



ROYALTY PAYMENTS ARE BROKEN

(Here's How We Fix Them)

This Resource Was Developed in Partnership with USA Media Rights and Lyric Financial.

About USA Media Rights

USA Media Rights is a music and media rights company established by Erik Steigen in 2012 and built on over 20 years of music business experience. Clients and partners include songwriters, recording artists, music producers, publishers, record labels, talent managers, and other service companies.

For more information, visit www.usamediarights.com



About Lyric Financial

Founded in 2007, Lyric Financial is a financial services and technology company that provides innovative financing solutions to the global music and entertainment industry. The company's latest innovation, a virtual ATM platform called SNAP, empowers creatives to tap into their catalog earnings in less than a minute.

For more information, visit www.lyricfinancial.com



Introduction

Royalty payments are broken.

Recording artists, producers, songwriters, and other independent contributors in the entertainment industry have been saying it for years: the process of getting paid is too complicated; it's inconsistent; it's slow. In an industry burgeoning with creativity, few organizations have implemented a royalty payment process that puts the recipients' needs first. It's time for a change.

This ebook outlines six of the biggest issues in royalty payment distribution today and offers solutions for how to address them:

- 1 For payees, providing payment information can be a major headache.
- 2 Many royalty payments fail to reach their intended recipient.
- 3 The frequency of royalty payments is unreliable.
- 4 Recipients have limited control over royalty payment method or currency.
- 5 There's a lack of transparency throughout the royalty payment process.
- 6 Cross-border royalty payments are expensive.

Why do these issues continue to plague the royalties space? Nine times out of ten, it's because companies haven't modernized the systems behind their royalty distributions. But you don't need to pay your artists and producers the old way. Hyperwallet provides music and entertainment companies with a new way of sending royalty payments that eliminates all of the issues listed above.

1 For Payees, Providing Payment Information Can be a Major Headache

Before they'll distribute a royalty payment, many record companies and performance rights organizations today subject payees to a rigorous process requiring a wide range of physical and digital documentation: multiple pieces of government-issued identification, bank statements, tax forms, utility bills, etc. The process for changing payment information can be equally frustrating: some music and media organizations require a notarized document to prove something as simple as a change of address.

The reality is that much of this information is simply not necessary in modern royalty distribution. A payout provider like Hyperwallet may require only basic information to deliver many forms of payment, giving royalty recipients a quick and clear way to collect their earnings. And with an improved online royalty portal, payees could provide supplemental information to expand their financial profile and unlock additional functionality down the road.

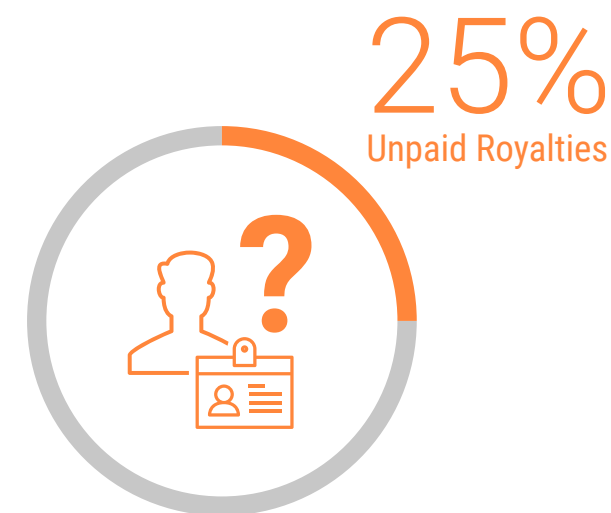
Solution: Make it easy for payees to provide and update their payment information.



In our increasingly digital world, no one should have to worry that money they're owed might just disappear. Hyperwallet's platform offers on-the-go fund management and diverse notification options to ensure that payees can always keep track of their earnings.

Justin Butler – Director Global Sales, Hyperwallet

Estimates suggest that up to 25 percent of music royalties aren't paid due to identification difficulties.



2

Many Royalty Payments Fail to Reach Their Intended Recipient

While payments by ACH and wire transfer have become more common, music and media organizations still deliver many royalty payments by check using the contact information provided at the time of contract signing, which (in some cases) could be decades ago. If that contact information has expired or is incorrect—say, if a royalty recipient has changed representation and neglected to inform an organization of their new information—the payment will be returned. In most cases, the organizations do not have the resources to chase down payees, and the royalties will accrue unclaimed.

Online royalty portals, as they currently exist, can present another hurdle. Most require that payees log in frequently to avoid the expiration of their credentials. Of course, the aim is to increase security—but the lengthy process of acquiring new credentials can dissuade payees from attempting to access older royalty accounts altogether. In contrast, an online payout platform like Hyperwallet's could send email and push notifications to payees whenever they receive a royalty payment—even on long-inactive accounts—and multi-layered security protocols keep recipients secure without any of the complexity.

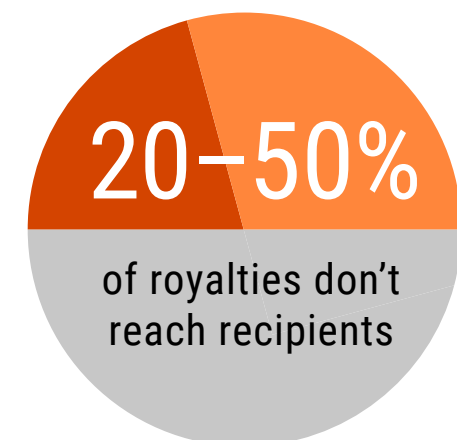
Solution: Give payees a simple way to collect their unclaimed royalty payments.



For a company looking to make their royalty payments more effective, Hyperwallet takes over the hassle and lets royalty recipients manage their payment choices themselves. It just seems so much more effective to me.

Erik Steigen – President & CEO, USA Media Rights

Anywhere from 20 to 50 percent of music royalty payments never reach their rightful owner.



3 The Frequency of Royalty Payments is Unreliable

Because of the cost of royalty distribution (particularly by check), there's very little consistency across the industry when it comes to payout frequency. Most record companies pay royalties twice a year; music publishers typically pay between two to four times annually; performing rights organizations tend to pay somewhere between four to ten times a year. Even then, royalties are often subject to payment thresholds, a frustrating relic from a time when cutting checks was the only feasible payout option.

Putting the focus on the royalty recipient and their cash flow needs can be a major draw in an industry with growing competition, particularly in the performing rights area. Modern payout platforms alleviate the payment frequency issue by significantly reducing the cost of individual payouts for media organizations. Rather than distributing royalties on a schedule, companies could automatically credit royalty accounts in real-time and allow payees to cash out at their convenience, eliminating in-house administrative expenses. And with a range of more affordable payout options, even frequent payment distribution can prove less expensive than checks.

Solution: Eliminate payout schedules and give payees access to their royalties faster.



Checks remain an expensive option for payment distribution even today, and it's sensible for media organizations to want to limit their use—but checks are far from the most current payment technology, and royalty recipients shouldn't have to wait for another payout cycle to get the money that's already owed to them.

Eli Ball – CEO, Lyric Financial

It can take more than two years for a royalty payment to reach its recipient.



4

Recipients Have Limited Control Over Royalty Payment Method or Currency

In a lot of ways, the royalty distribution process isn't much different today than it was 50 years ago. While ACH and wire transfers have become more common, many royalty payments are still delivered by check, particularly for legacy artists and industry veterans who don't have as many representatives as they did during the peak of their creative careers. In today's on-demand technology landscape, there's increasing demand for access to financial tools on mobile devices. Global artists and contributors want more choice in their payment delivery method, including currency options. Music and media organizations need a better solution.

Working with a modern payout platform, organizations can give their payees the option to accept their royalty payments in a range of convenient payment methods—real-time payments to branded prepaid cards, loads directly to existing debit/credit cards, and local bank deposits—just about anywhere in the world. Better yet, providers like Hyperwallet can offer as many as 170 settlement currencies, ensuring that even the most far-flung royalty recipients can use their earnings right away.

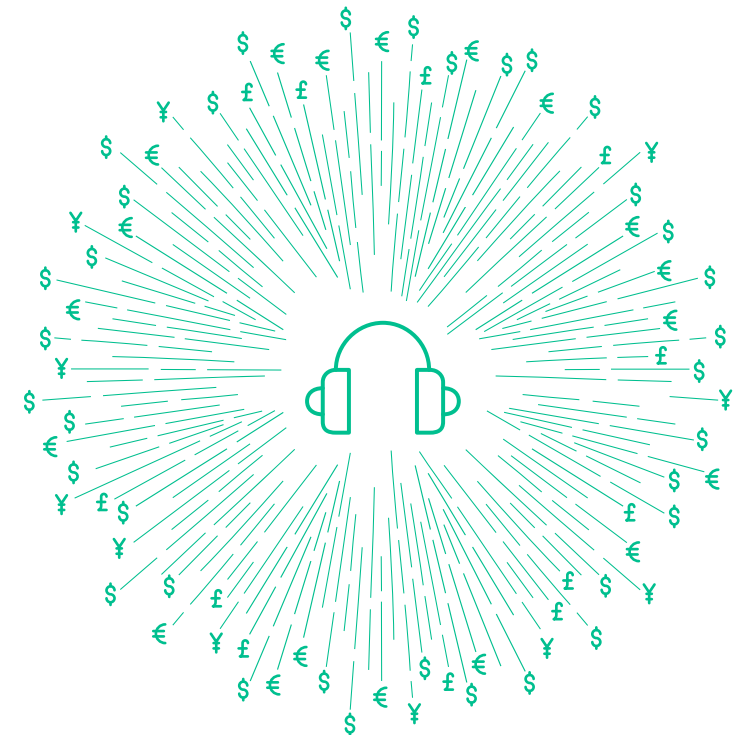
Solution: Give payees more control over their royalty payments.



For recording artists, producers, and songwriters who often are on the go, a payment solution that finds them is the ultimate convenience. Having royalties deposited onto a debit card in local currency while overseas is the way of the future.

Erik Steigen – President & CEO, USA Media Rights

One hit song can generate more than 900,000 distinct royalty payments.



* Source: New York Times, 2015

5 There's a Lack of Transparency Throughout the Royalty Payment Process

Unless accompanied by a comprehensive statement, royalty checks fail to provide the granular details necessary to fully understand a royalty payment. In many cases, statements are sent separately from checks—or not at all. What if a recipient wants to know the royalties from a particular song, the recoupable costs deducted from their royalties, or the international taxes paid in each territory? In addition, the logistics of distribution mean that many organizations redirect international royalty payments through several regional offices before the funds reach their destination. Recipients have no insight into the delivery delays, the fees they've incurred, or when the royalty payment will arrive.

Modern payout platforms, on the other hand, can provide payees with far more visibility into the royalty process. Statements can be itemized to show received funds for individual sales and services, allowing payees to better forecast their recurring earnings. Payees can better pinpoint the timing of their payment delivery, and every purchase made with their royalty earnings can be logged. Royalty organizations can reach royalty recipients almost anywhere in the world without routing through a centralized location, thereby reducing internal processing, shipping costs, and enabling faster payment.

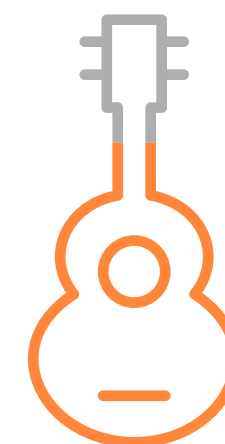
Solution: Provide greater visibility into the royalty payment process.



Powering our royalty payment disbursement platform with Hyperwallet has not just improved the speed of distribution, but has also further increased visibility into the process for our payees.

Eli Ball – CEO, Lyric Financial

Up to 75 percent of a royalty payment can be lost to taxes and fees.



75%
in taxes and fees

6 Cross-Border Royalty Payments Are Expensive

Paying artists in a currency that isn't local to their geography? You're essentially docking their pay.

Foreign exchange fees can really add up for artists when their royalty payments cross borders—the higher the payout, the bigger the fees become. And don't even bother sending a check across borders. The chances of an international artist being able to cash a USD check into a non-USD account is next to zero. Which begs the question: just how costly is it for your artists to get paid on royalties from your organization?

The truth is that, in this day and age, artists should be able to accept cross-border royalty payments just as quickly and as cost-effectively as domestic payouts. What's more, your artists should be able to claim their royalty payments in a currency that's convenient for them, not just for your organization. Anything less is quickly becoming unacceptable.

Solution: Find a payout provider that can facilitate global payouts using local rails.



Ecommerce platforms and freelance marketplaces have rapidly come to understand that fast, convenient, and affordable payouts are essential to retaining their supply-side users—their sellers, their drivers, their taskers. Payouts are no longer an afterthought.

Justin Butler – Director Global Sales, Hyperwallet

Operational cost per transaction for international payments continues to average well above \$20.



(These costs vary widely across institutions and between cross-border corridors.)

Royalty payments are broken—but they don't have to be.

Delivering a superior royalty experience is simple. Hyperwallet can provide your organization with all the tools you need—online payment dashboards, method and currency options, custom mobile apps—to impress your royalty recipients throughout the entire payout process.



About Hyperwallet

Hyperwallet, a PayPal Service, is global payout platform provides growing organizations with a fast, efficient, and transparent way to distribute funds to payees almost anywhere in the world. Trusted by enterprise, ecommerce, and on-demand platforms, Hyperwallet makes it easy to deliver a superior payment experience through a single integration. Put your payees in control with a range of convenient payment methods, enhanced financial management tools, integrated payment tracking, and user-friendly compliance and identity verification. Hyperwallet has offices in San Francisco, Austin, London, Sydney, and Vancouver. You can learn more at www.hyperwallet.com.

Experience the future of royalty distribution.
Request a demonstration today

Email: royalties@hyperwallet.com

Phone: 1 (877) 912-1864

Website: www.hyperwallet.com



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