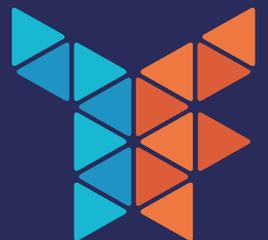


SongSplits:

Cracking Open the Music Industry Black Box
to Get Artists Paid





“Jeremy and the engineers were great at explaining what was going on in a way that *made sense to me* without being overly technical.”

Todd Wright, Founder, SongSplits



Conflicting Recollections Lock Billions of Dollars in the Black Box

It probably feels like the least memorable moment of a songwriting session, and therein lies the problem. Musicians remember the camaraderie and collaboration... perhaps some competition too. They remember the beats, the melodies and harmonies, the poetry of the lyrics and the voices that gave them life. They remember the emotions: elation and frustration, pain and passion, energy and its depletion. These memories endure.

But what about the song splits: the percentage of writing royalties each person should receive for each song you created together? Did you agree on an even split for everyone in the room, or was one of you supposed to get a greater share? Was everyone in the room on the afternoon you wrote that hit, or was that the day one of your usual collaborators had a dentist appointment? Did you finish the song that day, or did one of you finish it solo in the following weeks? Did the publisher later bring in another writer to polish the lyrics a bit? What were the numbers you shook hands on at 3 a.m. in the parking lot outside the studio?

Professional musicians are not (usually) accountants or lawyers. They're creators, and their expertise is in their art. Yet they regularly form verbal contracts that will determine the disbursement of all royalties they earn for the songs they write: royalties from record sales, downloads, radio plays, live performances, online streaming, and synchronizations with television, movies, and online videos.

These contracts are often verbal, sealed with a handshake or a fist bump, maybe conveyed – at a later date and not always accurately – to a manager or publisher. They are often informal and frequently disputed. Even artists acting fully in good faith can have honestly different

recollections or understandings of what they agreed do. Yet these agreements determine the payment of billions of dollars in performance royalties by the three major U.S. Performing Rights Organizations (PROs): ASCAP, BMI, and SESAC.

A widespread lack of clarity in song split agreements has contributed to a well known “black box” of performance royalty income: payments that PROs have collected but, for various reasons, cannot pay out to the artists. Missing or disputed song splits agreements are not the only reason for the black box problem, but they are a major contributor. Hard numbers are difficult to come by, but many industry experts estimate the black box holds at least hundreds of millions of dollars in unclaimed or unpaid royalties... but likely somewhere in the low billions of dollars.

For apex artists still successfully collecting many millions of dollars each year, their share of this black box money may not be life-changing. But for the vast majority of artists, this money could mean the difference between continuing to create and having to give up the dream for a regular paycheck. Successful song split agreements can keep creators creating.





A Guitar-Playing Financial Manager and a Legendary Hip-Hop and R&B Publisher to the Rescue

As a teenager, Todd Wright told his parents he was going to spend his summer vacation learning to play the guitar. They told him that was fine, but he also had to get a job. So he walked in cold to a music studio and walked out with one.

“My parents were like, ‘That’s not going to be your job,’” says Wright, **“‘there’s no real career there.’”**

Wright acquiesced to their wishes, studying accounting and finance. He was good at it, and he soon started a successful career as a financial advisor and business development consultant for companies and high-net-worth individuals.

He also learned to play the guitar along the way.

Music still called to Wright, and he knew that musicians needed the kind of help he was most qualified to give. He shifted the emphasis of his work to business management for artists, and in 2007 he founded The Wright Business Management Group, which provides financial and business management services. Musicians and other creative professionals are the company’s primary clientele.

“I figured out a way to merge the more traditional background and education with a passion,” he says, “and I was able to put all this together.”

It was through his work on behalf of musicians that Wright learned firsthand how difficult it was to collect all the royalties owed to musicians, and he saw how missing or disputed song splits agreements so often made the problem worse. He could solve these problems for his artists, but the work was labor-intensive. Independent artists without someone like Wright on their side had little hope of cracking open that big black box.

“Imagine you work and you earn money, and someone just holds onto it until you show up to give them your bank account for them to send it to,” says Wright. **“It’s very similar to that. There are literally billions of dollars in the music industry black box.** Songwriters haven’t entered their information correctly, so it just sits there. And songwriters have it hard as it is, just trying to create and make songs that people will buy or listen to. You need every dollar you earn, especially if you’re an up-and-coming songwriter at an earlier stage. You can’t have it sitting in the black box.”

Through his work as a business manager for musicians, Wright had the opportunity to meet and partner with Al “Butter” McLean, then the legendary Senior Vice President of Creative at Kobalt Music. McLean had made a name for himself signing and working with hip-hop and R&B artists including 50 Cent, Childish Gambino, and Mike WiLL Made-It. He also co-managed Alicia Keys and was involved in Jennifer Lopez’s first record deal.

Kobalt Music already had a reputation as a different kind of music publishing company “using technology to power creative freedom, transparency, ownership, and control for artists, songwriters, publishers, and labels.”

When Google Ventures invested in Kobalt in 2015, Google Ventures founder Bill Maris, in an interview with Wired, said, “Kobalt and [Kobalt founder] Willard [Ahdritz] are changing the way artists are treated in the music business, particularly when it comes to providing trust and transparency and compensating creators for their work.”

Wright and McLean started talking about how to solve the black box problem for their artists and for all the independent artists who didn’t have their help. They decided that solving the problem of song splits agreements was the key.





A Standard Ledger for Song Splits

Wright founded SongSplits as a technology solution to the black box royalties problem. It creates a shared standard ledger for all song split agreements, with all the usual manual and human complexity of this process automated by the platform. It's free for any artist to use, and SongSplits says that more than 200,000 artists so far have chosen to do so.

Many of the artists are household names. Beyoncé, T-Pain, and Justin Bieber are all registered on SongSplits. Several more are independent artists, just trying to collect enough for the next round of studio time.

Once agreements are finalized on the platform, artists, publishers, and PROs all have a single, shared source of truth for royalty distributions. The black box is cracked open, and royalty payments can flow to the artists without all the endless bureaucracy and litigation of the current system.

Here's how it works:

1. A songwriter or their manager or attorney sets up a free profile on SongSplits.
2. With a simple online form, they register their song split arrangement, including all collaborators and their agreed upon splits.
3. Each collaborator automatically receives an email from SongSplits, asking them to check and confirm the agreement. (If they're not already SongSplits members, they're first asked to create an account.)
4. Once all collaborators confirm the agreement, it's finalized in the SongSplits standard ledger.
5. Publishers then use the ledger to register the work correctly with the PROs.
6. Artists get paid.

SongSplits provides all of this for free to the music community.



A “Built From Scrap” MVP Leads to a Tech Strategy Consult and a New Partner

The MVP of SongSplits’ technology platform was built by another developer in raw PHP, with no framework. It served its purpose as a proof of concept, but Wright knew it wasn’t going to support his company’s growth.

“We had a site that provided a very basic function, but it was not built with the real ability to scale, nor with any proper security measures in place,” says Wright. “We built it from scrap. So we were looking at it going, ‘OK, it’s time to actually get this thing to the next level.’”

He reached out to his friend James Chinn, CEO at Shadow-Soft, and Chinn recommended he contact 7Factor CEO Jeremy Duvall for help. Wright met with Duvall and liked what he heard. “We hit it off,” Wright says. “He saw the vision that we had; he understood what we were trying to do. It just made sense.”

“He came to us with a dream and a very rough MVP,” says Duvall, also a guitarist who has a love of hard rock and heavy metal.

Duvall first came on board in a strategic consulting role, something he frequently does with startups that come to 7Factor for help. Together, they brought engineering rigor to Wright’s inspiring vision.

What was the core problem that SongSplits was attacking? How could technology best solve it? How would SongSplits eventually monetize its platform?

For Duvall, it was a classic opportunity for automation and disruption. The music industry’s antiquated royalties system was bloated with bureaucracy that, at best, burdened musicians with unnecessary and wasteful labor. Too often, the burden was so great that their royalties were either long delayed or never paid. It was a broken system that kept stumbling along on its own momentum, and artists were paying the price.

The problem had become even worse in the digital age with the profusion of new modes of song distribution. Music is no longer limited to record sales, radio plays, and concerts. Downloads, streaming services, YouTube videos, and all the rest had multiplied the uses and potential royalties for songwriters. Kobalt once calculated that a single song had 900,000 sources of income, and a Berklee College of Music report “found that anywhere from 20% to 50% of music payments do not make it to their rightful owners.”

There was potential here for artists, even unsigned artists, to earn more for their work. However, the growing complexity of the effort often kept this boon beyond the reach of artists who didn’t have the services of a business manager at their disposal.

Wright had hit upon the key idea to solve this: a standard ledger powered by technology to crack open the black box of royalty payments. Duvall knew how to design technology to make that vision real, automating all the hard parts so that artists could get back to creating.

Wright and Duvall also discussed how to monetize the service. They were committed to the idea that the standard ledger must remain free to all artists. That’s the only way it would serve the majority of independent artists who most needed SongSplits’ help.

The standard ledger established that critical single source of truth. The artists would still have to

collect the money due them, and while the PROs should theoretically handle that for them, any artist without a business manager risked their royalties getting caught in the black box.

Duvall and Wright decided they could use technology to solve this too. Leveraging the ledger, they could use online payment systems to collect royalties for artists who opted in to the payment service. SongSplits would handle collections on their behalf and speed payments to their bank accounts. Because they would use technology rather than antiquated manual collections methods, they could deliver more money, faster to artists, for less than the artists might otherwise have to pay a manager for the service.

With a precise understanding of the problem, a straightforward technology solution, and a viable plan to monetize, SongSplits' way forward was now clear.

“Wright knows the industry,” says Duvall. **“We know what technology can do. Together, we got his business case figured out.”**

Duvall came to believe in the business case so much that he agreed to take a stake in the company as compensation for his work. “They’re on the cusp of building something that could potentially be very valuable to the music community,” says Duvall.

Scraping the Scraps to Start From Scratch

With the business case now clear, Duvall assigned a 7Factor engineer to evaluate the existing SongSplits code. The hope was that the buggy software could be fixed, then key features added. The engineer’s findings soon dashed that hope.

Raw PHP had been hacked together, with no framework, no best practices, no guidance. This made it difficult to figure out how the code worked – or even if it worked – before attempting to add requested features.

Users were sometimes added twice to the same database, skewing Wright’s analytics and confounding the very problem he was trying to solve. There is no room for duplicates in a standard ledger meant to serve as a single source of truth.

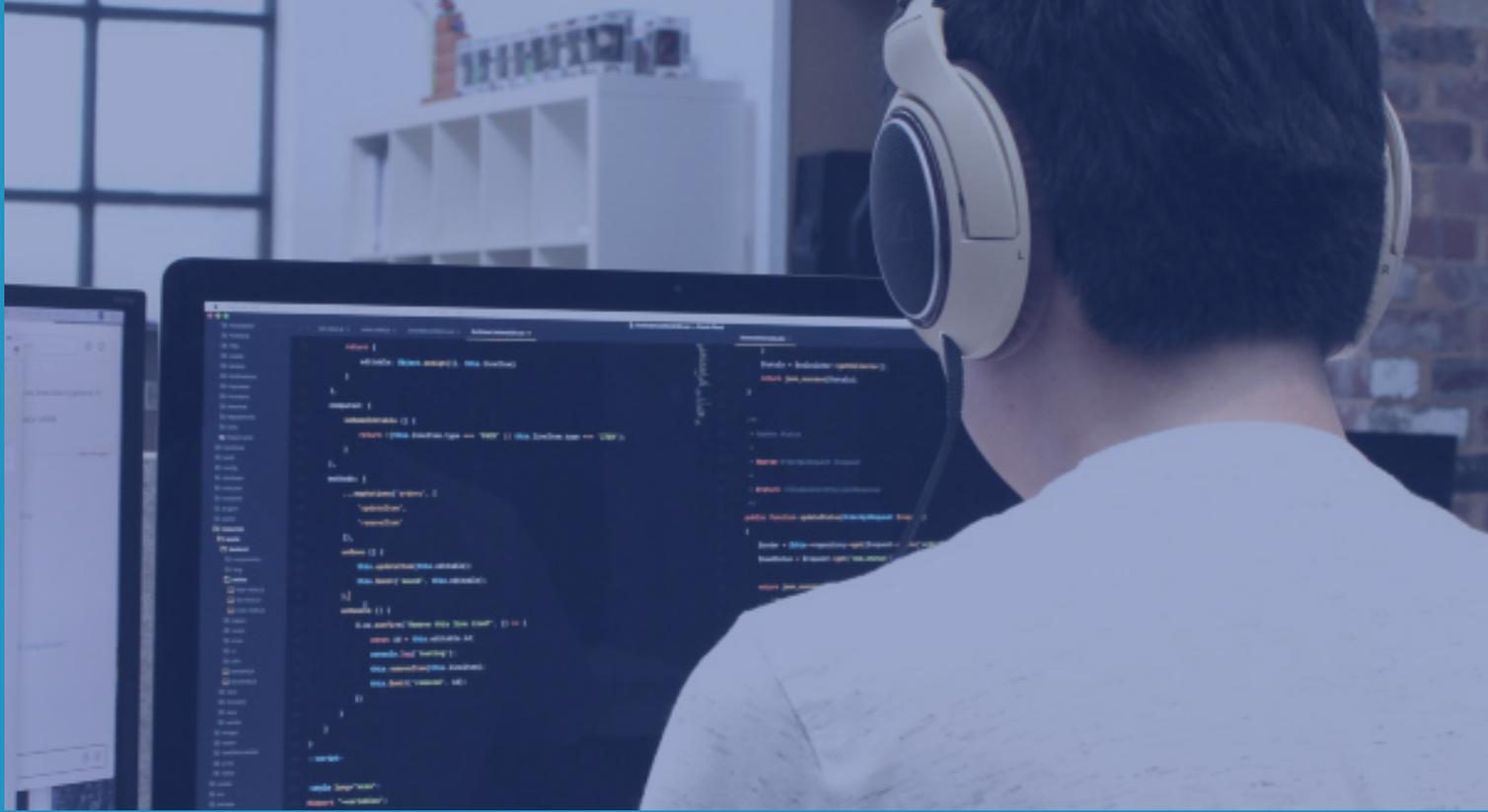
Passwords were also stored improperly.

The more the engineer looked, the more layers of problems they found. Eventually they came to Duvall and recommended that 7Factor rebuild the application from scratch.

It’s not a recommendation Duvall likes making to a client, but, after quizzing the engineer and looking at some of the problems himself, he concluded it was the right course of action. The application was badly broken. Wright had some inkling of this when he came to 7Factor for help, but he hadn’t realized how bad it really was.

The original code would slow implementation of new features, hinder performance, and likely crash under heavier loads. It would never allow SongSplits to grow and fulfill its mission. **Starting over from scratch was the right thing to do**, and, after Duvall explained this to him, Wright agreed.

There was however some good news: Duvall told Wright that 7Factor could rebuild the whole application in only one month. (It ended up taking one month and two days.)



Occam's Razor Keeps the Code Clean

7Factor engineers got to work rebuilding the application on a solid foundation. We chose to keep it in PHP but used the Laravel framework for its out-of-the-box speed, security, and standardization. (No more hours wasted by a new developer trying to understand eccentric code.) We built it all out on an AWS infrastructure, using Concourse and Terraform.

Rebuilding the SongSplits code honestly wasn't the hardest thing our software engineers have ever done. Not by a longshot.

There are some many-to-one relationships in the database that we had to get right. (Avoiding, for example, those duplicate entries we'd found in the original code.) A contract can have many artists or users attached to it, and there's a separate table for all the contract agreements.

We built in some basic checks to verify, for example, that the splits in any agreement add up to 100%. And because song splits agreements carry legal weight, we had to build everything to be litigation proof.

Our engineers also spent a few days writing a script that parsed through the existing database, normalized it, deduplicated it, then carried over everything that needed to be carried over to the new application.

But all of this was well within the capabilities of 7Factor's engineers. "This was not rocket science," says Duvall.

The key to that simplicity, however, lay in the clarity that Duvall had brought to defining the problem, and in our engineers identifying a precise and specific solution to that problem.

"Occam's razor, right?" says Duvall. "The simplest way to solve the problem is probably the best. And that philosophy is what helps us make startups more successful."

Building Together Toward Something Better

Wright was very pleased with the rebuilt application. “We’re now collecting all of the information that we really want to collect, and we know that no one can hack into it,” says Wright. “We know that we can market this thing to the nth degree and get a million or two million songwriters on it, and it’s not going to break. Our comfort in that, coupled with the feedback that we got from users and other industry people made us feel really good about what we had done.”

Wright also appreciated the collaborative nature of the 7Factor team.

“This is my first time building out a tech platform,” he says. “I don’t really know all the questions to ask, and sometimes I ask a dumb question. But Jeremy and the engineers were great at explaining what was going on in a way that made sense to me without being overly technical. But not being so simple where I didn’t feel like I was gaining any information either.”

Todd Wright, Founder, SongSplits

7Factor is now implementing the key feature that will help Wright monetize SongSplits: a service to collect royalties from PROs and distribute them to artists whose agreements are registered in the SongSplits standard ledger.

“We’re the only ones capturing the data at the very beginning,” says Wright. “Because we are using technology, we can charge less than what these big monster companies are charging. It can be a win for songwriters both ways in terms of collecting more dollars, and paying the company that’s collecting it for them less. So that’s a pretty nice situation.”

Like most of what we’ve built for SongSplits, integrating a secure payment platform is familiar territory for 7Factor’s engineers.

Wright could have chosen a payment platform on his own, then hired a freelance developer to integrate it. Maybe it would have worked, and maybe it would have been secure. Maybe.

“The value we’re bringing,” says Duvall, “is knowing the best, most cost-effective way to integrate a payment platform. We’re getting him what he needs for fractions of a penny, whereas traditional payment gateways are going to cost you exorbitant amounts of money to get lined up.”

7Factor’s payment platform integration will serve the artists better too.

“When artists work with SongSplits, they’re getting a faster payment,” says Duvall, “and they’re getting a more technologically advanced payments platform that can pull money into their accounts more quickly.”



All About the Artists

Because of their own passions for music, neither Wright nor Duvall are above some starstruck fan moments as they see more and more musicians join the SongSplits platform.

“The one I was probably most excited about was T-Pain,” says Wright. “That was just recently, and he’s such an icon.”

“That’s pretty badass,” agrees Duvall. “It’d be cool if I met Dave Grohl through SongSplits one day,” he says, though he loved the opportunity to meet with Al McLean. “I’m meeting someone who helped pioneer a very important genre of music that has incredible ramifications to American culture. He’s a legend in the industry.”

The big names are fun to see, but Wright always comes back to the artists whose names most people don’t know. “Part of what we’re trying to do here,” he says, “is bring to light the writers who are behind the scenes. They’re the ones who need an easier way to get paid for their hard work.”

Duvall and everyone at 7Factor is inspired by that mission, and we’re delighted that we have the opportunity to help.

