

CMA provisionally clears Sony's acquisition of AWAL

The Competition and Markets Authority (CMA) referred the merger to an in-depth Phase 2 inquiry, after identifying competition concerns during its initial, Phase 1, investigation.

Having examined the merger, the CMA has provisionally concluded that the deal does not substantially reduce competition in the UK and may not be expected to do so in the future.

Sony is one of the 3 major record labels active in the UK today, along with Warner and Universal Music Group. In addition to its main label offering, Sony Music Entertainment, Sony also owns The Orchard, an A&L services provider. A&L services typically cover promotion, marketing and distribution and allow artists to retain full ownership of their copyrights and a greater percentage of royalties. A&L contracts also tend to provide a narrower set of services with less financial support and shorter-term contracts than traditional record contracts.

AWAL is an emerging music distributor offering an alternative to traditional music deals by providing both A&L services and a 'DIY platform' that allows artists to upload their own music for distribution.

The CMA's inquiry focussed on the two main areas in which the firms' businesses overlap. It assessed the extent to which The Orchard and AWAL may be expected to compete to provide A&L services. It also looked at how closely Sony and AWAL may be expected to compete to sign successful artists, and those with the potential to become successful, where higher levels of support and investment are provided.

The CMA has provisionally found that, while not currently competing closely due to their different areas of focus, The Orchard may have become a stronger rival to AWAL in the supply of artist services in future. However, there are many other providers who will continue to compete effectively with both firms – including independent A&L companies, the A&L branches of the other major labels (like Warner's ADA and Universal Music Group's Virgin) and independent labels.

In terms of its rivalry with Sony, AWAL is still a relatively small player when it comes to signing artists who require higher levels of support and investment. Despite trying to expand its offering, AWAL was expected to continue to compete with Sony only on a limited basis. In the course of its investigation, the CMA also found that many other firms have begun providing similar services which can be expected to make up for the limited loss of competition from AWAL.

As part of its assessment, the CMA considered a wide range of evidence, including thousands of internal documents from both firms, evidence submitted

by their competitors and customers, and its own analysis of market conditions. The CMA will reach a final decision after it has considered all responses to its provisional findings and any additional evidence they contain.

Margot Daly, Chair of the independent CMA Inquiry Group, said:

Through our inquiry, we have developed a detailed understanding of how Sony and AWAL compete.

We have carefully assessed whether this merger will lead to negative outcomes for the market, artists and, ultimately, music fans, now and in the future.

Our provisional finding is that the deal is not likely to affect competition in a way that will reduce the choice or quality of recorded music available, or increase prices.

We think that a combination of other major labels and independent providers will continue to closely rival Sony, so our provisional decision is to clear the merger.

The CMA is now asking for views on these provisional findings by 4 March 2022 and will assess all evidence provided before making a final decision. The statutory deadline for the CMA's final report is 17 March 2022.

For more information, visit the [Sony / AWAL merger inquiry page](#).

The CMA is committed to making sure markets are working well for music fans and [recently launched](#) a separate probe into music streaming, paying particular attention to the roles played by record labels and music streaming services.

1. On 16 September 2021, [the CMA referred Sony Music's acquisition of AWAL for a Phase 2 investigation](#).
2. All the CMA's functions in Phase 2 merger inquiries are performed by inquiry groups chosen from the CMA's panel members. The members of this inquiry group are Margot Daly (Chair), Paul Hughes, John Thanassoulis and Ashleye Gunn. The CMA's panel members come from a variety of backgrounds, including economics, law, accountancy and/or business; the membership of an inquiry group usually reflects a mix of expertise and experience.
3. There is now a 3-week consultation period on the provisional findings, during which time anyone can make submissions to the CMA. Submissions should be made to Sony.AWAL@cma.gov.uk and received by 4 March 2022.
4. The CMA is the UK's primary competition and consumer authority. It is an independent non-ministerial government department with responsibility for carrying out investigations into mergers, markets and the regulated industries and enforcing competition and consumer law.
5. The CMA launched a separate [market study into music and streaming services](#) on 27 January 2022.

6. For media queries, please contact the press office via press@cma.gov.uk or on 020 3738 6460.