



MUSIC

MEANS BUSINESS !

Spring 2003

A WORD FROM THE PRESIDENT



As I have mentioned in previous issues of *Music Means Business*, I am a songwriter who relies on SOCAN royalties as part of my livelihood, as well as a business owner who pays a SOCAN licence fee for using telephone music when my customers are put on hold. You, like me, already know how important it is to respect the rights of music creators and publishers around the world by paying your SOCAN music-licence fees. There continues to be considerable confusion about artists versus creators. The two are quite separate, with singer-songwriters being the exception and not necessarily the rule.

The general public doesn't really distinguish between the two, and yet there are important differences that could affect people's understanding of copyright and how the individuals who create music get paid for the work they do.

Most creators remain behind the scenes, like Stephan Moccio, who has written for the likes of Céline Dion, Edwin and Adam Gregory. These writers work long and hard at what they do. Most of my songs, for instance, take many days to write. And unlike many other jobs, I am not paid for the hours, weeks and months I actually spend working on my songs — which is okay with me, as I expect to be paid only when my work is used.

SOCAN, as you know, represents the performing rights of these hard-working creators. And the fees you pay are an important part of creators' livelihoods. When music users fail to obtain a SOCAN music licence, they're not just taking income away from the people who

perform the music — who make money from record sales, performing, merchandise, etc. They are also taking money out of the pockets of the music creators, who often rely solely on revenue generated from the sale and performance of their work: the songwriters, composers, lyricists and music publishers behind those sounds. These people create and promote the words and music that fill our everyday lives, and to continue to do so, they must be paid just like anyone else.

On behalf of all SOCAN members, I would like to thank you for supporting the rights of music creators and publishers by paying those SOCAN licence fees. Not only are you paying the rightful owners of the music the money they deserve, you're also contributing to the advancement of society, our society, and the development of the cultural community.

Gilles Valiquette

GOOD VIBRATIONS MUSIC IS CRITICAL IN KEEPING CUSTOMERS HAPPY

By Suzanne Wintrob

When Madonna first penned the line "Music makes the people come together" for her hit song "Music," it's unlikely she had retail stores in mind. Yet music has become an important element in bringing people together to shop. In fact, some might argue music can be just as critical to sales success as the right fixtures, the right lighting and the right merchandise. "Music has a very strong impact on emotions," says retailing professor Jean-Charles Chebat of Montreal's Hautes Études Commerciales. "[People think] if it moves me, then [retailers] understand me."

While music can help to set the tone for a retail store — and is one of the least expensive ways of doing so — it needs to be carefully considered when it's part of an overall marketing strategy. A study conducted by Chebat revealed that fast music played when shoppers are browsing or waiting to

talk to a sales clerk enhances good feelings and a perception of good products, while the same music played while shoppers are standing in line at the cash register makes them nervous and even aggressive. Many retailers recognize the importance of tempo and pace, and change their music as often as the customer base changes. For example, while a jeans retailer might be happy to play hip-hop hits all day in order to entice a younger crowd, a grocery retailer might select music based on its demographics throughout the day: love songs in the morning for young mothers, big-band tunes in the afternoon for seniors and Top 40 hits for young couples coming in after work. Department stores, on the other hand, might choose to play different musical genres in different parts of the store.

Overwaitea Food Group, which operates stores in B.C. and Alberta, exemplifies this practice. According to Overwaitea's global

marketing manager, Nic Roggeman, the company switches its music throughout the day: "We're trying to make it more enjoyable and hope [shoppers] have a few happy moments. Music goes a long way to help that."

Marie-Josée Tessier, retail marketing manager at Montreal-based Microcell Solutions — better known by its Fido moniker — admits it's difficult to quantify how music impacts Microcell's sales figures, but she's certain it induces a relaxed atmosphere that in turn can yield substantial profits. "If people feel comfortable, they will stay longer," she says, "and if they stay longer, they will buy more."

Excerpted with the permission of Suzanne Wintrob. For the complete article, visit www.socan.ca

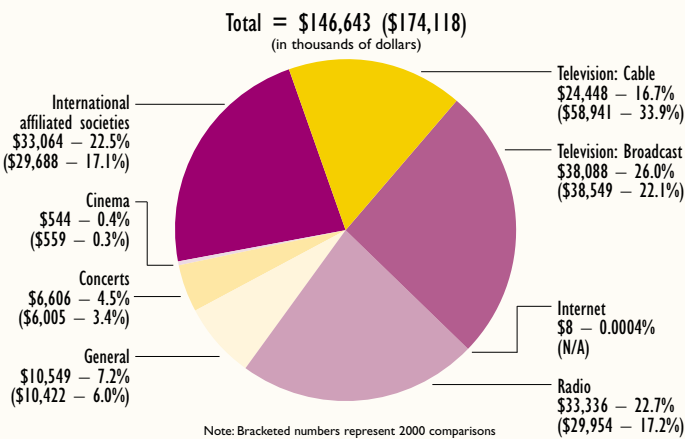
SOCAN'S 2001 FINANCIAL REPORT: WHERE YOUR FEES GO

SOCAN's 2001 revenues (the last year for which audited figures are available) totalled \$146.6-million, which includes \$33.1-million from international affiliated societies.

As always, SOCAN's revenue in 2001 came from two streams: domestic performances (from Canadian radio, television, cable, concerts, cinemas and other general licensing tariffs — retail stores, bars and restaurants, hotels, halls, etc.) and international sources (via our international affiliated societies, covering foreign performances of music by SOCAN's members).

SOCAN's total royalty distributions to creator (songwriter, lyricist and composer) and publisher members, including those affiliated with international societies, in 2001 were \$114.4-million. During the year, a total of 17,645 SOCAN writer and composer members received royalties. It is important to note that the average distribution for each of these members in 2001 was \$2,264.

Chart 1: SOCAN revenues 2001



Statements of Operations, Distribution Fund and Financial Position

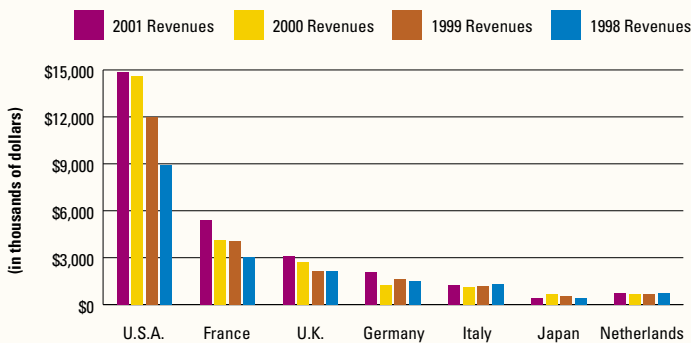
Year ended December 31, 2001, with comparative figures for 2000
(In thousands of dollars)

Operations	2001	2000
Fees from Canadian licensees	\$113,579	\$144,430
Royalties from international affiliated societies	33,064	29,688
	146,643	174,118
Administrative expenses, net of investment interest and rental income	24,889	22,577
Available for distribution	\$121,754	\$151,541

Distribution Fund	2001	2000
Opening balance	\$76,487	\$75,788
From operations	121,754	151,541
	198,241	227,329
Distributed in year	113,977	150,842
Closing balance	\$84,264	\$76,487

Financial Position	2001	2000
Investments (cash, investments and interest receivable)	\$84,663	\$79,312
Less accounts payable and accrued liabilities, net	15,705	15,671
	68,958	63,641
Assets (real estate, office furniture and equipment and computer-systems development costs, net of depreciation and amortization)	15,306	12,846
	\$84,264	\$76,487

Chart 2: International revenue by country



SOCAN'S WEBSITE: TUNED IN TO YOUR NEEDS

If you haven't seen SOCAN's Website before, or if it's been a while since you last visited, you'll be surprised at how informative it is — as a customer, member or fan! SOCAN's site features the latest in industry news and events, offers a resource and education section, provides more detail about SOCAN and showcases the music of SOCAN members via audio clips. Last, but not least, SOCAN's Website has a section devoted entirely to its customers.

SOCAN's recent e-commerce initiatives and upgrades have made it easier and quicker for our customers to pay their licence fees. Many SOCAN licence fees can be paid using PC or telephone banking, or using VISA or MasterCard. You can also enter tariff criteria, calculate fees and file reports online for certain licences.

SOCAN's secure log-in and password system, along with its use of encryption technology for all financial transactions, matches business standards, which allows you to feel confident in paying fees online. In addition, SOCAN's Licensing Department is there to double-check your calculations, thus ensuring you pay no more than the circumstances of your music-use warrants.



Check us out at www.socan.ca

SONGWRITER/PRODUCER JUSTIN GRAY TALKS ABOUT SOCAN



As head proton of the Nucleus Recording Studios at Big Boom Entertainment, **Justin Gray** is one of Canada's most successful record producers and songwriters. At just 28 years old, Gray has carved a permanent place for himself at the top of the Contemporary Hit Radio, Adult Contemporary and Rock charts while working with musicians like Sugar Jones (Universal), Jake (Zomba), Wide Mouth Mason (Warner), Econoline Crush (EMI) and Snow (Virgin), to name only a few.

What made you decide to become a SOCAN member?

I started performing on CityTV's *Breakfast Television* in Toronto with various bands. I knew joining SOCAN would help me get in the habit of filling out song status sheets and ultimately organize all of my work. As a songwriter, I've found that it's easy to be complacent about the business side of what I do. SOCAN makes it simple to register songs without encumbering my creative side. I now have over 250 songs registered with SOCAN.

What are the benefits of being a member?

Relief. I have an organization working for me, making sure I get paid properly for the work I do. This includes income from licence fees paid by SOCAN customers, which is an important part of what I earn. I also get performance royalties, of course. I have received SOCAN statements showing royalty earnings not only from Canada but also Japan, England, Spain, Portugal, Brazil, Turkey and even Croatia. If it weren't for SOCAN, I would never have known about this.

You know what it is finally that makes membership in SOCAN worthwhile? It's nice to know they're always covering our backs.

SOCAN HONOURS CUSTOMERS OF THE YEAR



Terry Wickham

Roger Vézina

Two outstanding SOCAN customers were honoured at the 13th annual SOCAN Awards, held last Nov. 18 in Toronto and Nov. 19 in Montreal. The new Customer of the Year awards were presented in Toronto to Terry Wickham, the long-time producer of both the Calgary and Edmonton Folk Festivals, and in Montreal to the Quebec Ministry of Education. The awards acknowledge SOCAN customers who fully recognize the value and importance of paying SOCAN's licence, or to representatives of or advisors to music users who actively inform and educate other music users about the need to respect the rights of music creators and other copyright owners.

Terry Wickham, who accepted his award from fellow Edmontonian (and SOCAN board member) Holger Petersen, has spent years going above and beyond the call of duty as an advocate for the rights of music creators. "Terry is a friend of SOCAN who has helped us by opening doors to other festivals," said Petersen, "and by being an advocate on our behalf."

In Montreal, the Quebec Ministry of Education was honoured for agreeing, nearly a decade ago, to negotiate an innovative blanket licence for the use of music throughout its primary and secondary school networks, thus sparing SOCAN's staff the time-consuming task of contacting each educational institution individually. At the SOCAN awards, its education resource manager, Roger Vézina, represented the Ministry. "Ours is the only government department [of education] to have signed an agreement of this type with SOCAN," he said, "and we are very proud to be leaders in the area of copyright recognition."

FAQs

Where does the money go that SOCAN collects?

SOCAN collects licence fees and, after its operating costs are deducted, distributes the revenue as royalties to its members (songwriters, composers, lyricists and publishers), as well as to affiliated international societies for their members. More than 80% of the monies received from fees are distributed to the music creators and publishers entitled to it.

Shouldn't the bands and performers I hire pay the SOCAN fee?

If you're the owner or operator of a venue using any music, live or recorded, you are responsible for obtaining the appropriate SOCAN music licences and paying the corresponding fees. As in any other business, the music creators and publishers deserve to get paid for their work.

We already pay the performers. Why do we have to pay SOCAN?

When you hire a band or a DJ, you pay for their performance. When you obtain a SOCAN music licence, you pay the owners of the music. Performing music and creating music are two very different types of creative work, and each deserves fair compensation.

PAYING FOR MUSIC: HOW SOCAN COLLECTS AND DISTRIBUTES ROYALTIES

Why pay for music?

Music touches us in every part of our lives. A song, a melody, a symphony — if music exists, somebody created it. Royalties for public performance of this music is part of how those somebodies (songwriters, composers, lyricists and their publishers) make a living.

Few would question the value of music. It's easy to see — and prove — the contribution it makes to businesses. (See our SOCAN pamphlet, *Imagine your Business without Music!*)

When should you pay?

Music owners have a right to be paid for the public performance of their music. That includes live, recorded or broadcast music. SOCAN actively licenses all of these uses, including: radio and TV, bars, restaurants and night clubs, concerts, movie theatres, fairs, exhibitions, theme parks, dances and dance clubs, skating rinks, recreation centres, fitness clubs, sporting events, circuses, ice shows, comedy shows, airplanes, boats and trains, stores and malls. The tariffs take into consideration the relative value of music to a particular business.

Distributing royalties

Monies collected are distributed to our members and members of our international affiliates in the form of royalties based on five different “payment pools”: television; cable; cinema; radio and general licensing; and concert. SOCAN also receives and distributes royalties from those same affiliates for the performance of Canadian works worldwide. **More than 80% of all monies collected from fees make their way into the pockets of those who created or published the music.**

We're here to help

If you'd like your own copy of our *Paying for Music* pamphlet or more details about SOCAN and why you pay for music, please check us out at www.socan.ca or contact your local SOCAN office. We also have pamphlets on the value of music to businesses, who pays for it and why, plus more. As always, we're here to assist you and to answer any questions you might have.

DID YOU KNOW?

SOCAN publishes *Words & Music*, a quarterly magazine that contains a wide range of articles on SOCAN members, activities in the music industry at large and SOCAN itself.

If you would like to receive a FREE sample copy, please e-mail your full name, company name and mailing address to: wordsandmusic@socan.ca or send a fax to your local SOCAN office (no phone calls, please).

For anyone interested in a full subscription, the annual fee is currently \$15 plus applicable taxes.



SOCAN

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