Jane Dyball

CEO MPA, MCPS PMLL Members update 23rd April 2018









MPA Member Update April 2018

IMPEL and MCPS

- "IMPEL has left the building"
- There's now a new fully standalone company outside of the MPA Group
- A new SLA between Impel and a third-party service provider will be announced soon
- A new management team will be put in place
- Elections for a new board will be held in 2018
- IMPEL has achieved its aim of being fully independent



Where does this leave IMPEL's current Members?

- The international online rights for current IMPEL members sit with MCPS
- IMPEL members can now choose whether to:
 - Leave their international online rights within MCPS at the current commission rate but without the IMPEL additional services
 - Remove online rights from MCPS in order to join "new IMPEL"
 - Remove online rights to join one another service provider
- MCPS will offer a one time only window to terminate effective 30th June 2018 under terms and conditions to be notified imminently



Contacts for queries

- Further details will be distributed soon
- Contact Jane/Tom at MPA
- Contact Naomi at PRS
- Contact Simon Platz / Mike Box re "new IMPEL"



Q&A





MCPS Member Update
April 2018

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Overview

- The past year has been focussed on MCPS' service arrangement, and balance sheet
- MCPS' focus is now on growth and on getting our house in order to facilitate growth. This requires:-
 - A new membership agreement
 - A review of our licensing strategy
 - A focus on data
- Today's presentation will cover key projects ongoing at MCPS



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SLA Update

- The new service level agreement between MCPS and PRS has been in place for nearly one year
- The new relationship is based on a set of Key Performance Indicators ("**KPIs**"), that help to measure individual processes within the overall administration of the MCPS business
- The new deal also includes a brand new level of insight into the service delivered from PRS via reporting delivered on a quarterly basis



SLA Update: KPI Review Groups

- Four groups were assembled to review the services delivered and reporting from PRS
- These groups continue to operate and have been key in implementing the deal

Strategy

This group focusses on strategic decisions, long-term plans, governance, and the SLA with PRS.

Operations

This group will focus on technical and system related matter to ensure the operation of MCPS is running smoothly.

All of the groups have been allocated certain KPIs to review in the quarterly service delivery reports from PRS

Legal & Licensing

This group focusses on the licensing review, driving growth and legal matter relating to the SLA with PRS.

Finance

This group focusses on financial aspects of the SLA, audits relating to the SLA and the service credits.



SLA Update: KPI Review

- The four groups have now started a review of the KPIs themselves to assess whether the KPIs are still sufficient now that they have been used in practice for almost a year
- This KPI review will also allow each of MCPS and PRS to suggest amendments to the KPIs, which will be reviewed by the four KPI review groups

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SLA Update: PRS Audit

- Under the 2013 SLA, MCPS has the right to audit PRS
- Under the new 2017 SLA, this audit is required to take place within the first 12 months of the deal
- MCPS has therefore undertaken an audit of the services provided by PRS under the 2013 SLA
- The audit is being overseen by the MCPS Finance KPI review group and the MCPS board



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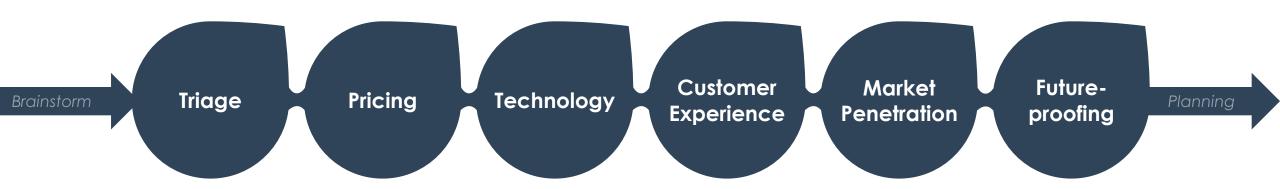
Licensing Review Overview

- The first phase of the MCPS Strategic Licensing review has now been completed.
- The aim has been to review not only the licensing schemes that exist, but how they are marketed and any licensing gaps
- The process ran for two brainstorming sessions before Christmas which lead to 6 review meetings so far this year.
- This first phase resulted in a final session at which MCPS presented our recommendations.
- The presentation summarised the findings from the previous licensing review workshops and sets out a plan of action to develop and implement changes to MCPS' licensing operation, focussing on three main areas: schemes, technology and marketing.



Licensing Review: Phase 1

- The workshops were designed to focus on topics rather than specific departments or business areas
- The workshops were attended by an extended Legal & Licensing KPI review group
- Throughout the workshops, actions and suggestions were logged on an action tracker





How did we prioritise (1/2)?

GEOL Upselling
Opportunities

mcps

Specific known issues to prioritise addressing

Areas which might be worth exploring further in 2018

IPC Opportunities

Issues with existing schemes (incl. opportunities to improve penetration)

LOML

Opportunities

- GETV / Local TV / IPC (Mid-sized TV broadcasters): Extend GETV to include smaller BARB-rated channels (more efficient); make fit for purpose for production music; exclude MCPS commercial rights from GETV + LTV, and license these under IPC.
 - LOML / LOML+ (Low end online): Review price bandings, cross-over point between schemes, inclusion of sync (and PM sync rights) at low end (opportunity), reporting requirements, possible inclusion of label rights, renewals process, and proactive marketing to un-met segments (e.g. Dept. for education).

Vinyl Copy Code (*Record labels*): Review price bankings to better align with market practices (i.e. in relative to pressing valumes and redemption rates)

 IPC (IPCs): Review tiered rates (to include sync rights), which have evolved over many years, and the potential to upsell to GETV customers.

- Upselling GEOL to GETV customers (e.g. Horse & Country) ←
- Pro Dub (*DJs*): Consider whether revenue-based approach might work, in order to capture appropriate share of revenues from major DJs (e.g. Calvin Harris).
- Ring tones (*Phone companies*): MPA view that a lot of ring tone piracy occurring – but only one ring tone licensee, so worth reviewing market.
- <u>Cover-mounts (1) (Print publishers)</u>: Worth reviewing physical market PRS suspects one-off deals with major newspapers might be valuable opportunity.
- <u>Cover-mounts (2) (*Print publishers*)</u>: Also some (limited) interest in digital cover-mounts worth at least some initial conversations to see how valuable the opportunity might be.

NB GEAL already under consideration at Licensia Committee, and MSB2B subject to on-going review – therefore both excluded here

Simplification / consolidation of existing scheme

Covermount Opportunities

Racko programme sales (BR5) (Radio content producers): Re-evaluate potential market for this scheme, to assess demand; consider discontinuing – activity typically covered under existing schemes / licences

<u>Cover-mounts</u> (*Print publishers*): Opportunity to consolidate 4 separate cover-mount schemes into one.

- Low end rec. media (Low end rec. media):
 Opportunity to dramatically simplify RM schemes and offer automated/ online licensing solutions at the lower end (LM, Prod Dub, SG4, SG6, AP3, AP4) possibly consolidate into lowend catch-all licence.
- AP2 / AP2a (Record labels): Almost identical schemes, so unpublish AP2a from website.

<u>LOML / LOML+ / Podcast (Low end online)</u>: Consider whether podcast requires its own scheme (only one licensee); and review podcast market at lower end (focus to date on highest value services).

- Ring-backs (*Phone companies*): Consider unpublishing this scheme – zero licensees currently.
- FMS / MSB2B (Fitness instructors): Consider inclusion of FMS in MSB2B (under review); review price differential for (essentially) the same grant of rights.

New Low-End, Catch-All Licence Opportunity

Other ideas noted, however lower priority for now (consider revisit in 2019)

- TV programme sales (TV content producers): Review scheme in 2018/19 to make consistent with licence proposed to BBC.
- KAR (Karaoke services): Upturn in karaoke services which could be better exploited.

JIL (Retailers / labels):
Improvements to marketing approach needed to improve licence uptake.

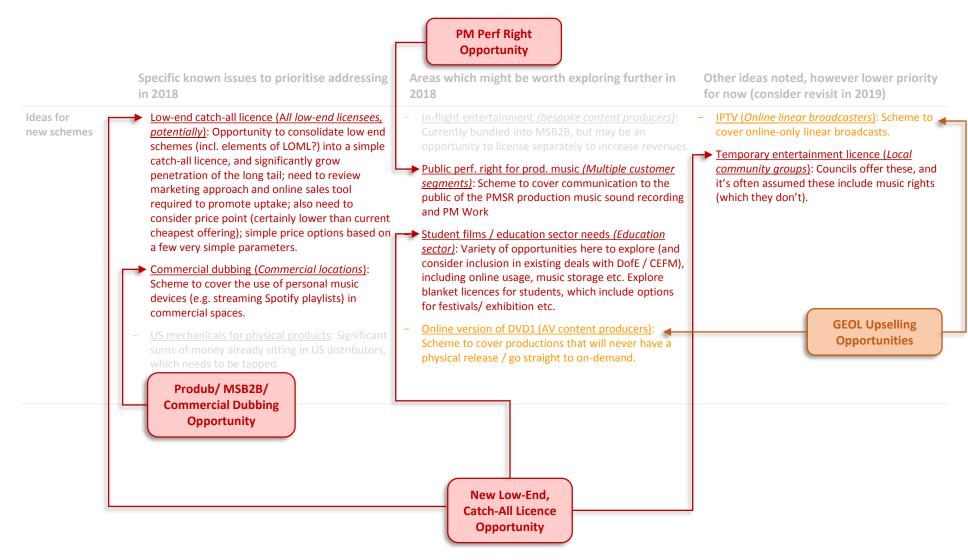
ProDub/ MSB2B/ Commercial Dubbing Opportunity

SG4 (Gilleries / museums): May be the case that publishers are doing direct deals here – if not consolidated, consider unpublishing this scheme.

Lower Priority Medium Priority High Priority

How did we prioritise (2/2)?





How did we prioritise Technology?



High priority issues / ideas to address in 2018

SiteCore – eCommerce functionality: Existing

functionality already available, but not yet

activated – need to develop business case / plan

build sales infrastructure which could be used by

/ timelines to activate, and consider alongside

changes to existing technology. Aim here is to

→ Improvements to Music Shop (mainly LOML): In

be made using existing tech infrastructure -

on Music Shop website. Also, can we use this

how do timelines / costs etc. stack up against

developing a fully new approach in SiteCore?

Improvements to PRSfM website: Consider how

customer journey through website "clicks" can

be improved to direct customers to licence sales

Important to consider technology we could learn

nearer term, consider what improvements can

mainly around LOML applications and renewals

infrastructure to sell other licence schemes? And

PRS website system has eCommerce

all schemes.

Further ideas discussed in Technology workshop Further ideas discussed in Customer Experience workshop

> Licensing Portal (Online Payment)

Licensing Portal (Auto Renewal)

Website Improvements

from / leverage immediately outside PRS – for example, PPL/PRS JV.

Licensing Portal (Live Chat)

Learnings from other industries (1): Consider what learnings from other industries we would

User Support – Live chat on portal and website

<u>Use of Smart PDFs</u> instead of downloadable forms

like to incorporate in the near term (if any).

- (Consider all this alongside licence scheme consolidation described on previous pages.)
- (Consider all this alongside MCPS' need to retain mandates – i.e. near term "quick fixes" might be necessary, even if expensive)

Areas which might be worth exploring later on in 2018

- SiteCore other functionality: SiteCore can also offer other useful sales tools, which should be considered – analytics, email marketing and workflow tools all available.
- Back-end CRM system: Certainly a need for better CRM system for licensees – which also offers better functionality to licensing teams.
- Technology to support efficient processes:
 Certainly opportunities to improve internal workflows (e.g. invoicing process in broadcast).
- <u>Licence manager (1)</u>: Some potential improvements, particularly around integration with third party sites but lower priority than assessing overall eCommerce proposition.
- <u>Licence manager (2)</u>: If linked to ICE database, could this infrastructure be used to link to commercial music also?
- Learnings from other industries (2): Consider what more advanced learnings from other industries we would like to incorporate in the longer term (e.g. live chat, interactive site etc.).
- Customers vs. competitors: Strategic thinking required on whether we should consider tech disrupters (e.g. Songtradr, OCL) as customers of competitors of MCPS. Need to consider economic models of others vs. MCPS.
- Add-on technologies (already underway):
 Integration of better payments and online signature capabilities, and use of social media.

Other ideas noted, however lower priority for now (consider revisit in 2019)

- Front-end lead generation tools: Many possible technologies that could bolt onto SiteCore to generate leads (e.g. Hubspot).
- Keeping an eye on new technology: In the longer term, need to ensure we are not left behind by innovators in blockchain, AI etc. and ultimately, consider where we can be innovators in this space.

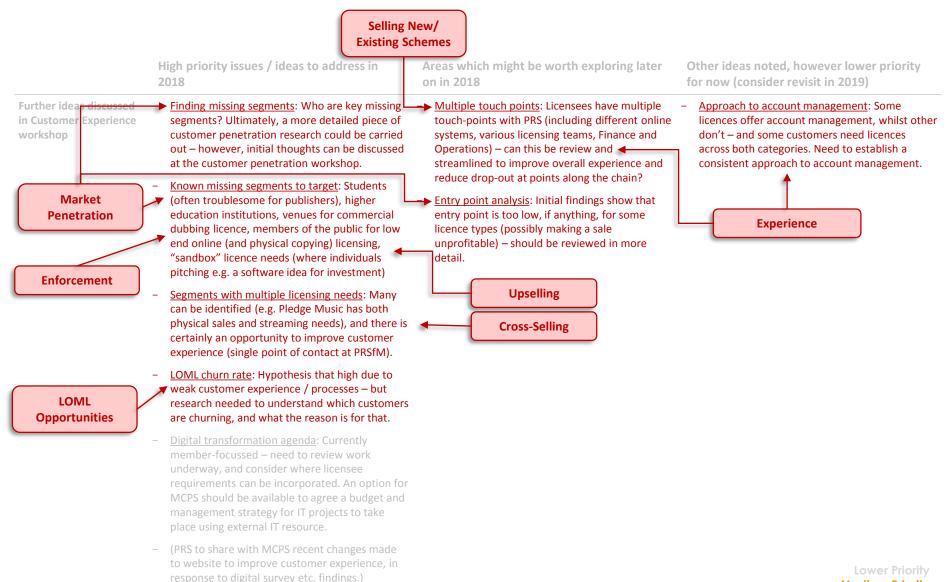
Licensing Portal (Customer Database of Licensee information)

> Licensing Portal (Link to Copyright Database)

> > Lower Priority Medium Priority High Priority

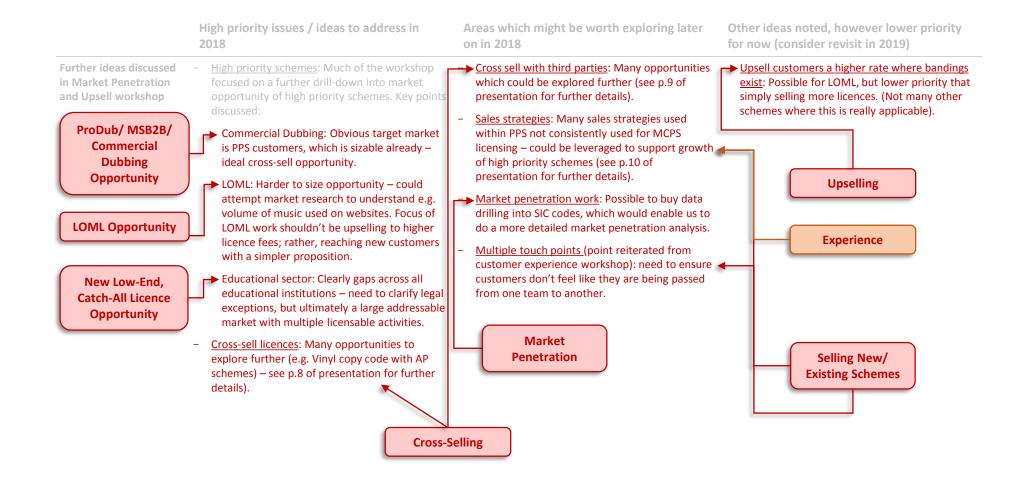
How did we prioritise Customer Experience?



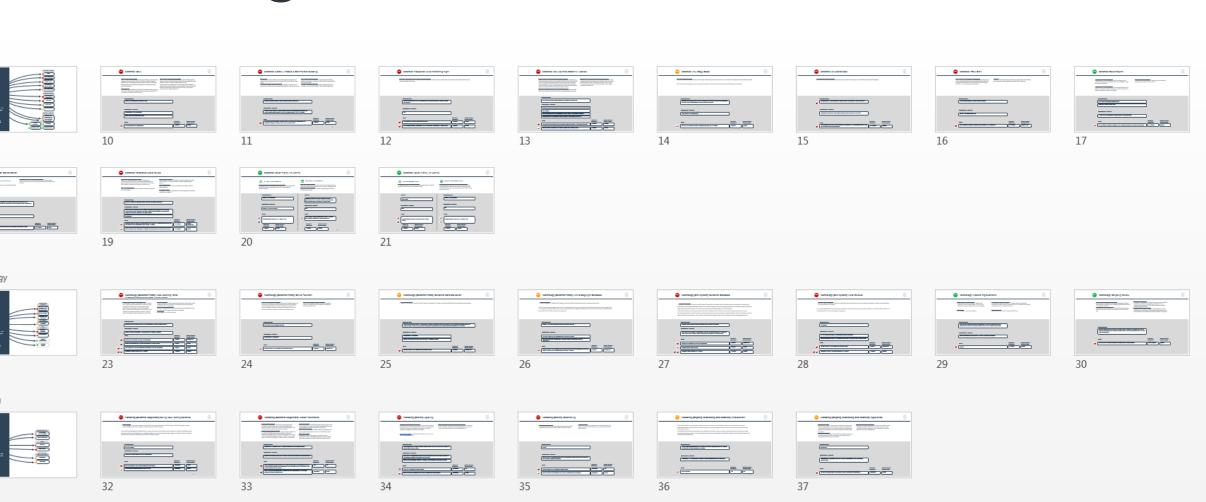


How did we prioritise Market Penetration/ Upselling?

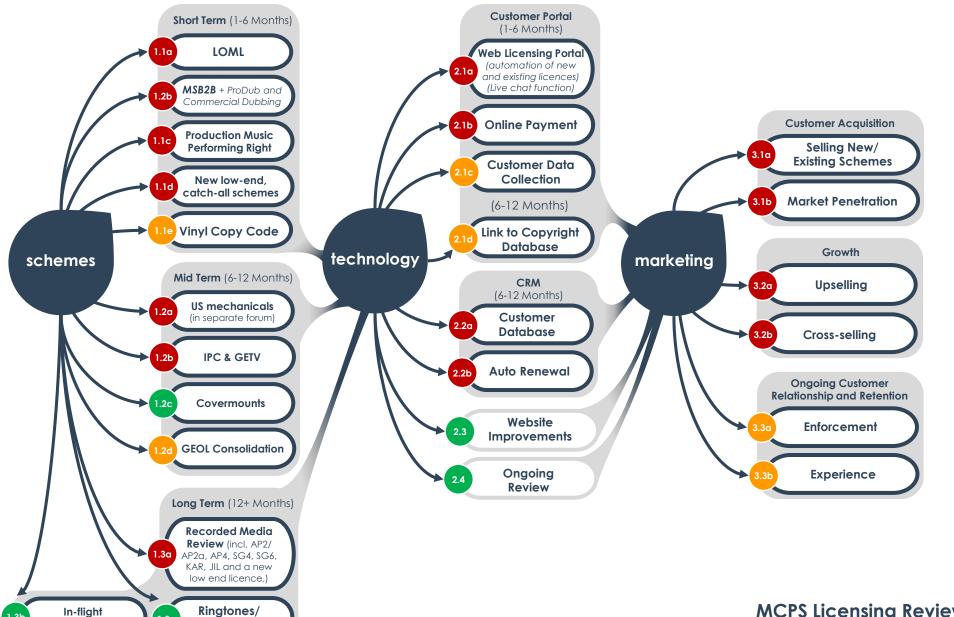




Licensing Review: Phase 1 Outcome







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Ringbacks

Radio

Programme Sales

Entertainment

TV Programme Sales



Licensing Review: Next Steps

- The next phase of work will be initially carried out by PRS
- This work will assess the requests made by MCPS, and report back on:
 - Whether the timelines proposed by MCPS are possible
 - Whether MCPS's assumptions on which requests are normal business and which might trigger "change control"; and
 - Which requested developments (scheme, technological and marketing) are possible to carry out in the timelines suggested by MCPS.



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MA2 Review

- MCPS Management and a group of MCPS publisher members have formed a group to review the MCPS MA2 Membership Agreement
- The MA2 is an older agreement that is no longer fit for purpose in today's market
- The review will highlight areas that need to be updated to fit the needs of MCPS's members and business operations
- This will include reviewing the annexes for online, production music etc



US Mechanicals

- Work on the US mechanicals issue continues.
- The issue stems from a lack of visibility into ownership data, so that mechanical royalties are able to flow from the US to the rights holders in the UK
- MCPS needs to be able to deliver a clear copyright picture to resolve this issue so it is a technical solution which is required rather than protocol and presumptions.



BBC Renegotiation

- Negotiations continue with the BBC
- The PRS and MCPS are working closely together to prepare draft licences which will be reviewed at the tribunal
- A small but representative review group has been set up to provider publisher input into this process



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