

The Music Industry's Funny Money by Cord Jefferson (July 2010)

Still think a music career is an easy path to a blinged-out life? Don't believe the hype. A whole lot of folks have to get paid before the musician does. The Root traces the money trail.

If you thought the life of most musicians was comparable to the blissful and blinged-out existences of Kanye and Rihanna, you've clearly not heard much about our ever-desiccating music industry. According to the latest Nielsen research, only 2.1 percent of the albums released in 2009 sold even 5,000 copies -- that's just 2,050 records out of nearly 100,000, and to fewer people than go to a small liberal arts college.

As if that weren't bad enough, even the bands who do move units end up paying through the nose, mouth, eyes and ears for management, legal fees, producers and other expenses, leaving most of them scrounging to pay for record advances and, if they can afford it, health care. From the outside, it often sounds fun to be in a band. But before picking up that guitar or microphone, take a look at where the money from a record goes.

SLRP: The suggested list retail price of a CD is currently \$16.98, while the standard wholesale price -- what retail stores pay the label per CD -- is about \$10. Once the retailer gets the CD, they can sell it for however much they'd like -- hence "suggested." Artist's royalties are a percentage of the retail price. Superstars can get 20 percent of the SLRP, but most get 12 percent to 14 percent.

Packaging charge: 25 percent of the SLRP goes back to the record company immediately for what's called a "packaging charge" -- that's the label literally charging the artist for the plastic case in which his or her CD is sold.

Free goods: In essence, "free goods" are a roundabout way for labels to discount records so stores will be more inclined to buy them. So rather than sell Best Buy 100,000 records at the regular wholesale price, the label will sell them 100,000 records for the price of 85,000. The artist is then paid for the 85,000 CDs, not the actual 100,000 sold to the retailer.

Reserves: Records, especially records by newer artists, are generally sold with the caveat that retailers can return to the label whatever copies they don't sell for a full refund. Thus, to ensure they don't lose too much money on artists, record labels will sometimes pay artists for only 65,000 copies out of 100,000 copies, just in case 35,000 (25,000 if you consider the free ones) are returned. If the retailer ends up selling all their copies, the label will then pay the artist the balance owed, which can sometimes take years.

Distributor: Music distributors are entities designed to promote and distribute records. The major labels maintain in-house distributors, while most all indie labels use private distribution companies. For smaller bands' records, the distributor can take as much as a 24 percent cut of the SLRP; bigger bands might only be charged 14.2 percent.

Songwriter/publisher: If an artist doesn't write his or her own music, someone else has to. And someone who writes a song must first go through a music publisher, whose job it is to place that song with a recording artist who will agree to perform it. If an artist buys the song, the writer and publisher then receive 9.1 cents for every copy of the song sold, a sum they must then split.

Personal manager: This manager guides the career of the artist and gets about 15 percent of the artist's gross earnings.

Business manager: This manager is the artist's money man, making sure the musician repays his debts and invests his earnings wisely. A business manager charges 5 percent of an artist's gross.

Lawyer: While it's not always the case - many charge hourly - some artist's lawyers charge 5 percent.

AFTRA and AFM: These are the musicians unions. Singers join AFTRA (the American Federation of Television and Radio Artists), while players join AFM (the American Federation of Musicians). If an artist cuts an album, he has to join a union, which will then take \$63.90 in base dues plus 0.743 percent of the artist's first \$100,000.

Record advance: Unlike touring fees, of which the record company can only recoup half, record advances are 100 percent recoupable. That means that if the label fronts an artist \$75,000 to pay for whatever he or she needs to record an album --studio time, new instruments, etc. -- the artist then owes the label that initial \$75,000, regardless of whether the record is a success or not.

The Root thanks Don Passman, author of All You Need to Know About the Music Business.

Article Source: www.theroot.com/views/how-much-do-you-musicians-really-make?page=0,0

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Where is the Money in the Music Industry? by MINORITY FORTUNE

The reason we're so unimpressed with artists boasting about their imaginary funds and luxurious lifestyle is because unless we see a sustainable foundation behind the funds, we're certain that these funds will dry up within a finite amount of time. *The artists that naively believe they'll be paid off the industry forever whilst not writing their songs, owning their masters, renegotiating their contracts, and/or starting their own side businesses will be tossed like a five dollar bill once they aren't moving any units.* In such a fickle industry, this is sure to happen to every artist. Then only when the money well runs dry do they stop to think about how little they really knew about handling business and managing money.

The truth is that a record label contract is only a stepping-stone. It can lead you to opportunities, but it will not in itself lead you to wealth. The money is in other branching endeavors such as the following:

- ⤴ touring (which is why 50 Cent is always touring with G-Unit)
- ⤴ endorsements
- ⤴ song writing
- ⤴ product lines
- ⤴ real estate
- ⤴ side businesses

A significant portion of Beyonce's annual revenue comes from endorsements and song writing credits. Outkast members Andre 3000 and Big Boi continue to earn significant revenue off their highly successful album *Speakerbox/ The Love Below* due to their writing credits. The money never comes from album sales alone. Even Michael Jackson's wealth was significantly subsidized with investments like the Beatles and other big artist's catalogues.

The Reality: Crappy Cash Flow

It's a sad reality, but the truth is that your average artist is in debt. While they may be diligently chipping off their debt, they're constantly battling that reality. It's embedded in their contracts, and there's no escaping it. No matter how many albums they put out, no matter what label they're switching to, and no matter what car they're driving, the fact is that their bank account probably stands at \$50,000 or below with maxed out credit cards abound.

Play Smart

Aspiring artists, do not give up on your dreams. A record label contract can be a stepping-stone. However, come up with your own blueprint before you sign any contract. Go over your terms with your own trustworthy lawyer. Think beyond the contract and album sales. Your money must come from other avenues if you're going to make it. Be smart, and you'll be legions ahead your peers.

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