



MUSIC

MEANS BUSINESS !

Fall 2003

A WORD FROM THE PRESIDENT: WHAT'S A SONG WORTH?



SOCAN's newly elected President, Earl Rosen, is founder and president of Marquis Classics, for 20 years one of Canada's leading independent record labels, and de Sade Songs, its affiliated publishing company. Below is his first contribution to SOCAN's customer newsletter.

I am writing the day after more than 450,000 music fans showed the world what music means to them. Businesses, politicians and fans chose music as the means to jump-start a city stalled by the impact of SARS.

The economic impact is projected to be \$52,000,000 pumped into the Toronto economy, especially the hard-hit tourist industry.

Staging such an event took the co-ordinated efforts of thousands of people: the performers and their crews, police and security, bus and taxi drivers, and the huge clean-up crews. Everyone worked hard to make the event a remarkable success, and everyone was well paid for their contribution — as they should be.

At the very core of the event: the bands and the songs.

When Mick Jagger launched the Rolling Stones set with "Start Me Up," it was as if the song had been written for the occasion. This was a fitting reminder of the contribution that songwriters make, not just to music but to the spirit of the times.

It is for this reason, of course, that so many businesses use music to set a mood — to provide their customers with just the right ambience. From hip-hop to classics, people use music to define who they are. Our taste in music often reflects our taste in clothes, in cars, in restaurants.

Successful composers are those whose songs help us define who we are and how we feel with just a few notes and words.

What was the composers' share compared to the total economic impact of the Toronto SARS concert? Less than one half of one percent. A small reward for such a defining event.

SOCAN CUSTOMER SATISFACTION ON THE RISE

SOCAN's customers demonstrate an increased overall level of satisfaction with the organization, with the value they receive for the licence fees they pay, with the organization's efficiency, and with the quality and amount of communication they receive from SOCAN, according to a systematic telephone survey of 404 customers throughout Canada.

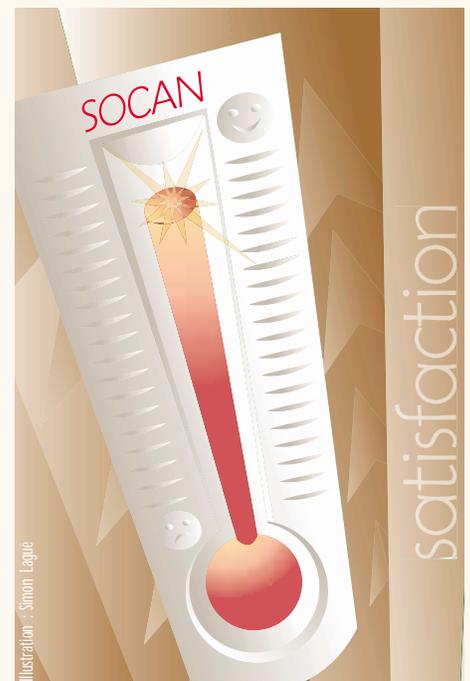
Those contacted during the survey included bars, concert halls, recreation centres, radio and TV broadcasters, and others. Interviews were split between English and French customers. The percentages are accurate estimates for all SOCAN customers within plus or minus 5 percent, 95 times out of 100.

In general, customers are satisfied with their relationships with SOCAN, although less so with the value they receive for the licence fees they pay. On a scale from 1 to 10, overall satisfaction is 6.21,

a significant increase over the 5.74 figure in the survey carried out in 2001. Satisfaction with value for the fees customers pay is 4.89, up from the 2001 figure of 4.34.

Most customers continue to indicate that the music they use in their establishments is important to the overall success of their businesses and in order to create a desirable atmosphere.

As for SOCAN's e-commerce initiatives, although many customers (85 percent) have access to the Internet, relatively few of those (20 percent) have used it to view the SOCAN Website during the past year. Few customers (17 percent) report they are aware they could complete both licence applications and report forms, as well as pay fees, online; or pay fees by phone, on a debit card or electronically. All of the customers who have used the online report form agree it is user-friendly.



SOCAN'S 2002 FINANCIAL REPORT: WHERE YOUR FEES GO

SOCAN's business continued to evolve at an impressive pace during 2002. In particular, members are enjoying unprecedented success abroad, as reflected in a 33-percent increase in the organization's international revenue. Total revenues for the year amounted to \$166-million, including \$44-million from international affiliated societies.

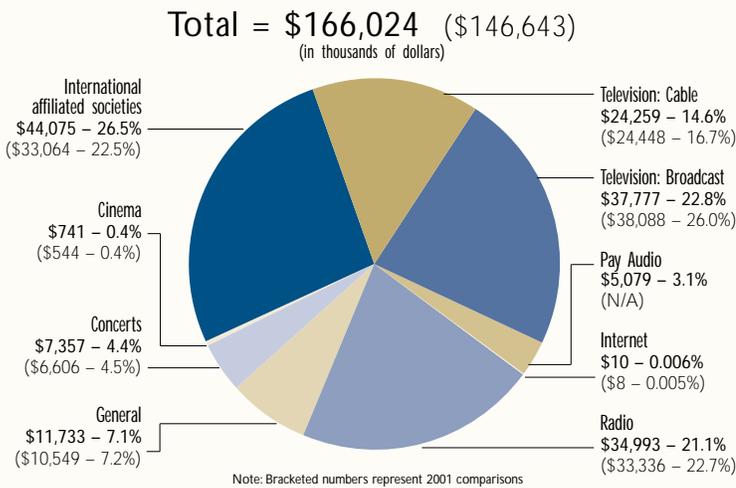
As always, SOCAN's revenue in 2002 came from two streams: domestic performances

(from Canadian radio, television, cable, concerts, cinemas and other general licensing tariffs covering music used in 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 members (songwriters, lyricists and composers) and publisher members, including

those affiliated with international societies, in 2002 were \$126.6-million. During the year, a total of 20,818 SOCAN writer and composer members received royalties. It is important to note that the average distribution to each of these members in 2002 was \$2,240 and that more than 80% of all monies collected from fees made its way into the pockets of those who created or published the music.

CHART 1 SOCAN revenues 2002



Statements of Operations, Distribution Fund and Financial Position

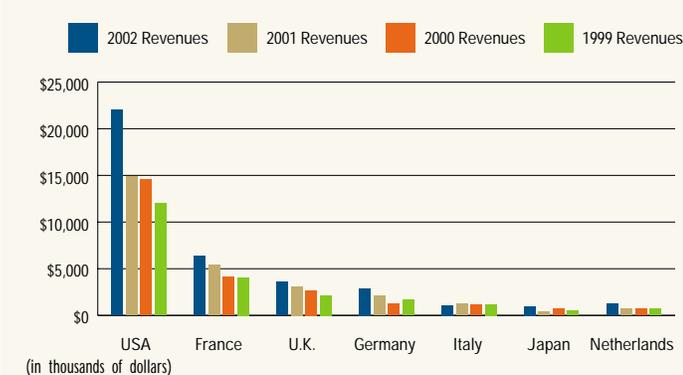
Year ended December 31, 2002, with comparative figures for 2001 (in thousands of dollars)

Operations	2002	2001
Fees from Canadian licensees	\$121,949	\$113,579
Royalties from international affiliated societies	\$44,075	\$33,064
Total	\$166,024	\$146,643
Administrative expenses, net of investment interest and rental income	\$28,123	\$24,889
Available for distribution	\$137,901	\$121,754

Distribution Fund	2002	2001
Opening balance	\$84,264	\$76,487
From operations	\$137,901	\$121,754
Total	\$222,165	\$198,241
Distributed in year	\$127,434	\$113,977
Closing balance	\$94,731	\$84,264

Financial Position	2002	2001
Investments (cash, investments and interest receivable)	\$97,958	\$84,663
Less accounts payable and accrued liabilities, net	\$15,889	\$15,705
Total	\$82,069	\$68,958
Assets (real estate, office furniture and equipment and computer-systems development costs, net of depreciation and amortization)	\$12,662	\$15,306
Total	\$94,731	\$84,264

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 e-commerce initiatives and continuous upgrades have made it easier and quicker for our customers to pay their licence fees. All of SOCAN's licence fees can be paid using PC or telephone banking, while many can be paid 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 warrant.

Check us out at www.socan.ca

FAQs

The bands I present play only their own music. Why do we have to pay SOCAN?

When you hire performers to play at an event, you are contracting them for their performing services. This does not cover the public performance of music — even for their own works. If a performer also created the music, they have assigned the performing rights to SOCAN or another performing-rights organization for administration.

I rent my venue to promoters. Shouldn't they be responsible for paying the SOCAN fee

Yes, they are also responsible. If the promoter of an event doesn't obtain the necessary licence, the owner of the venue can be held responsible for the unlicensed performance. If music is used in your venue, simply contact SOCAN. It's easy to ensure that the right SOCAN licence is obtained.

I already bought the CD so why do I need a SOCAN licence?

When you buy a CD at a record store, you have not paid the owners for the right to use their music in public. Only a SOCAN licence allows you to perform that CD in public. Of course, if you purchase a CD for private use (e.g. playing it in your car), a licence is not required.

I only play CDs, tapes, etc. for background music in my establishment. Why do I need a licence?

Background music is considered a public performance, so you need a SOCAN licence to play most types of background music in your establishment. Contact us to be sure.

MAKING THE CONNECTION SOCAN's presence at trade shows

Trade shows are one of the many ways we try to connect with you. That's why we participate in a number of these events throughout the year. Here is a list of recent or upcoming trade shows SOCAN is participating in:

- Can-Fit-Pro Fitness trade shows, Aug. 15-16, Metro Toronto Convention Centre
- Contact East, Sept. 25-27, Arts & Culture Centre, St. John, NFLD
- Hostex, Oct. 19-21, International Centre, Toronto
- Capacoa Conference, Nov. 15-17, Delta Ottawa Hotel
- Bar & Beverage Conference Expo, Jan. 2004, Calgary
- Hotel Association of Canada (HAC) Conference, Feb. 2004, Toronto

We hope to see you there.

MUSIC MOVES BODY AND SOUL

by Marcy Cornblum

There's no question: music enhances business. A multitude of organizations, from phone companies to grocery stores, recognize that music has a profound effect on the products and services they offer. These companies routinely use music as an integral part of their business.

For some areas, such as the fitness industry, music is at the core of the whole experience. In fact, it's hard to imagine the fitness industry functioning without music. According to Megan Cameron, public relations manager for GoodLife Fitness Clubs, "Music creates a tempo, a lively, upbeat mood and a camaraderie among participants. Music adds an element of fun and helps keep our exercisers motivated."

GoodLife is one of the largest fitness companies in Canada. They have 75 locations in Ontario, New Brunswick (Fredericton) and Quebec (Laval, Kirkland and Hull). GoodLife Fitness values its relationship with SOCAN. "Our management at both club and head-office levels has always found SOCAN to be patient, professional and accommodating," says Cameron. "We applaud their efforts in protecting the rights of music creators and their publishers." GoodLife and SOCAN work together to ensure compensation is directed towards music creators and their publishers for music played in their fitness studios and as ambient music for the clubs.

Exercising on a treadmill is anything but boring when music is added to the mix. "Music makes the time fly pleasantly. The body is exercising and the mind is entertained with music," says Terri Demo, regional fitness manager for GoodLife Fitness. Music is a key ingredient for every class. "We use music to set the tone. Music is the motivation that drives us to help our members have a 'wow' experience each and every time."

In aquafit classes, music plays an equally essential role for the participants. "Movement in water is good for the body," says Charlene Kopansky, president/owner of Canadian Aquafitness Leaders Alliance Inc. "Movement to music is great for the soul. Engaging the body, mind and spirit while moving to music in water is an uplifting experience."

Canadian Aquafitness Leaders Alliance is currently in its 11th successful year, and music is vital to aquafitness leaders worldwide. Kopansky believes that "when a leader selects music they themselves enjoy, then the class will benefit. An instructor who is inspired by the music will convey this positive energy to the class."

Kopansky feels strongly about SOCAN's work of acknowledging the composers and the people who put together the music, and she encourages her instructors to use music that has been licensed by SOCAN. At the recent Canadian Aquafitness Leaders Alliance convention, SOCAN's representative did a great job of informing and educating the attendees. "The SOCAN representative gave a speech about honour and dignity and the importance of using licensed music," says Kopansky. "The message was well received and well placed."

An instructor herself, she says that in her classes, "Not only does music motivate the body to move, but everyone gets so caught up in the music, they sing out loud in the pool!"

LOBLAWS ADDS VALUE THROUGH LIVE MUSIC

We would like to welcome Loblaws, Canada's largest grocery chain, as a SOCAN customer. A leader in one-stop shopping, offering everything from photo processing to banking services, Loblaws always looks to give added value to its customers.

Music is an integral and enjoyable part of the shopping experience. Not only does it set a mood but, in the case of some 25 select Loblaws locations across Canada, music is almost a destination in itself. From mellow jazz to soulful reggae, live music has played a significant role in making every shopping trip a real adventure. Now that's innovation!

USING BACKGROUND MUSIC

It may be background but it's still music

Why music isn't free

There's nothing new about this. Performing rights have existed in Canada for over 75 years. Of course, every tune played as background music was written, and published, by somebody. As in any other business, these people deserve to get paid for their work. And it is their right to get paid for use of their music in public (no, it's not included in the price of a CD). It's part of how they earn a living — and if it's worth playing, it's worth paying. All of this holds true for background music.

Music adds value

Music brings value to businesses. Study after study confirms that music plays a major role in setting the mood for shopping and dining, to name just a few activities (for references, see our brochure, *Imagine your Business without Music!*). The SOCAN music tariffs (including those for background music) take into consideration the relative value of music to a particular business. As you'll see, it's quite logical.

We're here to help

If you'd like 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.

A BIG THANK YOU

A big thank you to those of you who took advantage of our offer of a complimentary issue of SOCAN's magazine, *Words & Music*, which was made in the spring issue of *Music Means Business!*

Words & Music is a quarterly magazine published by SOCAN that features a wide range of articles on SOCAN members, activities in the music industry at large and SOCAN itself. For anyone interested in a subscription, please contact wordsandmusic@socan.ca. The annual fee is currently \$15 including applicable taxes. Various *Words & Music* articles can be viewed online at WWW.SOCAN.CA.



SOCAN

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SOCAN publishes another in the series of pamphlets aimed at helping music users

In keeping with our continuing commitment to improve customer service to music users, SOCAN has recently published the pamphlet *Who Pays for Music: at concerts, festivals and other public events*. The title is self-explanatory, and the pamphlet also contains a number of FAQs to offer music users a better understanding of how these types of events are licensed and who should apply for a licence.

You can find this pamphlet, along with already published SOCAN pamphlets, at WWW.SOCAN.CA.