



By [John McGlasson](#)

Digital music distribution is so new that nobody knows where it's going. Steve Jobs doesn't know, the former copyright bandit turned legit, Napster, doesn't know, and Real/Rhapsody's profit-impaired subscription streaming service seems to offer even less insight. At least 80% of legal (paid) downloads are through iTunes, the rest go to Napster, Rhapsody, E-Music and a handful of start-ups, E-Music being the largest of the minors for now, but E-Music's ranking is based purely on traffic, not on revenue. What's E-Music doing to increase their market share so quickly?

Giving it away. And by it, I mean our music.

E-Music pays a label at our level about 1/3 of what we get from iTunes per download for domestic (US) downloads. Rhapsody pays about 2/3 the iTunes rate, (though Rhapsody is mainly a streaming service, very few downloads sell there), and Napster about the same rate as Rhapsody. So while iTunes holds by far the largest market share, the majority of our downloads have come from E-Music the last couple months since we got added to their site, (as reported to us, there's a 4 month delay to get our numbers, so the Feb'07 report is actually for Nov.'06...I know, one would think...but no...) so while downloads increase, revenue drops drastically.

So drastically that we realize something has to be done, because we're not getting what our work is worth, or enough to sustain a label and a lot of artists.

I don't blame the consumer. I blame E-Music for plotting a business model that uses the labels' ever-present need for promotion and exposure to pressure them into accepting a severely cut rate per track compared to what the majors get, or even the mega-indies get. All the while advertising that they're the "No. 1 site for independent music", and profiting from our catalog, knowing we can't possibly be.

Are we to believe that we're in a "team effort" with E-Music to build up their presence, the "No.1 site for independent music", and that we'll be rewarded with a better rate later for our loyalty? Ok, but since we were never consulted about the stupidly low rate we get from them for overseas downloads, it's hard to believe they have anyone's but their own interests in mind, because there's no way labels can stay afloat on what E-Music pays most indies right now.

So what do we do? Pull our catalog from E-Music? Of course not. While, as a hotheaded business owner, I'd like to make a point by pulling our catalog, the truth is, E-Music does more for us by carrying our catalog than we do for them. At this point, infinitely more. We're not even

the pennies they lose on the floor at our level. We need the promo, we need the exposure. That's something we pay for elsewhere. So if we can get 1/3 of what iTunes pays for new people to hear our stuff, tell their friends, go to a show, etc., do we have a choice? Not as I see it.

So the current industry demands that we promote online, in print, in public (posters, flyers, etc.) and maintain a retail presence, hire publicists and radio promoters, all so the person walking through the indie store sees our cd there, but they don't buy it there anymore, they go home and download the entire album for about 1/3 of what it's worth on I-Tunes on E-Music, and we're always in the hole.

I can tell you that the budget per cd to get it out there on a decent scale nationwide is well over \$2.00 per cd, so it's not adding up. If all the work is to get people to download the album, if that's the end-game, and we make nothing, how can we continue? What's the point? We're waiting for the answers. Thanks for reading!

[John McGlasson](#) is a life-long guitarist, producer, and founder of [o.i.e. Records, Ltd](#) ., a musician-oriented independent record label based in central Illinois.