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Together makes progress

Finance transformation in
music and entertainment

Introduction

As an economic powerhouse, the music and entertainment industry shapes how the world thinks, feels, and connects. Beneath every song and every artist lies an intricate financial ecosystem that underscores the unseen force that turns creativity into sustainable growth. But what many might not realize from the surface is that finance functions in media enterprises go far beyond balance-sheet conversations. Finance is the core of the creative engine that links functions across internal teams, external partnerships and collaborations, artist relations, and global scalability. Their “products” are not widgets or lines of code, but rather emotions, voices, and ideas that move people.

The industry is entering a new era where creativity, technology, and finance must move harmoniously to define the future across all media empires. The forces that are reshaping this landscape—operational reinvention, royalty and rights management, digital transformation, financial resilience, and AI-driven intelligence—are not isolated initiatives, but interconnected levers of competitive advantage. Those who master them will not simply be better able to adapt, but could set the precedent for the industry’s future. At Deloitte, we help music and entertainment leaders orchestrate this transformation by building agile and intelligent financial ecosystems that empower creativity, unlock scalability, and enable the music to play on and play louder than ever before. We collaborate with you on your journey to help you lead with confidence, innovate with purpose, and shape an industry that moves us all.

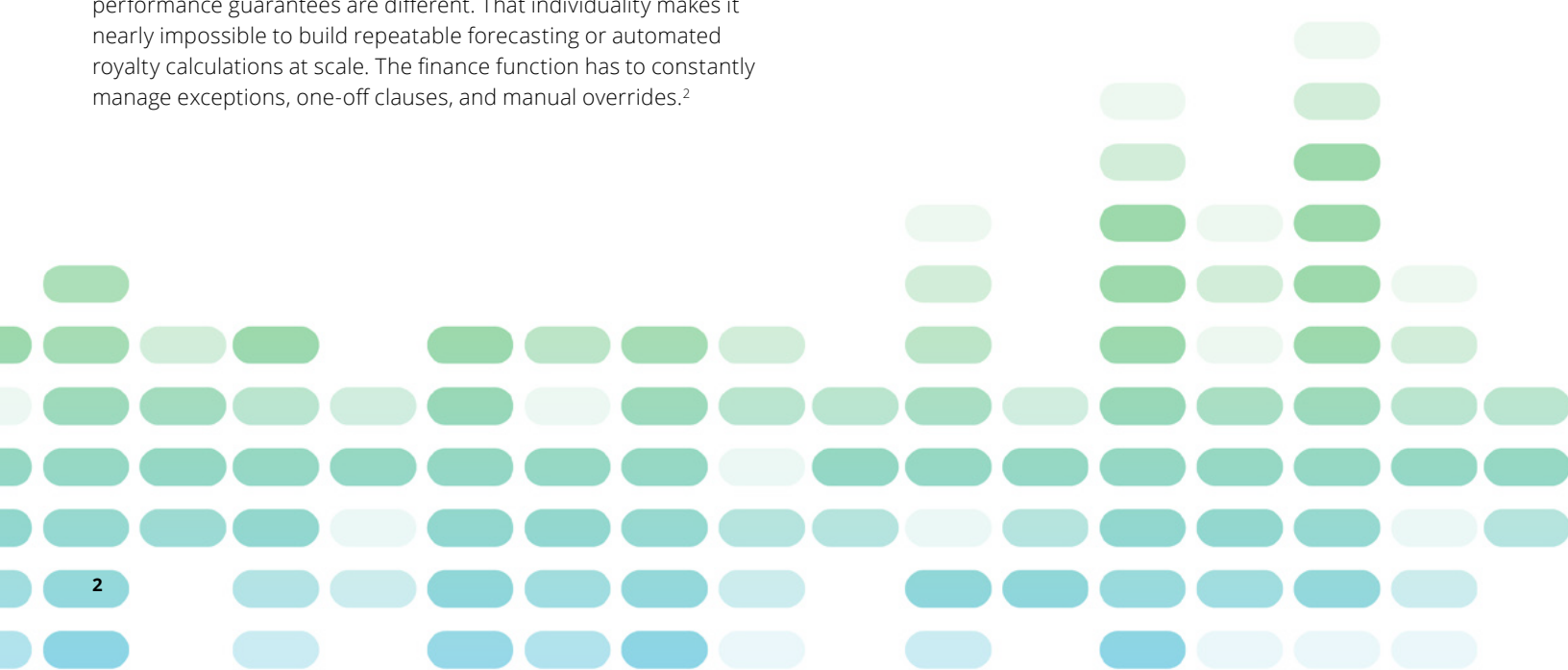
Operational inefficiencies and fragmentation: The hidden cost of creative chaos

1. Key challenges and root causes

While a key driver of operational inefficiency is often linked to archaic systems that are outpaced by technological advancement, these optimization gaps in music are much more complex. At their core, they reflect the very structural and cultural nuances of the industry. At a fundamental level, the business is built on creative autonomy and affiliate independence. Labels, artist services firms, regional offices, and sub-labels often retain significant control over processes, controls, budgets, and workflows to preserve local flexibility and artist relationships. A common efficiency bottleneck is that the nature of autonomy stifles standardization: Different teams and various spokes throughout the ecosystem usually have different incentives and may use different systems, controls, or approval chains, even under a shared corporate umbrella.¹

Another root cause of key issues is the highly individualized nature of artist contracts. Unlike industries where standardized or modular contract templates prevail, each artist's advances, recoupment schedules, royalty splits, cross-collateralization, and performance guarantees are different. That individuality makes it nearly impossible to build repeatable forecasting or automated royalty calculations at scale. The finance function has to constantly manage exceptions, one-off clauses, and manual overrides.²

This is just the first verse. Another nuanced challenge is the fragmentation of rights and licensing. This alone adds immense complexity at every turn when master recordings, publishing, neighboring rights, mechanicals, and performance rights may be controlled by different entities with overlapping claims and inconsistent territories. The 2025 study, *No cap: ASCAP and the fragmentation of music publishing*, uses network analysis on ASCAP's repertoire to demonstrate how decentralization in publishing makes attribution and revenue flows intricate and opaque.³ Layering onto that problem, we also have observed how global complexity and localization further deepen the root of these issues across the industry. Artists and usage span across broad territories, and many labels have regional offices governed by local laws, tax regimes, and vendor ecosystems. Each regional arm often adopts its own tooling or vendor relationships, compounding integration challenges. The global footprint of music means operational coherence is harder to enforce.⁴



On to the chorus, we are still only at the start of the crescendo. Another related challenge with the industry's innate business model is the sheer volume of metadata and its inherent nonuniformity. Every track must carry metadata about those very same composition splits, performer credits, International Standard Recording Code (ISRC) and International Standard Musical Work Code (ISWC) identifiers, territorial rights, and licensing statuses we discussed previously. Further complicating this, in practice, metadata often arrives with gaps or errors, missing splits, mismatched identifiers, or incomplete contributor credits. When downstream systems depend on metadata for matching and allocation, these inconsistencies cascade into hours and dollars lost from reconciliation activities. Another addition to the chaos is that there are many intermediaries in the value chain that follow. Money flows from direct service providers (DSPs) or licensees through aggregators, collection societies, publishers, sub-publishers, and finally to labels and artists. At every handoff, there is processing, translation of data and value formats, value markup, or split withholding, which all possess potential for delay. Unlike vertical industries with fewer middle layers, music is substantially layered, amplifying friction and reducing transparency.⁵

The pace of format change and distribution innovation can work against organizations with slow-moving finance functions. The shift from albums to playlists, full-stream consumption to short-form clips, and other emerging uses constantly redefines licensing rules and data inputs. Without the ability to standardize an ever-evolving technological and operational landscape, finance teams may struggle to settle into a steady cadence. This exacerbates the overarching problems: platforms prioritize retention, labels prioritize catalog ownership and breakthrough hits, artists value credit and autonomy, publishers aim for long-tailed licensing value, and all these key players are competing to have their needs met within this shifting environment. Because incentives differ so widely, few parties have strong alignment to invest in systemic efficiency.

Cueing the outro, we would be remiss to avoid the obvious discussion: artificial intelligence (AI). AI is transforming the music industry in many facets, from content creation and fan engagement to contract automation and rights management. However, for finance leaders, the impact lies in how it alters data, contracts, workflows, and payments. AI blurs authorship and ownership, complicating royalty attribution and revenue recognition as generative models produce works trained on potentially copyrighted material. With more than 120,000 new releases uploaded daily, as reported by *Music Business Worldwide*,⁶ it profoundly amplifies reconciliation and reporting challenges. While AI can be a powerful tool when engaged intentionally, it's an artist that is still in development. Additionally, AI-driven risks such as deepfake vocals, unauthorized remixes, and fraudulent catalog duplication threaten accurate royalty distribution. While AI offers tools for fraud detection, contract analysis, and royalty forecasting, finance teams often face adoption and skill gaps, limiting their ability to operationalize these solutions in a highly regulated, complex industry.

Sounds like a massive problem, right? Let's define it clearly. Ultimately, inefficiency in music finance is structural, not incidental. It emerges from the same forces: multiple stakeholders, individualized deals, rights fragmentation, metadata complexity, layered intermediaries, geographic diversity, and evolving formats that are the very heartbeat of what gives music its richness.



2. Key areas of impact on profitability and growth

Now that we have defined the issue, we will contextualize some of the direct consequences. If these challenges remain unresolved, their impact can be severe. Below, you'll find some areas where root causes map to financial pain:

- 1. Increased operating overhead.** Each exception, rekeying, or reconciliation requires human labor. In organizations with many affiliate systems or regional silos, overlapping processes and controls inflate SG&A. The industry's antiquated infrastructure was not built to handle the enormous volume and complexity of data that digital music requires today. This directly links outdated systems to higher operational cost and lower payout accuracy. Anywhere from 20% to 50% of music payments don't make it to their rightful owners.⁷
- 2. Longer close cycles and delayed visibility.** Fragmented systems, controls, and manual consolidation can extend global financial closes, delaying insight into revenue, cost overruns, and profitability levers.⁸
- 3. Content forecasting.** Content forecasting is crucial for music and entertainment companies to help predict revenue from new releases, streaming trends, and catalog performance. The unpredictability of consumer demand and rapid market shifts make accurate forecasting difficult. These challenges often lead to resource misallocation, budgeting inaccuracies, and time-consuming manual adjustments. While this is an issue across multiple industries and departments, the pace of trends in music amplifies the risk for music finance teams of over- or under-investing if data forecasts don't account for emerging growth areas or shifts in audience behavior.⁹

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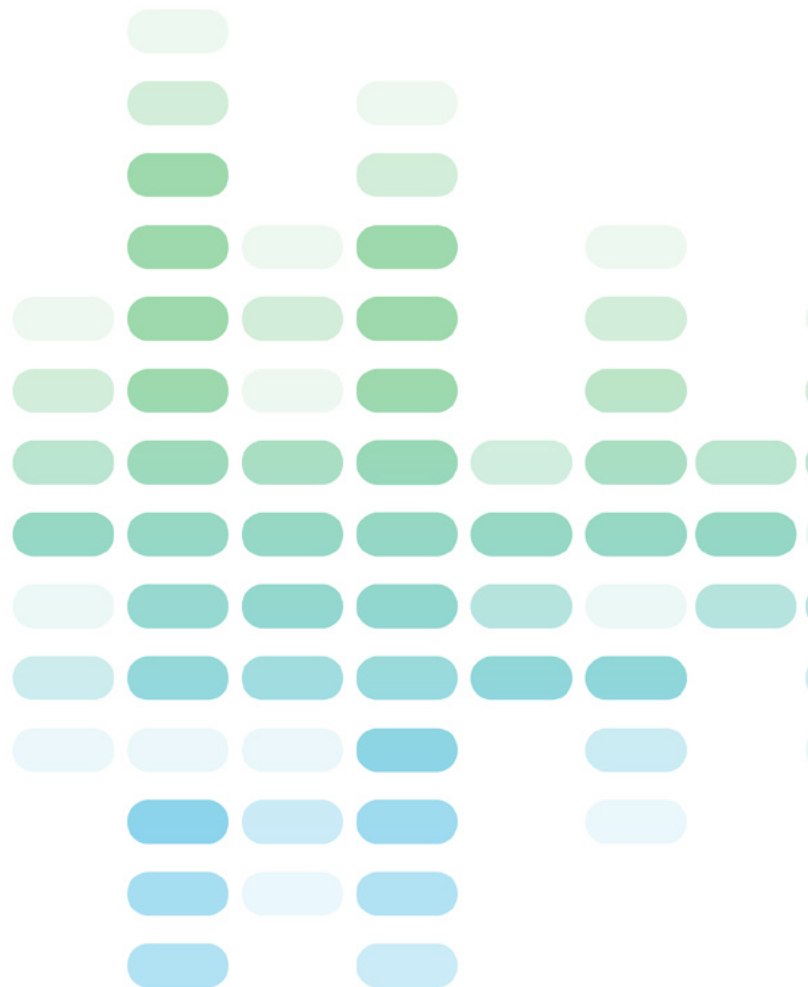
Extra note on fandom

When fans hit play, revenue hits repeat. Fandom strategy is emerging as a powerful revenue driver in the music industry, transforming how finance leaders forecast and capture value. By tracking where and how fans engage, down to genre, artist affinity, and spending behavior, labels can identify the "20%" of superfans who often generate "80%" of revenue, so to speak. Advanced data analytics enable teams to assess the financial return on high-risk, high-reward investments, such as niche artists with loyal audiences, and to recalibrate risk parameters based on fanbase strength. This approach helps uncover monetization opportunities that traditional metrics might overlook. As partnerships between artists, brands, and platforms expand, the ability to forecast fan-driven revenue depends on modernized systems and cross-functional collaboration across finance, marketing, and A&R. Ultimately, success hinges on asking not just how fans spend but how fandom itself becomes a measurable, scalable asset.

4. **Working capital drag and cash flow lag.** Delays in reconciling and distributing money directly affect artists, increasing the cash held in transit and reducing financial flexibility. In labels scaling into new markets, capital required to support artist advances or marketing pipelines may be tied up in inefficiencies caused by pre-digital models, rather than funds being deployed as effectively as possible.¹⁰
5. **Leakage and revenue loss.** Errors in metadata and royalty distribution accumulate over time. This creates something known as the black box (unclaimed or unmatched music payments sitting in limbo due to data or ownership issues). In extreme cases, industry estimates suggest that unallocated black box royalties run into the hundreds of millions of dollars annually, especially in digital and global markets.¹¹
6. **Missed market opportunities.** Because operational drag stifles agility, labels may be too late to capture momentum and miss critical windows for launching promotional spend or licensing deals, which can severely impact artists and revenue potential. In an already misaligned and disincentivized downstream chain, inability to rapidly reprioritize cross-territorial investment can represent massive costs in foregone global reach... and potentially makes for tired, worn out, and disconnected creators.¹²
7. **Scalability penalties.** As new markets typically grow faster than mature ones,¹³ labels with rigid backbones (e.g., limited systems flexibility, antiquated software/ERP systems, and weak understanding of opportunities for regulatory standardization) may see diminishing returns on growth investments. The incremental cost of entering a market may scale more than linearly, compressing margin leverage.¹⁴

Each of these alone takes a critical toll on the balance sheet... But together, these impacts turn into a significant invisible tax on revenue, impairing profitability, slowing growth, and undermining the ability to scale globally with competitive speed. They also take a quiet but profound toll on an organization's talent. Inefficiencies at this scale sap creativity, fuel burnout, and pull your people away from strategic work to focus on manual, repetitive tasks. Over time, this erodes morale, slows innovation, and weakens the organizational rhythm that drives innovation and performance.

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3. *Solution opportunities and Deloitte's point of view*

The path to resolving these inefficiencies should be well paved, addressing structure, data, processes, controls, and culture in tandem. True leadership requires confronting these inefficiencies head-on and aligning financial and operational foundations with strategic ambitions. It is in doing so that an organization adapts with confidence and potentially sustains its competitive edge in an industry defined by constant evolution.

1. Consolidate and centralize operating structures (while preserving local autonomy)

Consolidation not only mitigates duplication but reconciles affiliate silos into a central hub with shared infrastructure and controls, vendor contracts, and global governance. This enables arms of the business to capitalize on the benefits of more centralized and common set of internal controls, aiding in more efficient processes and smoother internal reporting cycles.

Deloitte's POV: To reconcile creative autonomy with operational consistency, consider adopting a hub-and-spoke model: Core functions (finance, royalty settlement, data management) are centralized or standardized, while local labels retain creative and market control.

2. Standardize modular contract templates with exception flagging

While artist contracts will always retain some idiosyncrasy, finance teams can build a library of modular clauses and templates. These modules handle standard advance recoupment, royalty splits, and cross-country licensing rules. Only truly bespoke clauses require manual processing. This reduces the volume of fully custom logic and enables forecasting and automation for the majority of standard deals, while isolating the exceptions.

Deloitte's POV: Build a library of modular clauses and templates to limit bespoke processes.

Extra note on blockchain

Blockchain technology can potentially transform music publishing by automating rights management and royalty distribution through smart contracts. When a song is streamed, purchased, or licensed, blockchain-based smart contracts can automatically record ownership data and trigger royalty payments to artists, producers, and rights holders in real time. This reduces administrative costs, removes intermediaries, and enhances transparency in revenue tracking. Stablecoins, which are cryptocurrencies pegged to fiat currencies, can further streamline the process by enabling real-time, low-cost, cross-border payments that avoid the delays and fees of traditional banking systems. Using stablecoins for royalty distribution would enable artists to receive accurate, timely payments in a steady currency, improving financial efficiency and trust across the music ecosystem.

3. Employ a unified metadata framework and validation enforcement

Tackling metadata fragmentation at the root cause over time builds a feedback loop that surfaces issues back to A&R, legal, and distribution teams before they cascade downstream.

Deloitte's POV: Establish a primary model for metadata across the organization, using validation logic to reject or flag incomplete upstream data. Require full ISRC/ISWC coverage, complete contributor crediting, and approved split registration before ingestion.

4. Streamline intermediate flows via shared pipelines and APIs

Where multiple interpolations exist (e.g., sub-publishers, distribution aggregators, collection societies), companies can negotiate consolidated interfaces or standard reporting connectors to reduce the number of handoffs, thereby reducing friction, markup, and delay.

Deloitte's POV: Rather than letting money pass through multiple disconnected intermediaries, aggregate and streamline intermediation via shared pipelines or APIs to not only help mitigate unnecessary delays, but increase overall efficiency and partnership across the industry.

5. Practice global systems standardization and orchestration

A unified core ERP and EPM solution helps to address the localization fragmentation problem and accelerate consolidation. Over time, it can also reduce the number of disparate systems and controls across affiliates and regions.

Deloitte's POV: Deploy a unified core ERP and EPM solution across all regions. Where local nuance is required (tax, regulation, international localities, etc.), encapsulate it via configurable modules or explore system reconfiguration rather than fully separate systems.

6. Align incentives across stakeholders via shared goals

Adequate governance policies and standards, shared goals, and measurable KPIs each help ensure that any inherent ambiguity has minimal spillover into operations. Over time, key business areas and stakeholders can realize tangible value from increased efficiency.

Deloitte's POV: Build cross-stakeholder governance bodies with shared KPIs (speed to payout, dispute rates, data quality) and prioritize reducing misaligned incentives. Incentivize participation by sharing data with creative teams and offering dashboards to enable parties to understand the friction points.

Extra note on protecting the creative engine

Alignment is the "X factor." Platforms may be better capable of maintaining their users by allowing artists to feel secure in expressing their creativity with confidence in reaping due returns. The downstream impact then continues as this security ultimately provides publishers with better and more frequent licensing opportunities. As you can imagine, this synchronization is unlikely to come to fruition if stakeholders are bogged down with uncertainty in returns and inefficiency within each step of production.

7. Upskill an adaptive workforce through change management and talent building

Technology is a necessary component of operationalizing most solutions but is also insufficient alone. True value realization is found in a company's talent and people.

Deloitte's POV: Invest in upskilling finance, legal, product, and A&R teams by capitalizing on human potential, building an agentic workforce, enhancing tools, investing in data literacy, and incentivizing process discipline.

8. Implement continuous monitoring, standardized governance, and feedback loops

Real-time metrics and governance frameworks should be implemented to define how much operational "flex" back-office functions can exercise within established policies.

Deloitte's POV: Embed real-time operational metrics into tailored dashboards to monitor system health and enable timely intervention.

9. Embed AI into enterprise-wide processes

AI in finance should be viewed as both a risk mitigator and a growth accelerator. When embedded across end-to-end workflows such as contract ingestion, rights validation, and royalty reconciliation, AI can automate processes, drastically reduce costs, reduce unmatched royalty lines, and shorten close cycles. Strong AI governance frameworks should promote transparency, fairness, and clear ownership policies for AI-generated content, and upskilling of finance professionals in AI literacy is essential to effective adoption and informed decision-making. Above all, AI transformation should be anchored in measurable business value, linking investments to tangible and trackable outcomes.

Deloitte's POV: Music and media organizations should deploy AI as both a defensive and offensive capability, embedding it across enterprise processes to enhance human, data and machine collaboration. It should be governed by transparency and guided by measurable results to advance scalability, compliance, and profitability.

In summary: Misaligned finance functions and fragmented operations limit profitability, slow the ability to act, and ultimately suppress value realization. Every prolonged close cycle and delayed marketing investment is not just a procedural hiccup but represents lost momentum in a business where a single viral moment can mean millions in revenue. Centralizing finance, standardizing global processes and controls, and investing in people and capabilities can break down silos while preserving creative independence. Without action, the cost will likely compound and diminish competitiveness in an industry that rewards those who move first and with speed.



What's next: The music is there if you're ready to listen

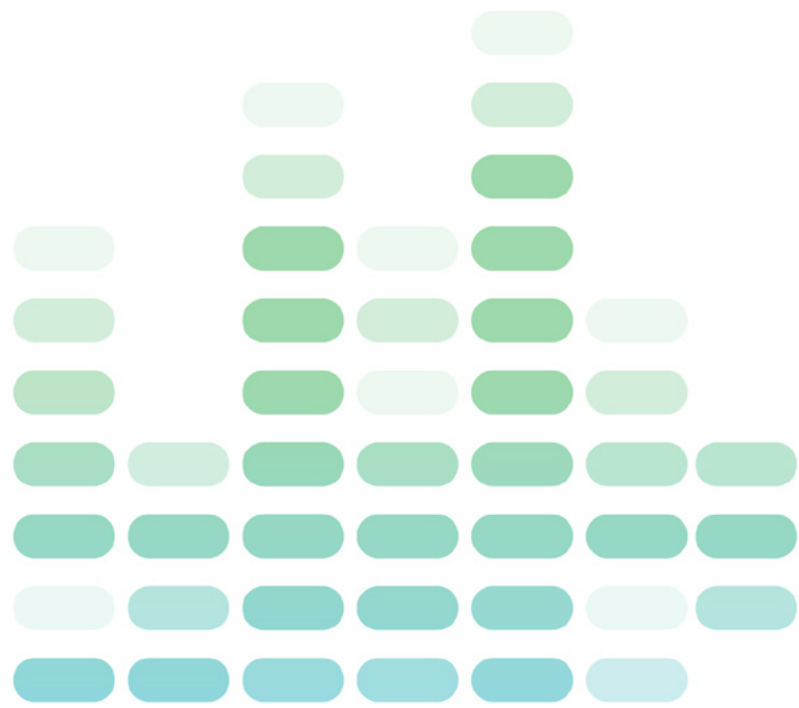
The music and entertainment industry is rapidly approaching a pivotal moment where creativity, technology, and finance must operate in harmony to play the next note. Growth in this sector is no longer driven by hits alone, but by the intelligence, agility, and integrity of the financial ecosystems that sustain it. At Deloitte, we believe the future of finance in music and entertainment should be insight-driven and powered by connected data, embedded automation, and intelligent governance that combine to elevate financial strategy from unstable to unstoppable.

This is not about incremental improvement. It's about rearchitecting the financial core to unlock scalable creativity, accelerating decision-making, and enabling sustainable performance across global markets. By unifying fragmented systems, standardizing processes, and integrating AI-enabled analytics, finance leaders can convert volatility into foresight and complexity into clarity. "As their organizations face unprecedented shifts in society, the economy, and the environment, next-generation finance leaders can optimize operations ... by leveraging technology, elevating finance talent, and evolving the role of finance."¹⁵ The result is a finance function that doesn't just report on performance but orchestrates operational precision and creative ambition into measurable enterprise value.

At Deloitte, we collaborate with leading organizations to help them reimagine finance using next-gen processes, scalable data platforms, and AI to deliver more accurate, timely, and actionable insights.¹⁶ Our approach is grounded in industry experience and powered by innovation, helping clients modernize their financial architecture, strengthen governance, and unlock scalable growth. For music and entertainment leaders, this means building a finance function that can adapt as quickly as the industry evolves, delivering accuracy, transparency, and foresight at every level of the enterprise.

We invite you to connect with our Finance Transformation and Media and Entertainment specialists to discuss how we can help you architect intelligent, future-ready financial ecosystems that are built to scale, designed to perform, and equipped to lead the industry into its next frontier.

"As their organizations face unprecedented shifts in society, the economy, and the environment, next-generation finance leaders can optimize operations ... by leveraging technology, elevating finance talent, and evolving the role of finance."



Endnotes

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