



# Can't stop the music

A world-first music subscription service can minimise rising fees.

*As licensing fees for music get ratcheted up every year, what alternatives exist? Amanda Loban reports*

In January of this year, the Phonographic Performance Company of Australia (PPCA) announced a record \$29 million royalty payout to Australian music artists. While this was welcome news to performers struggling with illegal downloads and declining music sales, it also came at a price—and restaurateurs are being left to foot the bill. Geoff Lindsay of Victoria's Dandelion restaurant was one of the many restaurateurs shocked by a dramatic jump in the cost of the PPCA public performance licence.

The new tariff structure, following broad industry consultation and phasing in from 2009 to 2013, meant a jump of almost \$4000 for Dandelion. "For a small business in this economy, it's a bill we just don't need and can't afford. It's a little unfair," says Lindsay.

Some might argue that it is more than a little unfair. While a restaurant may now be up for an annual bill of more than \$4000, amusement centres such as bowling alleys can pay as little as \$77.22 a year. At the same time, bars, clubs and taverns that play only background music are up for a maximum fee of \$167.97 for each room in which music is played—a fee comparable to that charged to restaurants and cafes before the rise.

Dan Rosen, CEO of PPCA, says that to hit the maximum, a restaurant would have to be charging more than \$25 for a main meal and be open most days of the year. "Such an operation

is very rare and our records show less than five per cent of our licensed restaurants would be charged this amount. Conversely, a far greater proportion of restaurants and cafes are being charged less than \$100 per quarter," he says.

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Dan Rosen, CEO, PPCA

Dean Cherny, managing director of Marketing Melodies, says that, in this way, the PPCA has it back to front. "I'm a musician and a DJ and I've produced in a band, and the money that comes through these things is important but I actually think it's inversely proportional. A high-end restaurant relies much less on music than a bustling cafe, where it's a bigger part of the ambience."

Rosen disagrees. "The value of playing music for a restaurant is huge and undeniable and when an artist's music is used to drive business, an artist deserves to be compensated for that." This view is based at least in part on research undertaken by Charles Areni, professor of marketing at the University of Sydney. Areni's research found that music can be used to directly control restaurant turnover rates, with faster music encouraging faster consumption and earlier exits, and slower music encouraging up to 25 per cent longer stays and significantly increasing spend (41 per cent more alcohol, and a 15 per cent higher contribution to gross margin with music slower than 73 beats per minute compared to music faster than 91 beats per minute).

To help restaurateurs struggling with the rising fees, Cherny has developed 'storePlay', a world-first music subscription service designed for restaurants and cafes. The service allows restaurateurs to subscribe to specially formulated playlists delivered automatically each month via iPods, iPhones or iPads.

The jewel in the storePlay crown is PPCA-free 'Groove' playlist. Although APRA's standard public performance fee remains in force, the 'Groove' playlist allows restaurateurs to avoid the additional PPCA fee. The PPCA-free playlist features contemporary music that is not associated with any of the major Australian record labels. Cherny says this music may be unknown or lesser known in Australia, however, it generally consists of music commercially released throughout Europe, including covers of popular tracks.

Lindsay, a storePlay subscriber, admits that there is a loss in the high-end tracks, but he argues that restaurants don't want a lot of recognisable music anyway. "In a restaurant environment, you might only hear the music every 10 or 15 minutes, during a lull in conversation or while waiting for another couple. You don't want customers sitting there singing along or trying to listen to it."

In addition to PPCA-free music, Rosen says restaurants and cafes are free to use radio broadcasts all the time or just on certain days of the week to reduce their fees. It is also possible to license music directly with the record label or artist or, simply, to turn the music off. While there's a number of methods of minimising the growing licence fees, what is clear is that restaurateurs need to stop thinking of music as part of the background noise and start taking a much more strategic approach to establishing the most profitable ambience for their venue.

## Meet the music men

In addition to the cost of the music itself—the purchase of a CD or mp3 file, for example—music played on commercial premises is subject to public performance fees.

**The Australasian Performing Right Association (APRA)** is a copyright collective representing composers, lyricists and music publishers. A monthly or annual fee is payable to APRA for the right to play music in a restaurant, and this fee is based on the size of the dining area. Additional information about APRA fees can be found at [www.apra-amcos.com.au](http://www.apra-amcos.com.au).

**The Phonographic Performance Company of Australia (PPCA)** is a non-profit organisation representing Australian recording artists and record companies. PPCA's non-exclusive quarterly or annual fees are calculated based on a number of factors including seating capacity, whether alcohol is served, the days of operation, and the average main meal price. Additional information about PPCA fees can be found at [www.pcca.com.au](http://www.pcca.com.au).

"For some establishments, silence, 'elevator music' or the use of commercial radio is of no detriment to their operation," says Rosen. "However, many business owners feel that having broad control over the music played in their cafe or restaurant is necessary to controlling the atmosphere and giving customers the best possible experience which, of course, results in higher takings and repeat business." ○

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