

WHY IS IT SO TOUGH TO MAKE A DECENT LIVING AS A MUSICIAN?

Why is it so tough to make a decent living as a musician? This is a series of extracts from expert articles about the music business. The extracts explain why it is so difficult for musicians to earn a living. The issue of "advances" is critical: these articles explain how advances work and why it is virtually impossible to earn money from one's first album.

You are also encouraged to read the three companion articles - Music industry Contracts and What Do I need to do to get signed? and Explaining the income streams.

Extracts from "Record Contract Basics" by Michael McCready

A record company puts a record out to make money. Creativity and integrity play a part, but it is a financial relationship. So you have to carefully consider what is on offer and obtain expert advice.

The rule in record contracts is what the record company gives you with one hand, it takes away with the other.

The fundamental touchstone of record contracts are "points." Points refer to how many percentage points a band will receive as their royalty rate. On a major label, this will run between 10 and 15% and typically 9 to 12% on a smaller label. The percent royalty rate is just the beginning, however. The first question you should ask is, "a percentage of what?"

Generally, the royalty rate is based on a percentage of the standard retail selling price. You will get your full royalty rate for each full price CD/download you sell through normal retail channels.

What about other places you sell your CDs? Record companies will pay you a fraction of your royalty rate for sales not through normal retail channels. For example, you may receive 75% of your royalty rate for sales outside the United States, 60% of your royalty rate for CDs sold below standard retail price (i.e. albums sold at a discount) and 50% of your royalty rate for sales through record clubs. In fact, most of your CDs will not be sold through normal retail channels. Although you may have a 12% royalty rate, you will only get a 6% royalty rate on record club sales.

Record companies try to make the royalty rate paid to artists as attractive as possible. They may give you a generous royalty rate. However, in addition to the reduced royalty rate on CDs sold outside normal retail channels, there are also many reductions in your royalty rate.

It is impossible to determine how much a band will get for selling a CD without a calculator. There are entire chapters in books written about all the various deductions.

You get no royalties on records given away free for promotional purposes. A large deduction is the so-called "packaging" deduction. The theory behind this deduction is that the band pays for the packaging of the CD and tape. Typically, these deductions range from 15 to 30% of your royalty rate. In effect, a 12% royalty rate and a 25% packaging deduction lowers your rate to 9%.

In addition, your royalty rate is often an "all-in" royalty rate which means that you must pay the producer out of your royalties. Typically, a producer will take 3 points (3%) which lowers your royalty rate even further.

Your royalty rate is meaningless unless it is viewed in the context of all the deductions. A band can expect an average of \$1.00 in royalties for each full-priced (\$16.98) CD sold through normal retail channels.

The other major concept involved in record contracts is the term "recoupment". Recoupment is a fancy word for pay back. Record companies expend a lot of money on bands. They pay for all the studio time, give the band an advance, promote the band, etc. All of this money is a loan to the band which the band must pay back. This is recoupment. The band pays back the record label out of their royalties.

For example, if a major label spends \$250,000 to record an album, the band must make over \$250,000 in royalties until they receive their first royalty check. Once a band sells enough records to pay back the amount to the record label, the band has recouped and will receive royalties on future record sales. Approximately 80% of albums never reach this point which means that most bands NEVER receive any royalty checks. Do the math yourself - if you owe the record company \$250,000 and you make \$1.00 per CD, that is a quarter of a million CDs you must sell before you collect royalties.

The one redeeming feature is if the band does not sell enough CDs to recoup, they don't have to pay the record company back. It does not come out of the band's personal pocketbook.

There are other places a band can make money when they have a record out other than royalties. There is publishing. There is money from live personal performances (concerts). This is money that the band gets to keep - most of the time that is.

Some record company contracts allow the label to recoup money from other sources, such as publishing. *Although this should be called robbery, the practice*

actually has a name and is called "cross-collateralization". This term means the band will not receive ANY money until the label gets paid back, i.e. the band is recouped.

Now for the topic everyone asks about: "How much is my advance?" Not surprisingly, this question is not as simple as it seems. In the past, record labels would sign a band and write a check to the band as a signing bonus and then pay and record an album. Some bands abused this and went over-budget on recording, much to the record company's dissatisfaction. To remedy this abuse, record companies developed the "recording fund."

The recording fund is the recording budget AND the advance rolled into one. The contract states that you have one lump sum to record your album, and if you are under-budget, anything left over is your advance. If you want to stay at the Ritz and waste time in the studio, that means less money for you for your advance. This has proved a marvelous incentive for bands to be efficient in the studio.

How much of an advance is good? Once again, this depends on the label and the circumstances of your signing. Generally speaking, the larger the label, the more of an advance you should expect. In addition, the more interest in the band, the higher the price becomes. However, is a large advance always the best? There is much disagreement on this issue.

Keep in mind, the more money you get as an advance, the more money you have to pay back before you receive royalties. If you take a huge advance and your album does not live up to expectations, a label may be quicker to drop you and cut its losses. On the other hand, most bands who sign record contracts never reach recoupment so the advance may be the only money they ever get from the label so why not take as much as possible?

There is no right or wrong answer to the size of the advance. Some musicians have a "show me the money" attitude and others think about longevity within the industry.

Don't think that you have finally "made it" simply because you get offered a record contract. Often, it is a deal with the devil. There are many attendant drawbacks to signing a record contract. It is vital to have someone knowledgeable about record contracts negotiate the agreement on your behalf. Record contracts are routinely negotiated. A slight change in wording here and there can have a huge financial impact for a band.

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To read the full article by Michael McCready from which these extracts are taken, see: www.fmc-ireland.com/publications/factsheets/record_contract_basics.htm

Poor income from record sales

In the music industry's basic form, an artist simply records his/her own music, reproduces it and sells it to others. If he wants to go the more old-fashioned route, an artist can burn the recorded tracks on compact discs and sell the CDs themselves at performances or on the band's own website. Or they can put it on an online retail site like CDBaby, which doesn't require musicians to have a record company to sell music.

If they sell the physical CD themselves for \$9.99, they keep 100% of the profits, which is obviously the most profit-per-album a musician can hope for. But it's also not the best way to reach the widest audience. Selling that same full \$9.99 album online through CDBaby means the website gets a cut to the tune of \$2.49, while artists get to keep the other \$7.50 for a cool 75% profit. Unfortunately for new musicians, expensive record labels are often the key to getting an artist's brand out.

Record companies get a cut of absolutely everything a musician produces. That's not too surprising, considering artists are a risky investment. They pay advances to the artists for recording costs and other expenses, but they expect a return on that investment. So just how much of a cut does the artist get for an album sale under a record label?

Every contract is different, but the average high-end royalty deal with a record company will pay musicians \$1 for every \$10 retail album sale. And it can be a lot worse than that; a low-end royalty deal only pays 30 cents per album sale -- amazingly small for a CD purchase, considering that bands may have to divide that among several members.

In the popular digital realm, a \$9.99 download on a program like iTunes nets artists a modest 94 cents -- less than a 10% cut. The record company takes \$5.35 and Apple keeps the remaining \$3.70. Artists get nine cents for each individual song downloaded on Napster and iTunes. To put that into perspective, musicians need to sell 12,399 songs a month to earn a salary equal to a McDonald's employee. Perhaps that is why many popular artists prefer to sell through other venues.

Online streaming services like Last.fm, Rhapsody and Spotify pay each time users click play, but the numbers are a pittance. Listeners have to stream an artist's songs 849,817 times on Rhapsody, 1,546,667 times on last.fm and 4,053,110 times on Spotify respectively to earn a monthly salary equal to minimum wage.

So how do artists survive in this industry? While music sales are part of the equation, they aren't the only ways these artists are paid for their songs. The real money for musicians lies in touring. Many musicians put up with the exhausting pace of life on the road because touring can be much more profitable than music sales. Publishing royalties are also one of the most fruitful moneymakers for artists who are songwriters, but not every performer is a songwriter.

After becoming famous and obtaining a loyal following, it often makes the most sense for artists to dump their record company and go at it alone. The most successful, entrepreneurial artists often start their own record companies, going on to find their own up-and-coming artists to profit from. Thus the cycle continues...

The full article - entitled "Who Really Profits from Your iTunes Downloads?" & written by Brian Reed in 2011 - can be read at www.investinganswers.com/personal-finance/rich-famous/who-really-profits-your-itunes-downloads-3818

Imaginary income and fake luxurious lifestyle

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 touring (which is why 50 Cent is always touring with G-Unit), endorsements, songwriting, product lines, real estate and 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.

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.

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.

To read the full article, see: minorityfortune.com/school-time/where-is-the-money-in-the-music-industry-part-ii/

Extracts from "How Recording Contracts Work" by Marshall Brain

Whether you are a solo artist or you are a member of a band, you generally have two problems if you are an unknown who is signing your first recording contract:

Royalties

In addition to global exposure and fame, the biggest reason for signing a recording contract is to get paid for your music. The record company will record your act, master it, produce the album and sell it through record stores. You get paid a percentage of each album sold. Royalties on the sales of albums is the main source of money coming from a recording contract.

The percentage that you receive for each album sold is a negotiating point, but typically it can fall anywhere between 10% and 20%. Most new artists get a royalty percentage at the low end of the range, and 10% is common. A royalty deal seems simple enough. If a CD sells for \$15 and the royalty percentage is 10%, the band should get \$1.50 for the sale of each CD. If your first album sells a million copies, your band should get \$1,500,000. What's not to like about that?

The first thing to keep in mind is reasonable expectations for the sale of an album. The music industry launches tens of thousands of new albums every year, and only a small percentage of them are going to go gold (500,000 records sold) or platinum (1,000,000 records sold). You have about a 1-in-20 chance of producing an album that is a major hit.

The second thing to keep in mind, and this is a big one, is that the band does not get \$1.50 for each CD sold. This discrepancy comes from the fact that the retail price of an album is different from the wholesale price, and many recording contracts pay based on wholesale rather than retail prices.

It is not uncommon in the music industry for retail stores to mark up the wholesale price by as much as 80% when a CD is put on the shelf. Then there are things like coupons, rebates, promotional discounts, etc. that can carve into wholesale prices. In addition, there is the concept of a sales channel. For example, record clubs represent a different sales channel from retail record stores, and record clubs usually get their CDs at a lower wholesale price. Therefore, the band gets less money from discs sold through record clubs. Foreign sales may be treated the same way.

What this means is that the royalty payment usually does not get calculated based on the \$15 retail price for the CD. The royalty payment may be calculated based on a much lower wholesale price point. It depends on the contract you sign.

The royalty amount can also be reduced by various charges. For example, it is common for a recording contract to withhold 25% of the band's royalties for a

packaging charge. There may also be a deduction for free CDs. It is not uncommon for a record company to give away free CDs to a vendor instead of discounting the wholesale price of a CD. If that happens, then the band will be paid nothing for the free CDs given away.

Another common practice is to charge the band for a variety of costs associated with producing an album. For example, the cost of recording the album, promoting the album, producing a music video and touring for the album may all be recoupable expenses. Which means all of these expenses may be deducted from the band's royalties before the band gets paid. The cost of recording an album can easily reach several hundred thousand dollars, and so can promotion, touring and music video costs. All of these costs get subtracted out of the band's royalty payment before the label writes the band a royalty check.

Finally, there is the concept of an advance against royalties. The record company may pay the band a set amount of money during the album's development so that the band can eat while they create an album. If so, that advance will be recouped before any royalties are paid.

If any money survives the recouping process, and the band actually gets a check, then the band's manager and/or agent will get a cut of the proceeds. A manager typically gets 20%.

The money that **remains** gets divided among the band members.

What this system tends to do is create a situation where only those bands who create gold and platinum records ever get paid anything outside of their advance money.

From this discussion, you can see that you need to be aware of several things when reading a recording contract:

- ⤴ The amount of the royalty percentage.
- ⤴ Whether the percentage is calculated on the wholesale, channel price of the album or the retail price.
- ⤴ Where the recoupable expenses are applied (do they get applied before the royalty rate is calculated or after?)
- ⤴ The kinds of extra deductions (like packaging costs, breakage, freebies, etc.) that are taken.
- ⤴ The size of the advance (since the advance may be the only money you ever see, you want it to be as large as possible).

Royalty Alternatives: Another formula

In some cases (more common outside the U.S. or with indie labels), the record company and artists split the net profits of an album 50/50 (or along some other percentage in the range of 50/50). To calculate the net profits, the label takes

the gross receipts for the album and deducts all of the direct costs. The gross receipts are all of the money that the label makes from the album through wholesale sales of the CD. The direct costs include things like:

- Studio time and labour costs to record the album
- The costs of producers, technicians, etc. to produce a master
- The costs of pressing and packaging the album
- Shipping costs to get the albums to retailers
- Marketing, advertising and promotion costs
- Warehousing costs
- Legal costs
- Taxes
- Personnel costs
- Royalties paid to songwriters

Here, too, there is still a fair amount of wiggle room for the label. For example, the record label may be paying personnel \$10 per hour but charge a retail price of \$40 per hour when charging the cost of the personnel to the album as a direct cost. Part of that is justified (e.g. the label pays more for an employee than the hourly rate, including things like benefits, plus there's office space, equipment, and so on). But the markup is probably 100%. So the label is making a nice profit off these expenses, and may still be making money even when the artist is making nothing.

Only 5% of all records released by major labels go gold or platinum. So you can see that there is no guarantee at all that your band will make any money from a recording contract. You are gambling that your album will be able to break through into the top 5% of albums and go gold or platinum.

The bottom line is that you want to push for the highest royalty rate possible, especially if there are a lot of recoupable expenses in the contract. You also want to push for the highest advance possible, since that may be the only money the band actually receives. Keep three things in mind when you negotiate the rate:

- △ It is likely that the first royalty number you see is negotiable. It is common to put a low-ball figure in the contract to give the label room to negotiate.
- △ It can't hurt to ask for a higher rate. The fact that you have been offered a contract means something. The label looked at your band or your solo act and saw talent that looked profitable. If one label can see that, it is possible that other labels would have the same reaction. This gives you a bargaining position.

- △ **The Marketing Machine** - You are signing a contract to achieve maximum exposure. You want the label to promote your record. If possible, you would like to see some sort of **minimum dollar commitment on the part of the label in the area of promotion** written into the contract.

Options

Normally, a recording contract will have something like a one-year term to allow the first album to be recorded and released. The first contract period, in other words, lasts a year. Then the contract will have a number of options that the label can exercise to activate the second contract period, the third contract period and so on. For example, a contract might have five options. If the label likes the initial album, it can exercise its first option so that a second album can be produced.

During each option, the label is requesting a new album. The band usually gets another advance and goes into the studio to record the next album. The label can choose not to exercise its option, and in that case, the contract terminates. Or the label can exercise an option, but the band has no way to get out of the contract if things are uncomfortable. For example, if the band's first album is very successful and the band would like a higher royalty rate, there is no way to renegotiate that. The royalty rate applies across all of the contract periods in the contract. Or, if the band's first album was a bad experience and the band would rather not do another one, there is no way that the band can avoid additional albums. If the record company exercises an option, the band is obligated to produce the album.

The options have the effect of locking a band in for six or seven albums (or more if the label rejects an album). If a band is doing well, the options in the contract guarantee that the band will produce a large collection of albums according to the terms of the contract. For most bands that sign their first contract as unknowns, this arrangement is very advantageous to the label. The band produces six or seven albums at a low royalty rate. If the band is not doing well, the label simply terminates the contract, but the lock-out clause prevents the band from re-recording the material. Even if the label has no interest in the band, the label owns all the recordings. There is no way for the band to re-release an album on its own.

Contracts will sometimes specify that recordings of live performances do not count toward the total number of albums stipulated in the contract. So if the label wants to release a live album, it can, and it does not shorten the contract.

Finally, there is a concept called **cross-collateralization**. Let's say a band's first album does well, but not well enough to recover all the recoupable costs, charge-backs, etc. For example, the record company sells 300,000 CDs and makes \$3 million. The band gets a 10% royalty. The recoupable expenses total \$500,000.

So the band "makes" \$300,000, but that money doesn't cover all the recoupable expenses. So the band is now \$200,000 in the hole. The band does not get a cheque, but the label probably cleared \$2 million from the album. So the record company exercises the first option. The band creates a new album. The income from the second album will have to cover all the remaining costs from the first album (\$200,000) and then all of the new costs for the second album before the band sees any money. **In this way, a band may need to produce several albums before it gets paid anything.** It is not a pretty picture for a band that "almost succeeds." The contract locks the band in, but the band makes no money from the contract outside of the advances.

This is why you would like the advances to be as large as possible. Since the advance money may be the only money you ever see, and is therefore the money that you and the band members will be living off of, you definitely want to try to negotiate an advance that allows the band members to live a decent life and cover things like health insurance.

Merchandising - Depending on what the contract says, any revenue earned from T-shirts, key chains and so on may go to the label. The label may own all merchandising rights for the band.

To read the entire excellent article from which these extracts are taken, see <http://entertainment.howstuffworks.com/recording-contract.htm>

Extracts from "What's a Record Label Deal All About?"

by Christopher Knab, Fourfront Media & Music

POINT / PERCENTAGE of the LIST PRICE You Receive - Find out how much you get paid for each record sold. A new American act usually gets somewhere between 10-15% of the suggested list price of a recording. (Remember too that out of your percentage, you must pay your producer). Outside of the USA, you get a proportion of the full U.S. Rate [Canada: 75-90% / UK, Japan, Australia: 60-70% / Rest of the world: 50 %].

RECORDING COSTS - How much (recoupable) recording money will you get? Don't overdo it! Remember, you will have to pay it back from your royalty rate as applied to actual sales.

ADVANCES - How much (living) money will you get that is recoupable? What about other advances, such as videos and touring? Remember, you will have to pay back this money to the label.

VIDEO - Who controls the music video and how are the costs apportioned? Try to have only 50% of the cost recoupable.

PUBLISHING - If the label has an affiliated Music Publishing division, and wants part of your publishing, don't be surprised, but be sure your lawyer protects as much of your publishing royalties as possible. Never allow a label to recoup any monies advanced to you for the recording of your record from your publishing royalties.

MERCHANDISE - Merchandise deals are deals made by your lawyer for your likeness to appear on t-shirts and other clothing and objects. If the label wants a percentage of the income from such a deal, you may have to negotiate how much they get.

To read the full article by Chris Knab from which these extracts are taken, see:
<http://www.musicbizacademy.com/knab/articles/recorddeal.htm>

Extracts from "What is fair in a record deal?" by Chris Standing

Artists have great difficulty making money from record sales. 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 publishing royalties payable to the songwriters. The royalty rate is 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. Clearly, it is extremely beneficial for artists to write the music they record.

However, labels somehow get away with paying artists only 75% of the "mechanical" rate, which means they effectively withhold 25% of the copyright income. Very successful artists can usually negotiate to get 100% of the "mechanical" rate but new artists have to accept 75%.

Returning to "artist" royalties, let's say a major label has just signed your band and offered you an exorbitant amount of money. Your manager has negotiated an artist royalty of 15 points - 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, radio promotion, press advertising, online promotion, or retail shop promotion is recoupable from your royalty points in some way. Some things are charged to the artist at 100%, some 50%. What this means is that in order for you to recoup \$100,000's worth of promotion, the record company will have to receive income almost 10 times that amount. (And you - the artist - won't see a penny until your recoupment is cleared).

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, Realistically, you can never really make money because even if your 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.

As a result, the smarter artists know that they **HAVE** to write their own material. Once they have a hit record, if they are clever they will have their manager attempt to re-negotiate certain things. One of those items is to "clean slate", which essentially means getting the label to erase their recoupment bill from a previous record. This type of renegotiated deal is only possible for an artist with a very successful CD.

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 tour can command thousands of dollars per show to which record companies should not have access. This is important revenue for artists.

Finally, labels **should** make the lion's share. Why? Because anyone who stumps up the money in the first place should make the larger percentage. Otherwise artists should do it on their own. It is only right that artists sign a record deal where a record label makes more money than them, especially if an artist is new, undiscovered and needs huge promotion. Such promotion requires a ton of money, money which artists don't have. That's why we have record deals.

To read the full article by Chris Standring from which these extracts are taken, see: <http://www.music-articles.com/marketing/what-s-fair-in-a-record-deal----by-chris-standring--a-r-online-.html>

Extracts from "The Music Industry's Funny Money" by Cord Jefferson

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. Here we trace 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 troubled 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 SLRP 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 almost 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% 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 North American 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.

Within a set of graphics illustrating Cord Jefferson's article, some eye-opening information appears. Jefferson calls the division of spoils "**the great divide**" - the band gets 13%, the record label takes 63%, and the distributors get 24%.

Within a band's take, the money is divided up this way: 18% to each of four band members (72% in total), the manager 20%, the lawyer 5%, & the producer 3%. And for every \$1,000 in music sold, the average musician makes \$23.40.

To read the full article by Cord Jefferson from which these extracts are taken, see: www.theroot.com/views/how-much-do-you-musicians-really-make?page=0,0

Extracts from "How to make a living playing music" by Danny Barnes

- ⤴ Keep your expenses very low. The more overhead you tack on, the harder it's going to be. and the easier it is to get knocked off course.
- ⤴ Don't be a cheapskate. Pay your band as much as you can. Tip well.
- ⤴ Be honest with your taxes. If you try to fudge on this, it will come back to bite you every time. *Get receipts for everything. Keep perfect records.*
- ⤴ Your basic infrastructure will have to consist of these things: a good lawyer, bookkeeper, accountant, doctor, a mechanic, an instrument repair person, web person, and someone in your circle that will always tell you the truth. Do what they say. Later, you can add a good agent and then maybe a manager if you have lots of stuff to deal with like a label. If you don't assemble a good team of the people on this list, you are likely to have problems every time you turn around.
- ⤴ If you are going into a deal with any entity, seek two things:
(i) the arrangement must be win/win. Win/lose is ultimately lose/lose. Avoid that. (ii) Make an agreement that either one of you can walk away at any time and everything is cool.
- ⤴ Keep working on your art. keep taking lessons and studying and working. this is the main art strategy. research, learn, study, experiment, develop, edit.
- ⤴ Don't be afraid to do other things to make money in the short term. This can be a very rewarding experience. Historically, musicians have been barbers and bartenders and all kinds of stuff to make ends meet. Do what you need to do.
- ⤴ Keep your art the main focus.
- ⤴ Avoid the performance mentality. I know this sounds ridiculous in a performance based industry. But think about this. Here is a recipe for disaster.

"My value = my performance + other people's opinions"

The reason why, is that someday, you are going to have an off day and/or someone is going to criticize you. If you put your value in the world like that, you are going to have a bad time of it. I speak from experience. I only learned this at the age of 46. Finding my true value fixed this for me. So establish your value outside of how

well you did on the gig and what the papers said about you. Otherwise, you are going to be miserable and you are going to make everyone else miserable.

- ⤴ Don't gossip.
- ⤴ Record labels: they can help or they can drag you down. Here's the scoop. If they expect you to be the primary distributor of the product, don't sign the deal. The typical deal is a 90/10 split, you get the ten minus every expense related to the project. Thus you are paying for everything and giving the label 90% of the gross. Read that sentence again.

If they aren't really really offering you something good in terms of promotion, or something - some tangible quantitized tie-in to something bigger - skip it. You can hire that stuff yourself easier. Talk to other artists on the roster and ask them what they think. Anyway, if you are an emerging artist, it's going to be hard to find a label home. They are losing so much dough they only want guaranteed money makers (or less money losers) on the roster, and they are dropping folks right and left.

So it's a 90/10 deal and you get the 10 and they want you to be the primary distributor of the product plus pay for the whole deal. Those are not very good terms. In addition, they will charge you eight bucks plus shipping for your own cds that you can make for either zero or one dollar. And they might complain about every little detail.

Again, if they really have an idea for a bang up thing they are thinking of, by all means have a go. If they are motivated and have a track record and have ideas and are workable, they can really help. However, you might want to have an out. Have an out clause in there. Shooting from the hip, I'd tell you to avoid the whole thing and do it yourself. It's very likely that the person that brings your act into the label fold will get fired. Then you can get stuck with four years left on the deal and no one will return your calls. They just hope you will get another deal and someone will buy out the rest of the contract. Lots of bands close up shop at this point.

- ⤴ There are some labels that operate with different models. I have had very good success with them. They tend to be more punk rock style outfits. You might want to investigate that. The standard deal referred to already is pretty hard to profit from. The punk rock deal goes something like this: all the black ink goes in a list, all the red ink goes in a list, find the difference, split what's left if it's a positive number. Fifty fifty. These are really the only deals I ever made money on.

The point is, there are some other ways to look at stuff contractually. If the deal is win/win, great. If it's win/lose, skip it. If the label in question is

locked into doing contractual things a certain way, this won't be for your benefit. You are creative, your business arrangements can be creative.

- ⤴ The main business strategy is to build your own audience. If you have a draw, agents, labels or investors will come to you. If you skip this step and start trying to talk to industry people and you don't have a draw yet, you are going to be sorry. Build your own audience. If you can sell your own records that you make yourself and do your own shows, you can attract the attention of industry folks and get your calls returned. Then you probably won't need them unless you want them. That's a better bargaining position for you. Work on your drawing power.
- ⤴ Keep working on finding more and better places to play. And new contexts within which to place your work. If something feels right, it probably is right. If you are having to bang your head against the wall in regard to something, it may be better to drop it sooner. The longer you work on something that isn't going to work out job-wise, I think the more time we waste.
- ⤴ I work for free when it's kind of my idea to do so. If someone else suggests it, I tend to pass. I also pass on a job where they say they aren't going to pay you but you'll sell lots of cds.
- ⤴ Don't expect to get paid more than you can bring in. If you draw ten people, and the cover is \$10 a head, you gross \$100, not \$500. You can't ask for more than you bring in the door.
- ⤴ You may not want to hire support musicians that get too worked up about money. It can be hard to make these folks happy.
- ⤴ Musicians that are struggling to make a living are difficult to deal with. They over-compensate by talking too much, or acting like they know everything, or showing up drunk or being really critical. Mature musicians are at ease and play great; they are also more expensive.
- ⤴ Don't let anyone tell you that you can't make money playing music. Six of my pretty good musician friends are millionaires. Three of them multi. Three of them play music that most folks would surely comment, "you can't make any money playing that." Don't tell those guys. Five of them are the nicest people you would ever want to meet. One of them is as mean as a snake. There you go.
- ⤴ I would suggest being able to do different things. If you write songs, maybe you can sing on other folk's demos. Maybe play guitar in someone else's band. For years I taught music lessons in a music store.

- ⤴ Stay away from complainers and folks that don't have their lives somewhat together.
- ⤴ All the trouble in the world is going to come for you in two ways: the things you say, and the things you agree to do. Be very careful about these items.
- ⤴ Build alliances. Let's say you play some weird kind of music. Make contact with someone in another city that does something similar and offer to set up a concert for them in your town. Maybe they will later help you to play their city or something. Work it out with them. If you can't get into a particular festival, why not have your own festival?
- ⤴ Don't keep saying "well if I had a label or agent or manager, then I could be happy." Forget that. Forge ahead with your music. Keep working. Develop the music. Come up with different ways to do an end run around conventional wisdom. If you are really called to be in music, the right people will present themselves at the right time. Build those alliances of simpatico musicians, writers, studio guys, label guys, radio guys. Be nice and help others.
- ⤴ If for one second you think you aren't getting the recognition your talent deserves, banish this thought immediately. If others tell you this, ignore it. Just keep working on the music.
- ⤴ If someone is a problem, and they won't fix it, get rid of them. It's okay. Both of you will be happier.
- ⤴ Don't waste materials and time giving a cd to someone unless you are fairly sure they will actually listen.
- ⤴ Avoid folks that make your job harder. When you ask someone a direct question and they go into a convoluted story about something else, get ready for the hassle.
- ⤴ Think of your art as a work in progress. That takes the heat off of it having to be perfect all the time. Keep working on your art, your vision, your catalogue. Dedicate your work life to that, and things will work out.

To read the full article by Danny Barnes from which these extracts are taken, see:
<http://dannybarnes.com/blog/how-make-living-playing-music>

Making money from concerts and tours

Many bands supplement their income from selling merchandise. Now, though, greedy venues want their share of the proceeds. Venues are currently seeking a 25% + VAT commission for allowing a band to sell their merchandise (T-shirts, posters, CDs, etc) at their own shows.

What many people fail to understand is that unless you're already really successful, touring costs. This explains why, traditionally, the record labels have provided **tour support** for up-and-coming acts. But even that source of support is now drying up, as labels scramble to compensate for lost CD revenue.

Venue commission is spreading like a disease across the globe - an estimated 80% of British venues, 40-60% of European ones and almost 100% of American ones follow it - and most artists aren't even aware of it unless they do their own bookings.

For a band playing small to medium (2000+ capacity)-type venues rather than arenas, selling merchandise on tour can make the difference between an overall loss and an overall profit.

To read the full article from which these extracts are taken (written by Helienne Lindvall on June 11, 2008), please see:

<http://www.guardian.co.uk/music/musicblog/2008/jun/11/costoftouring>

To read a detailed and down-to-earth article on the income and outgoings of a modest tour (written by Fish, the singer and songwriter), please see -

<http://fishheadsclub.com/2013/01/29/touring/>