloads.

³ As outlined in paragraph 8, these are distribution shares and include music distributed on behalf of other Providers.

⁴ In particular, we note that [X%] of AWAL's 2021 streaming revenues were from its DIY platform (the service tiers 'AWAL managed' and 'AWAL Basic').

10. Table F1 shows the UK music streaming shares for the top 25 distributors by streaming share in 2021 (ie those entities that license and sell artists' recordings for distribution) and how this has changed over the period 2016 to 2021. The market for the digital distribution of recorded music has grown considerably over the period with most Providers experiencing streaming growth.

Table F1: UK music streaming shares by distributor (2016-2021)

							%
							Share growth 2016-2021*
Entity	2016	2017	2018	2019	2020	2021	
Absolute	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
ADA	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
AWAL	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
Bandcamp	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
Beggars Group	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
Believe Digital	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
CD Baby	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
Distrokid	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
DITTO	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
Domino Recordings	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
EMPIRE	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
FUGA	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
Hungama T-Series	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
IDOL	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
Ingrooves	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
Label Worx	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
Ninja Tune	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
PIAS	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
Platoon	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
Secretly	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
SME	[20-30]	[20-30]	[20-30]	[20-30]	[20-30]	[20-30]	[X]
The Orchard	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
TuneCore	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[0-5]	[X]
Universal Music	[30-40]	[30-40]	[30-40]	[30-40]	[30-40]	[30-40]	[X]
Warner Music	[10-20]	[10-20]	[10-20]	[10-20]	[10-20]	[10-20]	[X]

Source: OCC official chart

*In relation to this column the Parties submitted that the music industry is dynamic and going through a period of 'fundamental transformation'. Given these circumstances, the Parties submitted that a company's performance since 2016 may give a misleading impression of their trajectory for the future if not considering more recent developments. As an example, the Parties submitted that AWAL's share has grown [X]% since 2016 but has declined [X]% since 2019. We note that growth rates for some competitors have varied over time, but consider that a longer period is less likely to be subject to short term volatility and have considered changes in growth rates in our assessment where appropriate.

Note: This table includes those Providers that distribute directly to DSPs. The information submitted by the Parties also includes streaming figures for some (but not all) Providers that distribute to DSPs through a third party. For consistency, these Providers are not included here, and their streaming presence has been considered, where relevant, in the competitive assessment. For example, BMG is not shown as a separate entry as it distributes through ADA. In addition, we note that OCC official chart data does not break out the share of Virgin from Universal. To understand Virgin's streaming presence, we have used information from its internal documents (see Appendix C, paragraph 64).

11. As a consistency check on the streaming shares outlined in Table F1 we have also compiled revenue shares for the digital distribution of recorded music in the UK. These are based on revenue submissions by the Parties and a limited number of third-party competitors (see Table F2). The denominator for the revenue share estimates is total UK digital recorded music revenues which has been sourced from International Federation of the Phonographic Industry (IFPI) estimates.

12. These shares are approximate, should be interpreted cautiously, and have only been used as corroborating evidence to Table F1. In particular, digital revenues are not accounted for consistently across the Parties and third parties and are not necessarily consistent with the denominator used to calculate the share.
13. Where comparisons are possible, UK digital music revenue shares, in Table F2, are broadly consistent with the UK music streaming shares in Table F1.⁵

Table F2: Digital recorded music shares of supply 2020

<i>Supplier</i>	<i>UK Digital revenue (£m)*</i>	<i>Share of UK Digital Revenue (%)</i>	<i>UK Streaming share (%)</i>
ADA (FY)	[X]	[0-5]	[0-5]
AWAL (Parties' CY estimate)	[X]	[0-5]	[0-5]
Believe (FY)	[X]	[0-5]	[0-5]
Empire	[X]	[0-5]	[0-5]
Ingrooves	[X]	[0-5]	[0-5]
Integral (PIAS)	[X]	[0-5]	[0-5]
The Orchard	[X]	[5-10]	[0-5]
Virgin	[X]	[0-5]	
UK Total Digital Revenue	[X]	100.0	

Source: CMA analysis of the Parties and third-parties revenue.

Note: [ONS GBP to Euro average yearly exchange rate](#) (1 GBP = 1.1405 Euro in 2019); [ONS GBP to USD average yearly exchange rate](#) (USD at 1 GBP = 1.2835 USD in 2020 and 1 GBP = 1.2771 USD in 2019).

Note: CY = Calendar Year; FY = Financial Year. Where unstated figures relate to the calendar year of 2020.

*Converted to £'s.

14. As an additional robustness check we also considered UK music streaming shares based on data from a major DSP. The results of this analysis are broadly consistent with the findings in Table F1. In particular, the analysis shows that The Orchard and AWAL were two of the three largest A&L services providers during the period between 2016 and 2020.⁶ However, as this is a subset of the much broader OCC dataset, we have not considered this in further detail.

⁵ To the extent that any differences may indicate weaknesses in the UK music streaming shares in Table F1, we have considered and applied weight to this in the competitive assessment.

⁶ Believe, CDBaby, Distrokid and TuneCore have considerably higher streaming shares on the major DSP compared to the wider measure from OCC. To the extent that any differences may indicate weaknesses in the UK music streaming shares in Table F1, we have considered and applied weight to this in the competitive assessment. For a stream to be present in the OCC data in Table F1, it must be registered with OCC. In view of this, we consider that the streams of certain DIY platforms may be undercounted as the music they distribute is not registered with OCC by default. In either case we note that streaming shares are an approximate measure for the market share of a Provider.

Appendix G: Parties' data

Introduction

1. The Parties submitted information and analysis on (i) The Orchard's customer wins and losses and AWAL's customer wins, losses, and opportunities; and (ii) customer data for SME, The Orchard and AWAL.
2. The Parties compared the wins, losses, and opportunities data sets to identify switching between The Orchard and AWAL. The high-level conclusion was that there was almost no switching between the two. The Parties also compared the customer data for SME, The Orchard and AWAL, concluding that, based on differences in the revenue profile of their artists, it demonstrates considerable differentiation in the offerings of SME, The Orchard, and AWAL.
3. We have analysed the information submitted by the Parties and have identified several issues with The Orchard's customer wins and losses data set (further details can be found in paragraph 13). As a result, we have placed very little, if any, weight on this switching analysis. We found the AWAL wins, losses and opportunities data to be reliable and used this to better understand the evolution of the size and terms of its deals with artists over time. We have inferred from our analysis that AWAL Recordings, AWAL's highest service tier, was targeting and signing increasingly higher-profile artists.
4. Additionally, we have analysed the customer data submitted by the Parties. Removing AWAL's DIY platform artists from consideration, we found that the annual revenues of The Orchard and AWAL's artist clients are [REDACTED]. In particular, we found that the annual revenues of AWAL Recordings' artist clients are [REDACTED] (on average), than The Orchard's. We have also found that:
 - (a) the annual revenues of The Orchard's artists clients are [REDACTED] AWAL's;
 - (b) a number of The Orchard's labels represent a single artist; and
 - (c) The Orchard generates a material amount of revenue from the provision of artist services to its label services clients.

Customer wins losses and opportunities

Data overview

5. The Parties submitted information on The Orchard's customer wins and losses and AWAL's customer wins, losses, and opportunities. [REDACTED].

The Orchard

6. Data covers the period January 2016 to August 2021, and in total covers [REDACTED]. The data for labels was compiled for the purposes of our investigation using [REDACTED]. The data identifies the label distributors to and from which The Orchard loses and gains labels.
7. There are no tender or other formal processes in respect of label services and [REDACTED].

AWAL

8. Data covers the period January 2017 to October 2021 and includes [REDACTED] artist and label wins, losses, and opportunities. This data was sourced from AWAL's [REDACTED] system and are collected in the ordinary course of business for the purpose of internal deal tracking.¹
9. Additionally, the Parties extended this data with two further sources of information on AWAL label wins, losses and opportunities: (i) a summary of internal AWAL emails provided by AWAL's external counsel; and (ii) a list of [REDACTED] collated from the recollections of senior management. These two sources include a small number of references to labels not recorded in the [REDACTED] data. Combined they yield an additional [REDACTED] opportunities taking the total number of AWAL interactions to [REDACTED].

The Parties' analysis

10. Comparing the two data sets, the Parties found three labels which have interacted with both Parties. Outlining the details of these interactions, the Parties submitted that they are not examples of direct switching between AWAL and The Orchard.
11. Using the data from The Orchard, the Parties identified switching by customers from/to a number of other competitors but no direct switching from/to AWAL. Table G1 details the Parties analysis of The Orchard's wins/ losses.

¹ This data may not include more speculative or early-stage discussions which may not be entered into the [REDACTED] data. The Parties noted that omissions may also arise in the case of highly confidential opportunities, or failures on the part of individual salespeople. In any case, the Parties consider omissions in the data to be (likely) very rare.

Table G1: The Orchard wins/losses to competitors (period since 1 January 2016)

<i>Competitor name</i>	<i>No. of opportunities lost to competitor</i>	<i>No. of opportunities won from competitor</i>	<i>Total</i>
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]

Source: Parties.

12. The Parties consider these findings to show that there is ‘very limited overlap between the parties in respect of label distribution, and very little, if any, label switching between the parties’.

Our assessment

The Parties’ ‘win/loss’ analysis

13. We consider there are a number of problems with The Orchard data set. The Orchard did not systematically collect such data, so this data set was built using a variety of sources and methods, including relying on staff memories. In addition, few label opportunities were identified, relative to AWAL: there are [REDACTED] The Orchard label opportunities compared to [REDACTED] label opportunities for AWAL. The Orchard has almost [REDACTED] label clients compared to [REDACTED] label clients for AWAL, casting serious doubt on the completeness of the data set.
14. The AWAL data set was collected in the normal course of business (using [REDACTED]). While it might contain some omissions, we believe this is a relatively robust data set.
15. Given the issues with The Orchard data (and the fact that the AWAL data does not record where clients were switching to/from) we have placed very little, if any, weight on the Parties’ ‘win/loss’ analysis. We note however that the findings of the Parties’ ‘win/loss’ analysis are consistent with our finding that AWAL is not currently a close competitor to The Orchard on account of its artist focus (and small number of label clients).

AWAL opportunities – CMA analysis

16. We have used the AWAL data set to understand the evolution of deal size and terms over time. The [REDACTED] data captures deals at various stages from negotiations to deal closure (whether the negotiation was successful or

otherwise). We have analysed estimated revenues, the size of any advance and/or marketing fund offered for those deals categorised as ‘Closed Won’, which account for [X] out of [X] deals recorded.² We note that the data set does not cover the full year for 2021.

17. Our analysis indicates that both total and average expected revenues from deals won have increased substantially for AWAL Recordings (see Table G2 and Table G3).³ Total and average expected revenues from deals won for AWAL+ have also increased, but at a slower rate. The expected revenues from catalogue deals won have been very variable. Expected revenues from label deals won were very high in 2018 and lower but consistent in later years.

Table G2: Average estimated ‘base case’ revenue (USD) from deals won, 2017 – 2021

Year	AWAL Recordings	AWAL+	Catalogue	Label
2017	[X]	[X]	[X]	[X]
2018	[X]	[X]	[X]	[X]
2019	[X]	[X]	[X]	[X]
2020	[X]	[X]	[X]	[X]
2021*	[X]	[X]	[X]	[X]

Source: CMA analysis of AWAL wins losses and opportunities data.

* The data for 2021 is for the period January – October.

Table G3: Total estimated ‘base case’ revenue (USD) from deals won, 2017 - 2021

Year	AWAL Recordings	AWAL+	Catalogue
2017	[X]	[X]	[X]
2018	[X]	[X]	[X]
2019	[X]	[X]	[X]
2020	[X]	[X]	[X]
2021*	[X]	[X]	[X]

Source: CMA analysis of AWAL wins losses and opportunities data.

* The data for 2021 is for the period January – October.

18. Our analysis further indicates that the average advance and average marketing fund offered by AWAL Recordings has increased over time, albeit the biggest increase was from 2017 to 2018 (see Table G4).⁴ For AWAL+ the size of the average advance has not changed substantially since 2018, although the average marketing fund has increased steadily.⁵

² Of this data [X] are label opportunities. We have included these in this analysis as: (i) some of these appear to be artist clients of AWAL, and (ii) we are interested in the evolution of AWAL's deal size and terms across its whole business. We note that the results of this analysis are not sensitive to the inclusion of: deals categorised as '[X]' and '[X]' which together account for [X] deals; and [X] deals which fall into other categories.

³ These revenues represent the total revenues AWAL expected to generate from a deal.

⁴ This only includes deals where the entry for advance and/or marketing funding is non-zero.

⁵ With respect to AWAL recordings we did not find the data in Tables G2 and G4 to be driven by the deals of particular high-revenue artists in recent years.

Table G4: Average advance and average marketing fund (USD), 2017 – 2021

Year	AWAL Recordings		AWAL+	
	Average Advance	Average Marketing Fund	Average Advance	Average Marketing Fund
2017	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2018	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2019	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2020	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2021*	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: CMA analysis of AWAL wins losses and opportunities data.

* The data for 2021 is for the period January – October.

19. On account of AWAL Recordings' growing deal sizes, average marketing funds, and average advances, we infer that AWAL was targeting and signing higher-range artists.⁶

Customer analysis

The Parties' submissions

20. At phase 2, we requested data on the Parties' artist and label clients. The Parties provided full customer data sets for AWAL and The Orchard, covering the period 2018-2021. With respect to SME, the Parties initially provided a partial data set covering SME's FY2021 client data that comprised approximately [REDACTED]% of SME's total FY2021 sales. On 21 December 2021, Sony provided a full data set covering SME's FY2021 sales for 100% of SME's turnover.
21. In relation to these customer data sets, the Parties' submitted that:
- (a) AWAL's average revenue per artist in 2021 is \$[REDACTED] compared to \$[REDACTED] for The Orchard. AWAL's average contract length is [REDACTED] years compared to [REDACTED] years for The Orchard. Additionally, the Parties submitted that SME's average contract is [REDACTED] years.⁷

⁶ In respect of this, AWAL submitted that its growing deal sizes are mostly explained by a step change in 2017 resulting from a change of strategy. They further submitted that this growth is consistent with market growth. With respect to growth in average advances and marketing budgets AWAL submitted that this has been caused by increased competition for artists rather than a change in the type of artist it targets.

⁷ Note average contract length refers to the rights period during which a Provider can sell the recordings in question. For SME this figure is based on the contracts of clients that generated approximately 70% of SME's FY2021 revenues. Additionally, it excludes instances where SME has the right to sell the recordings in question over the full copyright life of the recordings: this applies in over [REDACTED]% of cases (based on the contracts of clients that generated approximately 70% of SME's FY2021 revenues).

- (b) In respect of this, the Parties submitted that SME and The Orchard work with considerably [X] artists than AWAL and that this is consistent with their differing artist focuses.
- (c) AWAL's average per artist revenue has [X] from being [X]% of The Orchard's average pre artist revenue in 2018, to [X]% in 2019 and 2020, and [X]% 2021. That is, the two parties have [X] slightly in recent years, with AWAL's artist base becoming [X] to that of The Orchard.
- (d) In an updated submission the Parties submitted that:
 - (i) SME's average revenue per artist is \$[X];⁸ and
 - (ii) [X]% of SME's 2021 revenues from its active artist roster were generated by [X] artists, each of whom generated revenues of more than \$[X] million. The remaining artists include artists in smaller countries where AWAL does not operate and per artist revenues are much lower, as well as artists that SME is funding and developing but have not yet achieved commercial success.

22. At the highest level, the parties submitted that the data shows considerable differentiation in the offerings of SME, the Orchard, and AWAL.

Our assessment

Comparison of the Parties' artist clients

- 23. We have used the Parties' customer data sets to understand differences in the Parties' artists and their contracts with these artists.
- 24. With respect to the Parties submission at paragraphs 21 and 22, we note that AWAL supplies a wider range of artists than The Orchard, in particular The Orchard does not have a DIY offering. In view of this, we consider that the comparison in paragraph 21(a) is not like for like: AWAL's average revenue figures are driven by a large number of low-revenue artists serviced by its DIY platform.
- 25. When AWAL's DIY platform artists are excluded (along with its 'B2B'⁹ and 'Catalogue' clients), we consider its average revenues per client to be [X] to The Orchard's. Table G5 shows that AWAL's highest service tier 'AWAL Recordings' services artists that generate [X] revenues on average than The

⁸ This is based on a full data set covering SME's FY2021 sales for 100% of SME's turnover. This comprises its entire active roster of around [X] artist.

⁹ B2B refers to Business-to-Business clients.

Orchard's artist services clients. We note that [REDACTED] of The Orchard's artists have revenues greater than \$[REDACTED] (the average for AWAL Recordings).

Table G5: Customer characteristics in 2021 by service tier

<i>Year</i>	<i>The Orchard (artist services)</i>	<i>AWAL recordings</i>	<i>AWAL+</i>	<i>AWAL managed</i>	<i>AWAL Basic</i>
Average revenue per client (USD)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Average revenue earned by client (USD)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Number of clients	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Average contract length in years	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: CMA analysis of AWAL's customer data.

Note: Average contract length in years relates to all clients for the period 2018-2021. AWAL managed and AWAL Basic refer to AWAL's DIY platform. AWAL data relates to January-August 2021, The Orchard data is for period CYTD 2021.

26. Based on the Parties submissions and evidence set out above, we consider:

- (a) AWAL and The Orchard to service artists of a [REDACTED] revenue on contracts with [REDACTED] margins and lengths, noting that AWAL services a wider range of artists. In the context of AWAL and The Orchard offering similar services, we infer from this that The Orchard's artist customers are contestable by AWAL.
- (b) SME's revenues to be, at present, materially different to AWAL's, as is consistent with SME's focus on serving top-range artists.

Comparison of AWAL and The Orchard's artist clients over time

- 27. In their analysis the Parties submitted that The Orchard's average artist revenues have [REDACTED] than AWAL's. The Parties interpreted this as AWAL's artists becoming '[REDACTED]' to that of The Orchard's'.
- 28. Table G6 confirms that The Orchard's average revenues per artist client are [REDACTED], showing that The Orchard's average revenue per artist [REDACTED] in the period 2018 to 2020. We consider this to be consistent with The Orchard expanding its artist services business and becoming [REDACTED] to AWAL Recordings.
- 29. AWAL Recordings' average revenue per artist [REDACTED] in the period 2018 to 2020. We consider this to be consistent with AWAL targeting and signing higher-range artists (as discussed in paragraph 19).

Table G6: Comparison of average revenue per artist client over time, 2018 – 2020

<i>Average revenue per client (USD)</i>	<i>The Orchard (artist services)</i>	<i>AWAL recordings</i>	<i>AWAL+</i>	<i>AWAL Managed</i>	<i>AWAL Basic</i>
2018	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2019	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2020	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Percentage growth 2018-2020	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%

Source: CMA analysis of The Orchard and AWAL's customer data.

The Orchard's label clients

30. The Orchard's customer data show that over [REDACTED] of The Orchard's [REDACTED] labels have one 'active artist' (see Table G7), of which [REDACTED] generated revenues over \$[REDACTED] in 2021.¹⁰
31. The Parties have submitted that it is not correct to conflate label services to single artist labels with artist services because artist services comprise a much broader range of activities. Moreover, the Parties submitted that most of these [REDACTED] single artist label clients are historical and inactive clients that joined The Orchard in the late 1990s and 2000s prior to SME's acquisition and [REDACTED] of these single artist labels generated revenue below \$[REDACTED] in 2021 YTD.
32. We acknowledge the differences between The Orchard's label services and artist services offerings. Notwithstanding, we consider the prevalence of labels with one 'active' artist to evidence similarities in the customer base of those receiving A&L services. Namely, we note that The Orchard supplies label services to labels distributing the music of a standalone artist with annual revenues comparable to artists served by its artists services.
33. Taken in the round, and in conjunction with the evidence outlined in paragraphs 7.9 to 7.21, we consider this to evidence a lack of a bright line between artist services and labels services in the provision of A&L services.

Table G7: Customer characteristics in 2021

<i>Year</i>	<i>The Orchard (labels with one 'active' artist)</i>	<i>The Orchard (artist services)</i>	<i>AWAL recordings</i>	<i>AWAL Basic</i>
Average revenue per client (USD)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Number of clients in 2021	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Average contract length in years	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: CMA analysis of The Orchard and AWAL's customer data.

Note: AWAL data relates to January-August 2021, The Orchard data is for period CYTD 2021.

¹⁰ 'Active Artists' refers to the number of is a count of all artists in The Orchard's database with a unique artist ID.

The Orchard's provision of artist services

34. The Orchard's customer data is divided into categories. Table G8 below shows The Orchard's revenues and client numbers for its customer categorisations. In addition to artist and label services it categorises clients as:

- (a) 'Artist Services (partial)': these are artists that receive artist services and are signed to labels that have engaged The Orchard to provide 'Label Distribution services'.
- (b) 'Artist distribution': these are clients that receive the same services as Label Distribution clients.

Table G8: Clients and revenue in 2021 by The Orchard service types

	<i>Label distribution</i>	<i>Artist services (Full)</i>	<i>Artist services (Partial)</i>	<i>Artist distribution</i>
Total revenue (Million USD)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Number of clients	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Source: CMA analysis of The Orchard's customer data.

Note: The Orchard data is for period CYTD 2021. 'Artist services (Full)' are The Orchard's artist services clients.

35. We note that The Orchard's 2021 revenue from 'Artist Services (partial)' is [REDACTED] than that of 'Artist services (Full)'. While we do not consider these clients to be contestable by AWAL's artist services offering, we infer from this that:

- (a) a material number of labels require services typically provided to artist services clients; and
- (b) The Orchard's capabilities in the provision of artist services are understated by its number of artist services clients.

Glossary

Act	The Enterprise Act 2002.
A&L	Artist and label.
A&R	Artist and repertoire.
Absolute	Absolute Label Services Limited, an A&L services provider.
ADA	Alternative Distribution Alliance inc., a subsidiary of Warner and an A&L competitor.
AIM	Associations of Independent Music Limited, an industry participant.
Amazon Music	A DSP owned by Amazon.com, Inc.
Amuse	Amuseio AB., an A&L competitor.
Apple Music	A DSP owned by Apple Inc.
Artist services	A&R, marketing and promotion and wholesale distribution services to artists.
Artists	Artists who perform the work of a songwriter or composer in the recording of a song (also referred to as ‘recording artists’).
AWAL	The legal entities that comprise the AWAL business, namely: AWAL Digital, AWAL Recordings Licensing, AWAL Recordings, AWAL Recordings America, AWAL Recordings Licensing America and In2une, and their subsidiaries.
Beggars	Beggars Group Limited, an independent label group
Believe	Believe Direct Limited the parent company of TuneCore and an A&L competitor.
BMG	BMG Rights Management GmbH, an independent label group.

catalogue	Refers to the management of old music. Traditionally, considered to be songs or albums that are more than 18 months old.
CD Baby	CD Baby, Inc., a Provider.
CMA	Competition and Markets Authority.
CMOs	Collective Management Organisations.
Distrokid	Distrokid Inc., a DIY provider.
DITTO	DITTO Ltd, an A&L services provider.
DIY platforms	Also known as digital aggregators, offer artists and smaller labels distribution to streaming platforms.
DSPs	Digital Service Providers.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Empire	Empire Distribution Inc., an A&L services provider.
frontline	Refers to the creation of new music. Traditionally, considered to be songs or albums that are less than 18 months old.
Frontline labels	Labels used by the majors that use different branding and typically focus on a particular genre or type of artist.
FUGA	FUGA Music UK Limited, an A&L services provider.
FY21	Financial year covering 2020/2021.
FY20	Financial year covering 2019/2020.
Google	Google LLC, the immediate parent undertaking of YouTube.
High-range artists	These are artists who are very successful and considered to be at the top end (see also definitions of mid-range and low-range artists).
High-touch services	Whereby a provider offers more support to artists which could include A&R services, marketing, funding, advances on royalties, and creative support.

IFPI	International Federation of the Phonographic Industry.
IDOL	Independent Distribution On Line (IDOL), an A&L services provider.
IMPALA	The Independent Music Companies Association Limited.
Independent or independent label	These are labels that are not affiliated with or funded by the major labels.
Ingrooves	Ingrooves Music Group, a subsidiary of UMG and an A&L services provider.
Integral	Integral Distribution Services, a subsidiary of the PIAS Group and an A&L services provider.
IPO	Initial public offering.
Kartel	Kartel Limited, an A&L services provider.
KMR	Kobalt Music Recordings.
KNR	The legal entities that comprise the Kobalt Neighbouring Rights business, namely: Kobalt Neighbouring Rights, Kobalt Neighbouring Rights II, Kobalt Music Netherlands Artists and Kobalt Music Netherlands OH Records, and their subsidiaries.
Kobalt	Kobalt Music Group Limited, the ultimate parent company of AWAL and KNR prior to the Merger.
Label	Labels (also known as record labels) are companies that distribute and promote the recordings of affiliated artists. The term 'label' is also used in the music industry to denote the brand or trademark of music recordings, however in these provisional findings it is used to refer to the company in question.
Label services	A&R, marketing and promotion and wholesale distribution services to labels.
Low range artists	These are artists with limited financial success. They may be emerging artists at the start of their career or artists who are not making a career from their music.

Label Worx	Label Worx Limited, an A&L services provider.
majors or major labels	SME, UMG and Warner.
Merger	The completed acquisition by Sony, through SME, of AWAL and KNR.
Merlin	Music and Entertainment Rights Licensing Independent Network B.V., an organisation which negotiates licence agreements with DSPs under which it licences certain of its members' content.
Mid-range artists.	These are artists who have had some success and are able to sustain music as their main occupation through to artists who are reasonably successful.
Music publishing	The management and licensing of the composition of a song.
Neighbouring rights	Compensation to performing artists and those who own copyright in a related sound recording for the public use of the recording.
OCC	The Official UK Charts Company Limited.
ONErpm	ONErpm Inc., an A&L services provider.
Parties	Sony, SME and AWAL; excluding KNR, save where the context refers or relates to neighbouring rights.
Performance rights	Payments by, for example, TV and radio stations for the right to use music as part of broadcasts; and payments for the public performance of music in venues such as shops and restaurants.
PIAS	PIAS Group, a Provider and the immediate parent undertaking of Integral.
Platoon	an A&L services provider.
Providers	Providers of recorded music distribution services.
Provisional Findings	The CMA's Provisional Findings Report dated 11 February 2022

Recorded music	The creation, distribution and licensing of sound recordings.
Recorded music distribution services	Provision of A&R services, marketing and promotion and/or wholesale distribution of recorded music.
RFI	Request for information.
RMS	Relevant merger situation, within the meaning of that term in section 23 of the Act.
Secretly	Secretly Group, an A&L competitor.
SLC	Substantial lessening of competition, within the meaning of that term in section 35 of the Act.
SME	Sony Music Entertainment.
SMG	Sony Music Group.
SMP	Sony Music Publishing.
Sony	Sony Group Corporation.
SoundCloud	SoundCloud Global Limited & Co. KG, an industry participant.
Spotify	Spotify Technology S.A, a DSP.
STEM	Stem Disintermedia, Inc, an A&L competitor.
Sync	Synchronisation - payments for the use of music in (or 'synchronisation' of music with) film, TV shows, TV adverts, video games and other forms of audio-visual media.
The Orchard	The Orchard EU Limited, a subsidiary of SME.
TikTok	TikTok Inc, a social media platform.
TuneCore	TuneCore, Inc., a subsidiary of Believe and a DIY competitor.
UK IPO	UK Intellectual Property Office.
UMG	Universal Music Group, a major label and the immediate parent undertaking of Ingrooves and Virgin.

United Masters	UnitedMasters LLC., an A&L competitor.
Virgin	Virgin Music Label & Artist Services, a subsidiary of UMG and an A&L competitor.
Warner	Warner Music Group, a major label and the immediate parent undertaking of ADA.
YouTube	YouTube inc., a DSP and a subsidiary of Google.