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Artists and Their Managers Take Control: The Evolving Role of the Artist in Today's Music Industry

Ava Lawrence

Northeastern University

The music industry is in a perpetual state of transformation. Ever since its beginning, evolutions in technology, law, and the music itself, have empowered creative minds to invite humanity on a perpetual journey of artistic and entrepreneurial innovation. Today, artists have more options for production, distribution, and marketing than ever before. Working with their managers, artists can take more control over their careers, retain the rights to their masters and compositions, and provide a more stable and consistent income stream. It is no longer necessary to rely on a record label for a successful career. Artists can take advantage of creating their own masters, license their masters to record labels, manage their own publishing, seek licensing deals for additional revenue and alternative promotional opportunities, utilize the internet to reach a broader audience, and manage merchandising and touring opportunities.

Since August, 2004 there have been numerous articles supporting the model of artists assuming more responsibilities and pursuing different marketing avenues for their music. In his front-page article in the August 7, 2004 issue of *Billboard*, Michael Paoletta describes a slow transition from a full-service record label to a label that is essentially hired by an artist to promote and distribute an album. Record companies are not giving away this control without a fight. Michael Coren, in his August 20, 2004 article on CNN.com, "Simple Downloads, Complex Change: Online Music Transforms Experience for Fans, Industry," describes how record companies are struggling to remain the hub of the business. The article "Mobile Material Girl" in the August 26, 2004 *Wall Street Journal* illustrates another example of how artists are taking more responsibility for their music. The author describes how Madonna promotes her music without the assistance of her record label by offering to sell ring tones on her own website.

Traditionally, a record label facilitates the recording, manufacturing, distributing, and marketing of an album. However, these services come at a high price. In return for the record label essentially lending money to an

artist to jump-start a career, the label takes a hefty fee. In most cases, the record label retains the rights to an artist's masters for the duration of its copyright. The record label takes a percentage of income from record sales and licensing revenue. Traditionally, artists do not earn any money from the sale or license of their recordings until all costs have been recouped as outlined in their recording agreements. Getting signed to a record label is not always the path to success—we've seen this with numerous artists whose names and careers we cannot recall. It often requires sales of a million units to recoup what the record company invested to create and market the recording. This is not a secure way for an artist to live. If an artist's CD does not enjoy significant sales, there is a strong chance that he or she will be dropped from the label. Under this business model, it is very difficult to succeed. In 2002, of the 35,000 albums released, fewer than 5,000 sold more than 1,000 units.¹ Artists need to take more responsibility for their business. Thanks to rapid advances in technology, and increasing opportunities in marketing, artists can now take more control of their careers.

Many consider the manager to be the hub of the artist's career. The reality for years, however, has been that the label has assumed the dominant role in developing musical careers. Recent developments indicate that a new model is taking shape—one in which the manager becomes the center of activity. Along with the traditional tasks, the manager is taking on even more responsibility. In this new model the manager is still a career guide and confidant. Increasingly, we will see the manager and the artist form an active team consisting of a lawyer, business manager, and agent. The manager will continue to be the link between the team, the record label, and the artist. In this model the manager will have better control over the artist's image and career because he or she will work for placement of music in film projects, television shows, videogames, ring tones and commercials. The manager will also advise on music publishing and merchandising deals. He or she will work with an agent to book live performances. Recording will now fall under the responsibility of the artist and the manager, not the record label. The manager already participates in many of these aspects of the artist's career. However, in this new scenario the manager is more active in seeking, negotiating, and following through on these opportunities. The principal differences between this model and the traditional one is that in the new model the artist retains the rights to his or her copyrights and the artist begins to earn royalties from record one rather than waiting to recoup the label's advance.

Recordings

Rather than pursuing a standard label deal, an artist and manager could choose to record and produce the music themselves and then pursue a licensing deal with a record label. The label would assume responsibility for distribution and marketing at the retail level and for radio promotion. It could either be a national or global license depending on the ability and interest of both the label and the artist. Under the new model the record label still distributes and markets the artist's album but the royalty structure and deductions become more negotiable. Because the label will no longer be responsible for funding the recording process, it will be more willing to negotiate better terms with the artist.

In this new scenario, the fact that the artist retains the rights to his or her masters is very important for building a secure career. While this type of deal can give the artist greater creative freedom, it is not a bad deal for the label either. The label will not have to invest as much up front as it might have with a signed artist because in a licensing deal the artist delivers a finished master.

Since the record company will no longer be responsible for funding the recording, the money has to come from other sources. These might include the artist, the management company, or an investor. Perhaps a management company and a recording studio will create a partnership or joint venture. Given the decreasing costs of recording, it is reasonable to expect an artist to fund a high quality recording. In the new model an artist might still need to repay recording costs but they will be based on a more reasonable cost structure. The artist will repay recoupable monies with interest. However, a portion of earnings will be used to repay seed money and a portion will be kept as the artist's income. Most importantly, the artist will begin to earn money from record one.

Publishing

Publishing can be a significant part of a singer/songwriter's career. Retaining one's publishing rights is a wise decision even in the current music business model. As a publisher, one can execute one's own paperwork, hire an attorney to do so, or assign this responsibility to one's manager for a fee. Income from publishing is an important revenue source that should not be negotiated away lightly. When signing a deal with a major publishing company, unless one is a top songwriter, there is a good chance that one's works will be lost among millions of other copyrights. The

songwriter does receive an advance from the publisher against future royalties. However, little more is received until that advance has been recouped. If the songwriter's compositions are not actively solicited for synchronization licensing opportunities it can take a very long time to recoup an advance. Relying on mechanical royalties to recoup an advance can take years if the recording is not a big hit.

Given that synchronization deals can be such an important revenue stream, and that placement in film and television can be a powerful marketing tool, seeking synchronization licensing opportunities is a vital part of a manager's responsibilities. If the artist has retained the rights to the master and the composition, licensing music is very straightforward. This is because the artist has the ability to negotiate both sides of the copyright without having to seek approvals from label and publishing executives.

Innovative Licensing Opportunities

One artist who takes full advantage of licensing opportunities is Moby. When his album *Play* was released in 1999, there was little radio support. Music supervisors, however, were very supportive. The tracks on *Play* were licensed for use in television, film, and commercials. As of March 5, 2005, *Play* had sold 2.5 million units—a clear demonstration of the effectiveness of marketing music through alternative means.

Warner Brothers Television employs innovative marketing techniques that have the potential to benefit independent artists. At the conclusion of shows like the WB's *Smallville*, viewers often here the announcer say something to the effect of, "on tonight's episode music by The Shins was featured." While this type of marketing has been going on for years (music videos were sometimes featured at the end of *Beverly Hills, 90210* episodes), what's new is the fact that viewers can now log on to TheWB.com and find out exactly what music was played in each episode. The website conveniently directs visitors to Amazon.com to listen to, and buy, the CD. In some cases the website provides information about the artist. The internet has allowed creative people to add a new dimension to marketing music. It gives the consumer all the necessary information to find and buy music. A television show like News Corp.'s Fox Network's *The O.C.* is another example of the confluence of the music industry and popular television. In one script, the characters attend a concert by the band Rooney. This exposure for the band opened up many doors; ultimately Rooney's sales doubled.

In a similar manner, the Grammy Award winning soundtrack to the movie *Garden State* has been helping a number of artists break out.

Radio

Film soundtracks and videogames are powerful marketing tools; ring tones and ring backs also represent significant potential revenue streams. Because it can be so challenging and expensive to break an artist at radio, these alternative marketing avenues are often very important for an up-and-coming act. Radio play lists are severely limited and very few songs, if any, are added week to week. Fortunately, radio is changing with the advent of satellite radio, Clear Channel's "less is more" campaign, and "Jack," a newly-introduced radio format.

As of January 1, 2005 Clear Channel has cut back on advertising time on its 1,200 radio stations. They have cut ads from one minute to thirty seconds in hopes that the shorter spots ("less is more") will attract and keep more listeners. "Jack," which debuted in 2001 on CKLG-FM in Vancouver, Canada, is a radio format whose play lists consist of three thousand songs ranging from 1960s rock to current hits. Given these changes in radio, perhaps over time it will be easier to break an artist.

Advertising

Working directly with an advertising agency, artists can become involved in large campaigns. In the past, many considered taking part in an advertising campaign to be "selling out" but it is now becoming increasingly more acceptable. Today we see many contemporary artists offering up their music to peddle everything from cars to lingerie. Bob Dylan's music and image advertising a Victoria's Secret product was a shock to many, but it turned out to be an effective way for him to market his music to a new audience. There isn't enough time on radio to play all the new releases and, more importantly, radio is simply not interested in most music. Exposing a song on television, or through any of the other licensing opportunities mentioned above, allows an artist to reach audiences that might have not even known he or she existed.

Owning one's own master recording and working directly with an advertising agency can also be very lucrative—music licensing deals often reach six to seven figures. Leo Burnett, a major advertising agency, started an "artists-in-residence" program. This program bridges the gap between songwriters, producers, musicians, and advertising agency staff. The hope

is that it will cut through some of the red tape and reduce the financial strain encountered by advertising agencies when they license music. As long as songwriters/artists retain the rights to their copyrights, the labels and publishers will no longer be needed for these types of collaborations. In the old model, where the record label and music publisher owned the copyrights, the two companies generally took fifty percent of all synchronization income in a typical deal. Under the new model (where artists retain their copyrights), even if the advertising agencies were to cut synchronization fees, artists would still be likely to earn more than under the old scenario. Agencies pay less, artists earn more, and labels and publishers are left out in the cold.

The Web

The democratizing nature of the internet gives artists a chance to promote themselves. Today, it is not unusual for artist websites to be developed, managed, and owned by record labels. In the new scenario the artist and manager will create and operate what fans will consider to be the artist's official website. The rights to the site and its content will belong to the artist. By linking the site to internet stores like iTunes or Amazon.com, the artist will earn revenue every time music is purchased through the site. Because a store on the internet does not have the same space limitations as a "brick-and-mortar" retailer, these online dealers can provide independent artists retail opportunities not available under the old model. Also, with the advent of websites like MySpace, artists have the ability to market themselves to millions of online users for free. According to an article in the November, 2005 issue of *Wired*, MySpace logged 9.4 billion pageviews in August.² MySpace has an organized structure for bands to showcase their music, post pictures, display lyrics, and post biographies. Fans can easily find their favorite bands or search for new music.

Touring and Merchandising

Live performances and merchandising represent important, and potentially lucrative, revenue streams. Sometimes a label will help fund a tour, but this is usually a recoupable advance, and therefore puts the artist further in debt. (Whether or not the label is helping to fund a tour, it should be informed of tour schedules so that the artist can be confident that promotions are running with local radio and that product is available at retail.) Sponsorships continue to play an increasingly active role in tour funding.

Creative managers and artists are always looking for innovative ways to increase tour income through sponsorship. Typically, a record label does not participate in merchandising deals. This type of licensing has always provided the artist with the potential to supplement earnings and help fund tours.

Conclusion

There are many benefits to an artist-manager team working independently of a record label. One is that the artist retains the rights to his or her music. Very few artists can claim that they control the rights to both their masters and their compositions. These copyrights are important assets, which if properly managed, earn money for a very long time. A second benefit is that the artist does not have to repay huge advances to the record label because the artist-manager team is accomplishing much the same tasks for a much smaller investment. Because there will not be a long wait until recoupment is reached, the artist will start earning royalties much earlier—usually from the first record sale. Third, because the manager will not have as many clients as a label, he or she will be able to devote more time and thought to securing creative licensing and innovative sponsorship opportunities that work best for the artist. Times have changed. Technology has changed. One major obstacle blocking artists from seizing more active roles in their careers is tradition. It's time to put the tradition of record label dominance behind us and move to a more equitable and honorable way of doing business.

Endnotes

- ¹ Peter Spellman, “The Future of Music Careers: Quantum Career Development in a Transforming Industry,” *Future of Music Coalition*, March 2003 <http://www.futureofmusic.org/articles/spellman_musicianbiz.cfm> (accessed March 18, 2004).
- ² Jeff Howe, “The Hit Factory,” *Wired*, November 2005: 200–205, 218.

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AVA LAWRENCE has worked, specializing in licensing, for a number of entertainment companies in Los Angeles and New York including Virgin Records, GRP Records, Modern Records, New World Entertainment, and TVT Records/TVT Music, Inc. Professor Lawrence received her B.S. in Music with a concentration in Music Industry from Northeastern University, and her M.A. in Music Entertainment Professions from New York University. Her main areas of research focus on business trends and significant figures in the music industry. Professor Lawrence is the faculty advisor for the Northeastern University chapter of the Music and Entertainment Industry Students Association.

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Music & Entertainment Industry Educators Association
1900 Belmont Boulevard
Nashville, TN 37212 U.S.A.
office@meiea.org
www.meiea.org

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