



earning money

AS AN INDIE

Why making CDs and joining a Performing Rights Organization
are two keys to success as an independent artist.

 **DISC MAKERS®**

Part 1: Why Indies Make CDs

9 ways releasing a CD can help your career in the current music industry environment.

By Andre Calilhanna

The news surrounding the music industry these days might make you wonder if anyone is buying CDs any more. Major-label CD sales are down again. Downloads are up. So the question on the table is: As an independent artist, do you really need to make CDs these days?

There are many factors to consider, and what is true for major-label artists does not often translate to independents. As a matter of fact, in the recent years of declining major-label CD sales, Disc Makers has seen continued growth in new CD jobs ordered. It speaks to the fact that one revenue model does not fit all markets, and the ingredients for success for a major-label artist vs. an independent are simply not the same.

I know what you're thinking. "Of course Disc Makers is going to tell me I need to keep making CDs!" Yes, we are a CD manufacturing company, and that gives us a particular stake in the subject. It also gives us a unique perspective, and a front-line view of what the demands of the market and our client base are. In addition to that, we've leveraged some of our great connections within the music industry and reached out to gain insight and commentary on the question of the viability of the CD format. Here are a few things to consider.

1. CDs legitimize you.

Imagine you need the services of an attorney, and you meet someone who claims to be one. You ask for his card, and he tells you, "Oh, I never got around to printing business cards. Got a pen? Got a napkin?" Could you take this person seriously? Just as a business card is the most basic element to legitimize a business person, a CD is the most basic way to legitimize you as an artist.

What major music artist doesn't have a CD? Physical product, and in this case CDs, demonstrate that you as an artist are committed to your career. Giving a music business professional a CD is the fastest way to get them to listen to you and take you seriously. Don't make them work to hear your music!

2. CDs are an integral part of the indie revenue stream.

Getting paid good money by a club or promoter to play a show is a difficult prospect. So if you're on the road, even for a weekend jaunt, you need to have something tangible to sell to help increase your take at a gig. Download cards can and should be sold, but your new fan can't go out to their car and stick a download card in their player to give it a listen in between sets. Having other things to sell — merch, posters, and stickers — is helpful too, but your CD is the main course on that meal ticket.

- The majority of overall music sales come from CDs – and this is for label artists. Indies skew even more toward CDs than majors as more sales are hand-to-hand at gigs. You don't want to cut off that much revenue potential.
- You make more money selling CDs at gigs than selling downloads on somewhere like iTunes. A CD costs you between \$.90 and \$1.50 to manufacture. Sold at \$15, that's over \$13 per unit. iTunes takes \$2.99 per album, which leaves you with \$7 per sale (assuming you are able to move any product via iTunes and don't have to pay out any more of your money to a third vendor).

- Music industry revenue for 2010 was \$64.6 billion worldwide, with recorded music revenue making up \$35.1 billion. That's a lot of music sales for CD and digital.
- CD Baby has paid out over \$150 million to artists for music sales — and nearly \$40 million in 2010 alone. Music fans are still buying independent releases.

3. No connectivity required.

In many ways, CDs are easier than downloads. Take them home, pop 'em in your car's CD player, a boom box at a party... CD players are everywhere. There's no web connectivity necessary, no searching around a website — just plug and play. Plus, you can add bonus material, videos, and enhancements to make your CD an all-inclusive multimedia experience.

The landscape in the music industry is constantly changing. We've been in business since 1946, and we've seen plenty of formats rise and fall. Digital downloads are clearly a model that you have to employ to be successful, for both revenue and promotion, but CDs still represent the majority of music revenue in the industry. The fact is, some fans just don't do downloads. You'll lose a sale if you don't have a CD for them.

4. Permanence (no crashing computers and lost data).

Your music is virtually permanent on a CD. Hard drives crash and MP3 players die, it's a sad fact of life. But if you have a disc with the content on it, your message or album is not lost. And of course, if you own a CD, you can easily rip MP3s for storage or use with your favorite media player and still have the disc as a backup and for use with your stereo, car, etc.

5. A CD tells a story.

The artwork that comprises your CD package allows you to further illustrate your album's artistic statement. A great looking CD and your choice of packaging say something about you and can help you further connect with your listening audience. Plus, listeners experience the track sequence, pacing, and breadth of your work exactly as you intended. Singles have their place and can spark interest in your act, but albums are the only way to create a thematic statement of where you are as an artist at the time of the recording. CDs deliver music, graphics, artwork, lyrics, photos, and credits — all in a neat, compact package.

Not to mention the fact that after spending months (or years) composing, refining, rehearsing, recording, mixing, and mastering,

Any independent artist who tours knows that the majority of CDs they sell are sold from the stage. Think of it as a fan building and fan nurturing tool. It's one of those moments where a fan, or soon-to-be-a-fan, craves immediate gratification and a remembrance of the event. CDs are the best format for live sales. It's an instant data transfer — you just hand over the disc. And even more than this being an "impulse" buy, it's truly a matter of you creating a demand and being there to supply the goods immediately.

As a matter of fact, you should consider the act of pitching your merch and CDs from the stage or your merch table as an invitation for your audience and fans to have a direct and personal interaction with you. There is an art to the pitch, and those who take the time to create an interesting approach sell more CDs and gather more mailing list names for future promotions. If your invitation to meet you at the merchandise table includes a drawing for a free CD, then your CD sales could go up 25%-50%. That's easy, low cost marketing that will pay off for years to come. Want to really personalize the experience? You can sign a CD. Try that with a download.

there's a real sense of accomplishment in having something to physically embody the sweat, money, and tears that went into the work you've created. Digital files are a great way to deliver tunes, but nothing beats having a CD to represent the completion of your artistic efforts.

6. Shopping your music? CDs are the way to go.

CDs remain the preferred format if you're shopping your music for film, TV, multimedia, gaming, or licensing opportunities. An overwhelming number of music editors and journalists still prefer a physical CD and press kit when being pitched an emerging or even an established artist.

Radio stations still utilize CDs in their selection of music for airplay. If you choose not to press CDs, your chances for success and exposure on the radio are virtually non-existent.

And while many artists now feel no need to court major labels to achieve success, if you do want a label's attention, CD sales are the most important metric they'll consider. If you prove you can move product, you've got a chance at impressing a label.

7. CDs sound better than MP3s.

CDs sound better than an MP3 download, because they're not compressed like an MP3 file.

8. It makes a swell gift, too.

Want to reward members of your fan club and street team? There's no better way than giving them a limited-edition CD with music recorded and packaged especially for them.

9. What's true for majors isn't true for indies.

The majors are selling fewer CDs, it's true, but you are not a major-label artist — at least not yet. The indie model is significantly different than the label model in many ways.

To really sell downloads in significant quantities, you need people actively seeking your music to buy. As an indie artist, you're still building your name and awareness about yourself and your music. Chances are you're giving away songs through digital distribution to promote yourself. As an indie, you rely on hand-to-hand music sales, personal contact at gigs, something tangible you can hand to someone as soon as you've sparked an interest in your act. Nothing does that better than a CD.

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Part 2: Get Paid When You Get Played

Practical advice to earn you twice the royalties you think you're owed

By Randy Chertkow and Jason Feehan

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No musician can afford to miss out on a potential source of income. So if you're a songwriter, and not a member of a Performance Rights Organizations (PRO) like ASCAP, BMI, SESAC, or SOCAN (Canada), you could be leaving money on the table. It's not difficult to join one of these organizations, and as an independent, there are ways to enroll that allow you to maximize your royalties and double what you might think you're eligible for.

Unfortunately, to understand PROs and what they can do for you, it's important to understand how copyright works for music. So even though "brief" and "copyright" should probably never go into the same sentence, an overview to explain why PROs exist, how they pay songwriters, and how they are different from other organizations that collect money for musicians (like Harry Fox) is necessary.

Two copyrights in one

Let's say you grab your guitar, hit record on your 1978-vintage tape recorder, and make up a new song. Congratulations, you now own two copyrights. One is the recording that you just made. The second is the new song. The song can be recorded again, written down as little black dots, performed live, covered, copied, put in a movie, or turned into a ringtone.

The recording copyright (Form SR in the U.S.), and the song copyright (Form SA in the U.S.) each have different rights that go along with them, and they can be owned by different people. Music labels traditionally have held the recording (SR) copyright, while songwriters hold the song (SA) copyright — though in recent years, labels have been taking cuts of the SA copyright as well. Indie musicians usually own both copyrights, and sometimes see the recording and the song as the same thing. But if you want to make money off of your music, you need to start separating them in your own head.

To join a PRO, you must own at least one song copyright. Considering that's as easy as recording and releasing a song that you write (i.e. making it available on your website), this is an easy bar to meet. Although we're only going to talk about performance royalties and PROs here in this article, you should know that there are other ways to make money from your song copyright, such as mechanical royalties, synchronization rights, and others.

Quick fact: *It is not necessary to register your song or sound recording with the U.S. Copyright Office to get the copyright on it – though that gives you additional legal benefits. The law automatically grants you the copyright once you created and record an original song in some tangible form such as a hard disk, CD, tape recorder, or even a piece of paper.*

Why PROs exist: public performance equals payment

Now that you are a song copyright owner, you might be wondering what this means. What kind of control do you have over your music? How can you get paid when it's used?

It all begins when you make a song available to the public — such as making it available for sale on CD, uploading it to your website, or posting it to your MySpace or ReverbNation page. Once you do this (the law calls this "publishing"), U.S. and Canadian law allows anyone to broadcast or perform your music: you can't say no.

Fortunately, the law also says that you're entitled to get paid each time your song is broadcasted/performed.

This includes:

- TV and terrestrial radio.
- Public establishments such as restaurants, bars, shopping centers, hotels, theme parks, airports, etc. whether through their PA system, jukebox, or a band covering your music on stage.
- Satellite, cable radio, internet radio like Pandora, or web-simulcasted radio stations. These types of public performances are considered "non-interactive" digital-stream broadcasts — that is, they broadcast your song in a way in which the listener isn't in control of the music that's being played.
- Flash players or other internet music players like MySpace's music player or your own website's player. These types of public performances are considered "interactive" digital-stream methods — they allow listeners to skip, rewind, pause, or control the song or playlist.

There are other ways your music can be performed publicly, of course, but no matter how it's performed, you're entitled to a royalty from the venue or broadcaster that played your song.

In the U.S., copyright law sets the payment rate at 9.1¢ per play. If your music is performed in public a lot, that can add up. In fact, some of the indie artists we interviewed for our book — artists that you may never have heard of — pulled in checks for thousands of dollars thanks to performance royalties.

What PROs do

Knowing when your song is played is one challenge; getting paid for it is another. This is where PROs come in. Since copyrighted music is being played all the time, it takes large organizations like ASCAP, BMI, SESAC, SOCAN, and SoundExchange to try to track which songs are performed, collect the money owed, and distribute the royalties to their members.

In general, those broadcasters or establishments that use music (e.g. radio stations, bars, clubs) enter into music-reporting and subscription arrangements with PROs to cover themselves for the music they broadcast and perform. In other words, they pay PROs a blanket fee for the right to perform the music in their catalogs.

Quick fact: *The reason you can play "Freebird" on stage and not owe money to the copyright holder is because the venue you're playing at pays a general license fee to one of the PROs to cover them for whatever music is played. This same license allows them to broadcast their jukebox, music-on-hold systems, whatever the sound guy plays through the P.A. system, etc.*

While the PROs use many techniques to discover if a song has been played, there's too much music for even them to keep track of. Where economically feasible, PROs conduct surveys for a complete count of what exactly has been played, for instance by gathering playlists from radio stations. Otherwise, they conduct sample surveys to give an approximation of what songs have been played and how frequently. In other words, they turn on the radio and write down the songs they hear.

Unfortunately, their methods don't work well for independent musicians. Just because your song is played doesn't necessarily mean you'll get paid. Of course, the more plays one gets, the greater the chance of being reported. However, most of the media that PROs currently monitor are gated off or extremely difficult for indie bands to get played on (e.g. commercial radio, which is pay to play.) So, in many ways it comes down to luck as to whether any of

your performances get registered in one of their surveys. If you're lucky enough to have that occur, however, the check can be quite sizable — anywhere from hundreds to thousands of dollars.

To address this problem, some PROs have created programs that set aside some royalties for those members who get played in media and venues that are not included in their surveys. For example, ASCAP created their ASCAPPLUS Awards Program so members could report public performances of their songs directly to ASCAP. These reports are reviewed by a panel who then determine if the artist should be awarded royalties.

Quick fact: *When you perform your own songs live, you technically have a right to get compensated for the performance. Unfortunately, most PROs in the United States do not survey the smaller venues where indie bands typically perform. Instead, they put money they collect from these venues into a general license fund that is distributed to PRO members based on featured performances on radio and television.*

The relative cost of joining these PROs is small, and the rewards can be worth it. It simply comes down to a cost/benefit decision you need to make for yourself.

A few reasons why you would join a PRO include:

- You expect to get significant radio play.
- You expect to get TV play (i.e. you license your music into a TV series or commercial campaign).
- You or your band performs your songs live regularly.
- Other bands or musicians cover your music — whether live or as a recording (which could get radio play or into a TV series or commercial campaign).

Also, PROs provide their own incentives beyond collecting royalties on your behalf. Some offer perks such as discounts for music equipment at music retailers, career assistance, and health insurance benefits, so you'll want to choose the best one for your needs.

Quick fact: *If you allow your music to be played on podcasts (i.e. you make it podsafe or license it under a Creative Commons license) but also register it with a PRO to collect money for public performances, the PRO might go after the podcaster for publicly performing your music — even if you want to let the podcaster play it for free. This is one area of music royalties that isn't settled yet.*

Registering with a PRO (song performances)

Joining a PRO is relatively easy, but each PRO has its own registration method and (nominal) application fees, so you'll need to visit their Web sites and contact them to register. Before you can join, they usually want you to have at least one song that you've written, recorded, or had performed publicly. For simplicity, PROs encourage, and often require, membership in only one organization, so you'll need to choose the one that's right for you. Once you join, membership allows you to register information online about your songs so the PRO knows which songs to track in their surveys.

Doubling your money

When most independent musicians join a PRO, they naturally join as a songwriter. But joining only as a songwriter means literally leaving half of the money owed to you on the table. That's because the copyright in a song is split into two roles: the author and the publisher. The author is the songwriter who writes the words and music to the song, while the publisher handles all the business administration the song generates (convincing others to perform it, licensing the song for use in film and television, collecting the royalties, etc.).

For an indie musician, this distinction is artificial, since most perform both roles for their music. But you really are doing two jobs, and the law states that any money collected by PROs be split fifty-fifty between the two. This means that you should “officially” wear both hats. It also means that your songwriting sheet, where you keep track of who wrote what percentage of each song, should also include the publisher and publisher percentages. (For a simple songwriting sheet to use as a template, head to www.indieguide.com/wiki/page/Song_and_Sound_Recording_Split_Agreement)

To double your money, you need to join as a publisher AND as a songwriter. One of the indie musicians we interviewed for our book received a royalty check for a few thousand dollars as a songwriter, since his song was getting some airplay. Then, three days later, a second check arrived for the publisher — for the exact same amount. If he hadn’t registered as his own publisher, he would never have received that second check. Songs that get caught in PRO surveys that do not have a publisher associated with them simply lose half of the payout.

Quick tip: *Forming your own publishing company is too detailed a topic to go into in this article, but it is easily within your reach. To learn how, download the free step-by-step guide we wrote up at www.indieguide.com/wiki/page/Forming_Your_Own_Publishing_Company*

Registering with a PRO (recording performances)

If you own your recordings — which most indies do — you should also register your recordings with SoundExchange, the PRO that obtains performance royalties for sound recordings. Since sound-recording rights are different from the song rights, you can join this PRO in addition to one of the song-performance PROs. This type of royalty is rather new and the subject of much discussion and negotiation. Sign up as a “sound-recording copyright owner” and designate the “featured artist” for the sound recording — usually you or your band — since royalties are split between the two. If you don’t register both, this too will result in lost royalties.

Story links:

ASCAP – www.ascap.com/index.aspx

BMI – bmi.com

SESAC – sesac.com

SOCAN (Canada) – socan.ca

SoundExchange – soundexchange.com

IndieGuide – www.indieguide.com

For a detailed list of PROs (including international organizations) go to: www.indieguide.com/category/view/Rights_Royalties_Organizations

To learn more about PROs, copyright, licensing, as well as just about everything else to get you and your music noticed, heard, booked, distributed, publicized, and win fans worldwide, buy The Indie Band Survival Guide! Go to www.indieguide.com/wiki/page/Order_the_Book.