

Why recording artists make nothing from their first album By Chris Standring

I recently read Courtney Love's famous "rant on the major label cartel", a fascinating and insightful criticism of the major record company contract system from a signed artist's perspective.

For those of you who are not up on this drama, Courtney Love some time ago expressed her dissatisfaction with her own record deal and artist deals in general, deeming them to be corrupt, an "act of piracy" and exploitative. She goes on to say that it would take millions of record sales for an artist to recoup promotional money spent in order to see any money at all from record sales. It is a very long yet thoughtful essay on the music business seen through the eyes of a successful artist.

Courtney is absolutely right when she talks about artists not making money from record sales. I think that first I should quickly point out that there are two royalty sources that an artist is technically able to benefit from.

The first is "artist" royalties. These are royalties due to an artist from record sales. Usually an artist can be offered anywhere between 10 to 20 royalty points depending on his/her credibility.

The second royalty source is "mechanical" royalties. These are royalties payable to the songwriters. Last time I checked the statutory rate was around 7 cents per song. A songwriter who writes 100% of an album's worth of 10 songs will therefore make 70 cents per album sold. This is payable from record one. It is therefore extremely beneficial for artists to write the music they record!

Anyway, the only real drama with mechanicals is that labels somehow get away with paying artists only 75% of the statutory rate, which means labels are effectively withholding 25% of the copyright income. There is absolutely no reason for them to do this apart from the fact that they have always got away with it! This is one thing I would like to see changed. Very successful artists can usually negotiate 100%. New artists, very rarely.

Let's go back to our "artist" royalties because this is where ALL the problems really lie. Let me explain what the problem is really all about. Let's say a major label has just signed your band "The Ahmesh Conspiracy" and offered you an exorbitant amount of money. Your attorney has negotiated an artist royalty of 15 points. Traditionally not bad for a new artist. Here's the way it works...

Every single promotional penny spent on promoting your record, be it video costs, indie radio promotion or retail programs, is recoupable from your royalty points in some way, depending on how your contract is set up. Some things are charged to the artist at 100%, some 50%. What this means is that in order for you to recoup \$100,000 in promotion, the record company will have to receive income almost 10 times that amount before you clear that recoupment. (Don't forget, you - the artist - don't see a penny until your recoupment is clear).

How is this so? When \$100,000 of income goes to the record label, only 15% of that goes towards your recoupment. You are recouping at a snail's pace because you are recouping at 15% of the pie! That means that realistically you can never really make money because if records are selling well, the label will continue to spend X amount of promotional dollars which in turn gets recouped at the 15% snail's pace. It's a complete joke! While you are going more and more in debt, the label may be making millions! It takes an Elton John or a Mick Jagger to make artist royalties.

Pretty frightening, huh? So how have artists been existing up until now and what is there to hope for? Firstly, the smarter artists become hip to the fact that they HAVE to write their own material. Secondly, once they have a hit record, if they are really smart they will have their attorney attempt to re-negotiate certain things in order to keep everyone pacified. (Let's face it there is nothing more counter-productive than a reluctant artist). One of those things may be to "clean slate", which essentially means to have the label wipe their recoupment bill from a previous record. This is only possible for an artist with a very successful CD, however. There has to be a tremendous amount of positioning to pull this off.

Aside from living off publishing income (mechanical royalties), a successful artist can always tour. The more successful an artist is, the more the band can be "guaranteed" high performance fees. A successful artist touring can command thousands of dollars per show which record companies do not take a hand in. This is important revenue for artists.

So this is the way it has been up until now. I say "up until now" as nothing has changed yet, but with people like Courtney Love going to court over this, things may indeed take a turn. I would personally like to see two important things changed in standard recording contracts.

Firstly, regarding artist royalties, artists should be able to recoup at least 50% (50 artist royalty points) until their debt is paid. Once their debt is paid, then a lower artist royalty rate might then be acceptable. The sheer fact that labels recoup from artists at such a pathetically low rate means that there is no hope for artists to make money this way. There has to be a new higher percentage to recoup at.

Secondly, regarding mechanicals, I would like to see it made illegal that labels can even offer 75% stat. It HAS to be 100%, non-negotiable.

Finally, labels **should** make the lion's share. Why? Because I believe that anyone who stumps up the money in the first place should make the larger percentage. Otherwise artists should do it on their own. I am more than happy to see artists sign a record deal where a record label makes more money than them, especially if an artist is new, undiscovered and needs a huge promotional break. That takes a ton of money, money which artists don't have on their own. That's why we have record deals. So, sure, I want to see big changes but the issue has to be seen in perspective!

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