



The excitement that an artist or band feels when signing with a label and having any kind of team and support behind them, big or small, can quickly be crushed by the realities of both the old and new music business.

Artists willingly sign these contracts that usually state that the label is going to be repaid in full for the production, manufacturing, distribution, and promotion of the album before the artist gets a dime, but artists always seem surprised when they don't see any money.

I don't think that most bands that are unsigned know what happens once you sign with a label, and bands that are or have been signed by labels don't seem too willing to talk about what happened to them, because at some point they have to acknowledge that they read and signed the contract willingly through starry eyes, and are embarrassed by the outcome. Local bands and the local press tend to make a very big deal about being "signed", and the public perception is that a limo pulled up and carried away their hometown heroes to fame and fortune, and bands are embarrassed to let the public know the truth, so there's always been a rosier scenario carried on than reality allows, and nobody wants to talk about it.

Distribution, production, manufacturing, and promotional expenses are the four major things that get in the way of the artist getting paid. In this four-part series, I'll go into detail as far as mistakes I've made in each category, what you can do yourself to save money, and re-make some points I made in my very first article for GJD way back in October '06, "Record Labels, Do You Really Need One?"

It's still up in the air as to whether you need a label-type entity to get and sustain digital distribution, but I've come to the determination that you won't be able to sustain online distribution long-term without being a part of a larger, unique catalog. While literally anyone can use CD-Baby (recently purchased by Discmakers) to get their music on most DSPs, I don't believe this "everyone's welcome" policy is going to last long-term, and do you really want to be part of a catalog of millions of musicians and their home recordings?

If the net is the new storefront, there's going to be greater scrutiny as to what occupies each

store's virtual shelf space, and for how long. I'm not convinced the idea of having "all music available to everyone forever" is sustainable. Someone pays for the servers, drives and bandwidth to store all that music. I believe there'll be a digital purge of non-selling garage-band titles that now flood I-Tunes and E-Music, especially when it becomes too much work to count and pay out every band on Earth's pennies each quarter, amounts that often are exceeded by the postage to mail the checks. Most distributors don't pay out royalties until they add up to a certain amount that's virtually unreachable by an unknown artist anyway.

In this article, we'll look into the major thing, maybe the only thing these days, outside of actual album production, that labels can offer you, and that's distribution. Not physical distribution of CDs to stores, scratch that off your list right now, it's over for retail distribution of CDs, let's stop pretending anyone is going to sell CDs in stores 2 years from now, but you must have online distribution, and while you can get it right now on your own, can you keep it on your own?

To illustrate; my tiny label out-sold our former physical distributor, Redeye, over 2-1/2 years (we got out of our 3-year contract 6 months early), by 2-1 on our titles. We played their game to the fullest, we out-spent much larger labels. When we signed with Redeye, I had a conference call with their head of marketing, who told me that if I'd spend \$1.50 per CD that I put into the marketplace to promote that CD, that we'd sell that CD. What a load of bullshit that was! Looking back after adding up the numbers, which still aren't clear as far as who has how many of our CDs, and where, it appears we spent about \$21.00 PER CD SOLD IN RETAIL. For which we may, or may not, ever be paid, and if we do, we'll get a whopping \$2.85 each. Redeye is RIAA Distributor of the Year five of the last six years, they have all the contacts, all the retailers, the top-notch sales and marketing teams, and our website out-sold them 2-1.

I needed nothing more than my own first-hand experience to show me that retail distribution had died in my lap, and I knew I was never, ever going to recover that money. And I was only 6 months into a 3-year contract. So forget physical retail distribution. Seriously.

Back to the original point; digital distribution is a must, and it appears that if you're not involved with a label of some kind, you may not be able to count on long-term online distribution. And labels aren't signing anyone new right now, so what do you do?

If you're a musician, chances are you know lots of other artists/bands. If you're close enough to 3-5 of them, you have a label in the making. This doesn't mean you have to undertake what I did in founding and building this label, things have changed to the point that you just need a name for your label, a website, and a few bands with good albums that are somehow unique and professional to consolidate as a label to secure digital distribution with a good distributor. Small labels have no trouble finding powerful online distribution with some of the mid-sized companies that are now showing their ability to push a small catalog and prosper. This also helps with booking, touring, publicity, keeping contact with fans, and other advantages.

How do you pay each other? Unless you have one person to handle it that everyone really trusts, which is highly unlikely, I'd have a small accounting firm handle all the payments. Many will do this for a percentage off the top, which is really the only fair way to distribute funds and avoid any finger-pointing if something goes wrong. Each band can still produce and press their

own CDs and keep 100% of the money from their show sales, the label-entity would only really cover the digital distribution, and there are no store sales to worry about, therefore no physical distributors to chase down for payment. Each artist can set up their own Amazon Advantage account that lets you sell physical CDs directly to Amazon, something that wasn't possible a year ago, they'd only deal with distributors. Divide the cost of the website evenly, and you're in business.

You're now getting paid immediately for your show sales and physical sales through Amazon, keeping all the money, your online distribution is secure, payments are reliable and timely, and you've cut out all middlemen but the only one you must have; the online distributor. The label only exists as a means of consolidation for artists, not as a bank that pays for, and then keeps, everything.

Next time I'll look at production costs and give you some mistakes I've made, misconceptions I've had, and tips to cut corners. Thanks for reading!