

Transcript of Presentation given by Marina Belica:

The Professional Women's Exchange of New York, Inc.

"The Business of Music: What Goes on Behind the Curtain"

October 11th, 2000, Steinway Hall, New York

Panel Presentation featuring:

Janice Price, VP of Marketing & Communication, Lincoln Center for the Performing Arts,

Mary Beth Roberts, VP of Catalogue Development for Famous Music Publishing, and

Marina Belica, singer/songwriter/recording artist.

The music business is big business. According to the Recording Industry Association of America (the RIAA), the record business in the U.S. today is a 14.5 billion dollar industry. Pursuing a career as a recording artist today is as or more difficult a path than it has ever been, with one major exception. The internet. New avenues are available to artists today via the internet that make possible a viable career outside of the traditional and previously unavoidable structure of the record company.

To quote Joni Mitchell, I have experienced the business, "from both sides now," on and off a major record label, and am here to report that it can be done either way.

And that is definitely something new.

STATISTICS

To give you a sense of how daunting a career choice this is to begin with, let me cite some statistics from the year 1999 (provided by Soundscan, Inc. - numbers are rounded off):

In 1999 there were nearly 40,000 records released.

39,470 of them sold fewer than 10,000 copies each.

200 of them sold over 100,000 copies.

70 sold gold (500,000 copies).

52 sold platinum (one million copies).

Of the 40,000 records release, about 7,000 were on a major label (there are currently five major labels: Sony, BMG, Warner Bros., Universal and EMI).

32,000 releases were on independent labels (which come in all shapes and sizes).

OCTOBER PROJECT

October Project, a band I co-founded in the early '90s, was fortunate to be one of the approximately 200 bands in a given year to sell better than 100,000 copies. In 1991, I joined together with four friends to form a band. None of us had ever recorded an album, been on

the road or were known in the business. We simply all held a belief that we were making music that people would respond to. We used to say that we would build our audience “one hand-shake” at a time, and I believe that’s what we did.

In any case, in what can only be described as an extraordinary series of events, we were signed to Epic Records within 1 1/2 years of our first concert in New York. It is intoxicating to be on a label when you are a priority. We were reviewed in Billboard and Entertainment Weekly, appeared on Conan O’Brien, were flown to Europe for a 9-city promotional tour where we were wined and dined and treated like stars. We opened for The Crash Test Dummies and Sarah McLachlan. We headlined before 10,000 people at an outdoor music festival in Philadelphia. We signed a co-publishing deal with Famous Music, which is where I met Mary Beth, who helped place one of our songs in a feature film (the song "Return to Me" was featured in "Blown Away," starring Tommy Lee Jones and Jeff Bridges). And we sold over 200,000 copies of our first CD.

Ready to record album #2, we were determined to go gold. But the structure around us began to crumble. Michael Jackson, for whom Epic Records was created, sold far fewer copies of his album, “History” than the record label anticipated. People were being fired, our shepherd at the label, also known as a product manager, left the company and we were suddenly, abruptly, orphaned. No Billboard review. No Conan O’Brien show. No European tour. Basically, NOTHING. It is devastating to be on a label when they forget you are there. External pressures led to internal pressures and, regrettably, in 1996, less than a year after the release of our second album (which sold 100,000 copies, without much promotion of any kind, and was, if you ask me, a better album), we disbanded.

Since then, I and several of my bandmates have gone on to generate new projects. For the moment, at least, all of us are doing it on our own. None of us are planning to release via a major label.

DISTRIBUTION & PROMOTION- ESSENTIAL TO SUCCESS

How and why a band “succeeds” (the definition of which I would assert is open to interpretation, but would most typically include such benchmarks as selling a million copies or achieving substantial radio airplay) is influenced by a host of imponderables, and on a practical level requires vigorous activity in two key areas: distribution and promotion.

Before the internet and the now rampant (and, for the most part, illegal) distribution of music on the web, affiliating with a record company was a practical necessity due to their (hopefully) efficient network of nationwide distribution and the budget allocated (in varying degrees) to promotion.

Aside from mail-order record clubs, “brick and mortar” music stores were the only so-called portal through which the public could purchase records. Aware of their clout, these stores developed programs whereby the record company would have to pay for the prominent placement and display of their records. In-store play and window display are available only at a premium. The deeper the record company pockets, therefore, the better your chances at breaking through the ever-growing retail clutter.

The same thing developed at radio, a medium that traditionally held the most power to make or break a band based on the amount of airplay made available. "Promotion" is the record industry term for the art of securing radio airplay. "Independent Promoters" are independent contractors hired by the record companies to help accomplish this. "Payola" is the term for the money or perks said to be made available to radio programmers in exchange for a guarantee of airplay. Payola is illegal. Should an independent promoter be caught offering a radio station "payola," he or she would be prosecuted - not the record company. Does payola still exist? What I can tell you is that the practice is moving out from behind the curtain today with radio stations implementing "pay for play" provisions with record companies "on-the-record," so to speak.

To build a fan base, and to stimulate local radio, press and record retail interest, bands are encouraged to tour the country for as long as they can stand it. The major record companies will often (not always) provide financial support for these tours.

HOW THE MONEY FLOWS

What most people don't realize, however, is that most of the money for the record, its promotion and touring comes, ultimately, from the artists themselves. Here's how it works:

- the record company pays the band an advance to produce an album. 100% of the money is recoupable. 'Recoupable' means that the money advanced is basically a loan that must be repaid out of the artists' pockets.
- the tour support paid by the record company is also 100% recoupable by the artist
- music videos produced by the record company are, again, 100% recoupable by the artist
- radio promotion costs paid by the record company are also recoupable by the artist (typically, at least 50%)
- the artist is offered a royalty of 12-15% of retail, subject to an impressive list of clever deductions, such that the artist may stand to make @\$1.50 per CD sold.
- the record company sells the CD currently to retailers at a wholesale price of \$12.00 for a CD that sells in the store for \$18.98, the current list price for a top line major label release. After deducting the artist and producer royalties, the record company grosses @\$10.00 per CD. There are then many costs that are factored against the gross: the songwriter royalty (known as a mechanical royalty), the cost of manufacturing, advertising, overhead, etc. Even after accounting for these costs, however, the record company net per CD sold stands to be considerably, if not exponentially, higher than what the artist makes.

Here's the clincher, however. Record companies recognize recoupment through the artist's royalty ONLY. In other words, these loans to the artist (for the album, the video, the tour, etc., etc.) are considered paid back to the record company solely at the artist royalty rate of \$1.50 per record sold. Depending on how much the record company spends on a given artist, and how well the record sells, an artist may or may not ever recoup. This should help elucidate my own personal opinion that the practice of most major record companies is tantamount to a type of professional loan sharking. To be fair, if you don't recoup, they don't come after you for the money.

Contrast that usurious scenario with the option of releasing a record on your own. Because of the internet, there are now 'portals' of distribution available outside of the record company that can reach an international audience. Bands are coming up with creative new methods to finance the recording and manufacturing costs. The profit margin per CD sold far exceeds anything an artist would ever see from a record label, providing actual money for the artist to live on. And music fans have become especially active, giving new meaning to the term "word of mouth" through chat groups, bulletin boards, and the sharing of music on-line. Radio is no longer the only place to hear a new song.

MUSIC ON-LINE

Sharing music on-line has its drawbacks and implications, of course, because the practice proliferated before systems could be put into place to guarantee payment to songwriters for the public dissemination of their work, a right protected by U.S. Copyright law.

MP3 files do get the music heard by people who may have had no other means to hear it, making it effective as a promotional tool. The fact remains, however, that an MP3 file just doesn't sound as good as the actual CD, so there is still a strong market for CDs.

DOING IT ON YOUR OWN - TWO KEYS TO SUCCESS

From my perspective, should an artist decide to venture forth on his or her own, there are two key elements to success:

- Being an Informed Artist
- Developing an Active & Informed Audience

BEING AN INFORMED ARTIST

Being an informed would include: researching the available channels of distribution; joining forces with fellow artists; learning the business - familiarizing oneself with the ins and outs of music publishing, concert booking, merchandising and marketing.

DEVELOPING AN ACTIVE AUDIENCE

Developing an active and informed audience means being attentive and tapping into the power of grass-roots marketing and word of mouth. The internet is the grass roots marketing vehicle of today, offering an affordable and wide-reaching method of reaching out to your potential audience, through your website, links to related sites, newsletters, email, sound files and more.

I cannot stress enough the staying power of success won from the bottom up, i.e. grass roots marketing. October Project grew and remains in record stores today because fans took it upon themselves to introduce the music to their family and friends, who introduced it to their family and friends, and so on. We disbanded in 1996 and still sell @300 copies per week. In the record industry, this is considered a remarkable feat. I attribute it to our faithful and pro-active audience.

This is the era of the Active Audience. Audience members are being called upon to help finance records, to host 'house concerts,' to phone radio stations and request airplay; in

short, to help support the music they love so that there is more to listen to than just the Backstreet Boys and Brittany Spears. One example of how powerful an effect a strong fan base can have concerns the band November Project, a new band started by two of the founding members of and the songwriters for October Project. Rochester, New York, had been a strong market for the music of October Project. Fans in the area were alerted to the release of new music by November Project and encouraged to show their support by calling in and requesting the music on the local radio station. Supported by phone requests from the local audience, the band's first single received substantial airplay, airplay that might typically have required a lot of persuasion on the part of a radio promoter. In fact, a radio promoter was said to have called the station in exasperation and said, "Who the hell is November Project and why are you giving them so much airplay?"

Fan power.

BABY BOOMERS

I put my faith in the baby boomer demographic, of which I am a part, and its interest in listening to music and lyrics that go beyond teenage angst. Age 30 used to be a glass ceiling for female singer/songwriters. The long overdue Grammy recognition given to such artists as Bonnie Raitt and Tina Turner, however, is emblematic of the opportunities that are now available to female recording artists in their 40s and beyond. It is my strong belief that these opportunities are directly linked to the ongoing support of an active audience.

Notably, sales statistics compiled by the RIAA point to significant activity among the baby boomer demographic today. Ten years ago, the greatest record-buying segment of the population was age 15-19. Last year, it was consumers age 45 and over. Of course, part of this shift can be attributed to the new market in trading sound files on-line, a market no doubt strongly weighted toward 15-19 year olds. But baby boomers are music fans, too, and still interested in music that has meaning for them.

I encourage each one of you to become an active audience member. Support the music of artists who are attempting to operate outside the traditional record company model to whatever degree you can.

In closing, I'd like to play a track from this new artist who is working on doing it herself.