

Blurred Lines:

The Future Sustainability and Significance
Of Independent Record Labels

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METHODOLOGY

For this thesis, I held a number of interviews with industry representatives who heavily correlated with the topics discussed within. These three people were Ben Swanson (Secretly Canadian), Bekah Zietz (Sub Pop), and Portia Sabin (Kill Rock Stars). I also used a number of both qualitative and quantitative readings and Internet sources. This methodology provided me with a very subjective background in the discussion. All of these sources are referenced throughout and can be found in the appendix.

ABSTRACT

This study analyzed the current status of independent record labels within the music industry in order to determine the types and economic details of their relationships with major labels. Research included literature reviews on the history of record labels, analyzing case studies of a variety of labels, and interviews with a variety of record label executives. Interview questions investigated their perception of relationships between major and independent labels, their adjustments to the current market changes, current distribution methods, and their perception on future sustainability of record labels. Results of the literature review and interview responses were analyzed towards modeling a sustainable future. The components of this model include sustainable relationships between major and independent labels and best support structures for artists.

INTRODUCTION

This thesis is about the independent sector of the recording industry and the ever-changing technological and cultural influences on it. Both the advancement of the digitalization of the business and the cultural response have had a tremendous impact on the industry, most particularly on independent record labels, which are businesses that often have little capital to invest into new initiatives. Further, as independent labels traditionally don't have access to distribution companies, they have to rely on collaborations with major labels for distribution. There are a number of collaboration options between the relationships between major and independent labels, ranging from funding to distribution. Independent record labels' lack of funds and manpower prove to be problematic in this competitive market. Trying to combat both, many independent record labels are left to wonder if this is a sustainable path for the future.

Digitalization of the industry has completely revolutionized the way that businesses practice. One question that arises due to these implications is whether traditional distribution models will continue to be effective or if newer tactics will have to be put into effect? People are getting their music in much different mediums today, leaving the financial power and the manpower of majors questionably less important. The digitization

of the industry has held a number of changes on distribution models, introducing a digital music distribution.

The music industry is one of the few industries that have been forced to move their product online, and this has held a number of implications, particularly for independent labels, which traditionally held ties to major labels for distribution. As the physical media demand for music continues to decline, independents will further be able to financially support themselves and compete with the major labels. This occurrence was due to the fact that music could easily be transferred to computers when consumers decided to switch to CD's. Paired with consumers' available tools (computers, MP3 formatting, etc.) to do so, this desire introduced an inevitable transfer of the business to online.

As mentioned, the digitalization of the industry has created a number of problems for major and independent record labels. Most notably, the industry has been combating piracy, the act of stealing music, as it is now much easier to with the inclusion of file sharing and illegal downloading on the Internet. More importantly, this problem represents an evolving culture, one that now views music as a free part of life, an art form that you are entitled to. As this new support of "freeconomics" expands, record labels are forced to look for new revenue streams to support themselves. The introduction of piracy in this market heavily impacted the now online business model of the music industry. As they were forced to move their products digital, the consumer was now in charge. Any other business (other than print) would not have to deal with consumers deciding to download their product (tuna can piracy??). This very industry specific problem affected how business was done and how legislation was enacted, completely revolutionizing major and independent label business structure and introducing problems nonexistent in many other markets.

Independent record labels have caught major repercussions from these three changes in the industry mostly due to their lack of financial stability- an asset that is a safety net for major labels. Will independents be able to stay independent in the future? Will there always be a dependence on the major labels? Can they compete in the new digital world? How can record labels sustain in an industry whose clients expect a free product? I plan to address these points through my research presented in this thesis.

TERMS TO DEFINE

Before a discussion is to be had on the history of the recording industry, it is important that key terms used heavily throughout be defined. These are record labels, major labels, independent labels, mergers, acquisitions, streaming, digitalization, and distribution. In interest of saving space, please refer to Appendix A for these terms.

HISTORY OF THE RECORDING INDUSTRY

Thomas Edison pioneered what we now view as the music industry in 1877 with the invention of the phonograph. At this time, the “Talking Machine” provided a way for recorded music to play back and sold in a tangible medium. This new technology finally allowed music to be recorded and replayed in the home. The only option prior was to learn an instrument and play it. Not only did this catalyze recording music, but a business model that was able to support the demands of music lovers. In the 1880’s, Berliner and Columbia Phonograph emerged as Edison’s competitors- collectively serving as the first three “record” companies.¹

As this technology further emerged, phonograph companies spread throughout the country. Each major city had its own phonograph company. Columbia catalyzed the international market, having headquarters in London and Paris.

Entering into the 20th century, much of the problems with the phonograph were fixed. Master records were invented to allow unlimited identical records to be produced and sold at cheaper rates. These were shellac discs that sound recordings could be put on. The 78 rpm record (a record that spun at 78 revolutions per minute) was also a result of technical changes, made possible with a spring motor, a much more convenient model than the traditional cylinder recordings. At this point, three companies ruled the recording industry: Edison, Victor, and Columbia. Smaller companies began to emerge, but had little presence compared to these three.¹

The era between the 1910’s and 1920’s marked the emergence of independent labels. As a response to engineering patents of the first labels expiring and genres of music being underrepresented, independent labels became prevalent in the music market. OKeh

¹ <http://www.playlistresearch.com/recordindustry.htm>

Record company, founded by Felix Kahn, became one of the “big three’s” first prominent competitors in 1915. Okeh was an American based company that represented European labels Odeon and Parlophone. This international acquisition introduced blues music- a very controversial genre at the time. Jazz music began being recorded by independent labels at this time as well at Gennett Records in Richmond, Indiana. Some other independents that formed included: Black Swan, Emerson, United Artists, and RCA. ²

In the 1920’s, wind up record players were replaced with electric record players. Records (made from shellac) were being used now; replacing the old cylinder. The 20’s also introduced radio broadcasting. Music became more and more a household media. People were able to access music, own music, and replay music. During this time, Brunswick became the dominant independent label on the scene- acquiring Aeolian Company and Vocalion. Columbia also acquired Okeh records in 1926. Another monument of this era was Edison’s bankruptcy- the first fall of a major label. This was commonly blamed on the stock market crash of 1929 paired with Edison’s slow adaptation to conform to industry standards. Another contributing factor was his distaste for jazz- a very popular genre at the time. The other two major players picked up on this trend, but Edison refused to issue jazz records.³

Warner Brothers, originally a movie company, entered the music industry in the 1930 by buying Brunswick. Electric and Musical Industries (EMI) was established the following year after Columbia and the American Gramophone company merged. EMI opened the infamous Abbey Road recording studios in London the same year and acquired Parlophone. American Recording Company became a major player, leasing Brunswick and picking up 9 independents, including Okeh and Vocalion. They also purchased Columbia in 1934 after facing bankruptcy. CBS acquired ARC near the end of the decade, making ARC and Decca the two major players. RCA relatively competed with the two, sometimes referred to as the third major player.³

² <http://www.recording-history.org/HTML/musicbiz1.php>

³ <http://www.playlistresearch.com/recordindustry.htm>

WWII presented a ban on using shellac to make records. To respond, LP's (33 revolutions per minute) were constructed in plastic. This was much more user friendly, as they were much harder to scratch and could play up to 23 minutes on a side- a large advancement from 4 minutes on 78's. Johnny Mercer created Capitol Records, the first major label on the west coast, early in the decade. Atlantic records was formed in 1947 by Ahmet Ertegun and Herb Abrahamson and became a prominent independent by introducing many jazz and R&B artists, eventually signing acts like Led Zeppelin and Cream, and owning its own publishing (ran by Abrahamson's wife). Nesuhi Ertegun (Ahmet's brother) was later recruited to head the jazz division. Atlantic had a very hands-on approach, with Ertegun frequenting nightclubs for artists to fill the bill. Among many independents formed during this time were Apollo, Jukebox, Modern, King, Chess, and many more. ⁴

When the 50's came around, record players were able to play at three speeds- 78 rpm, 33 rpm, and 45 rpm. Artists were able to release promotional singles and full albums easily. Multi-track recording was also introduced during this decade. Dominating this industry were now five major labels: Columbia, RCA Victor, Decca, Capitol, and Mercury. Later on in this decade, independent labels gained tremendous market share issuing rock and roll and rhythm and blues records. Some notable independents established during this decade include: Monument (Dolly Parton, Willie Nelson, Roy Orbison), Scepter, Motown, and Island (reggae- another new genre for the time). Warner Brothers established Warner Brothers Records at this time as well. Perhaps the most prevalent of the independents, Sun Records, signed Elvis Presley in 1953. He moved to RCA in 1956 after establishing his career on Sun. Rock and Roll continued to grow as a genre during the 50's, introducing acts such as Elvis, Bill Haley and His Comets, and Jerry Lee Lewis. Bill Haley and His Comets was the first band to have a number one hit on the Billboard Charts with "Rock Around the Clock." ⁴

The recording industry continued to grow expansively in the 1960's. If there was a genre, it was being recorded and released. With this heavily expansive market, both major

⁴ <http://www.soc.duke.edu/~s142tm01/history.html>

labels and independents were striving. Rock and Roll was huge. Motown, jazz, reggae and other genres continued to emerge into popular culture. It was a wonderful time for music. Independents continued to emerge as a response to the heavily demand. A lot of consolidation was done during this decade as well. Tin Pan Alley artists began to be represented by the label Red Bird. The Beatles led the British Invasion and topped American charts, eventually becoming the biggest band of all time. Other major artists signed during this time include: Led Zeppelin (Atlantic), Pink Floyd (EMI), The Beach Boys (Capitol), The Jimi Hendrix Experience (Track), Cream (Atco), and The Rolling Stones (Decca). Arguably, independent record labels took risk with these artists and created what are now known as some of the biggest stars in music. By the end of the decade, six major labels dominated- CBS, Warner Brothers, RCA Victor, Capitol-EMI, Polygram, and MCA (note the number of consolidation eg. RCA Victor and Capitol EMI). ⁵

The 1970's continued to ride the coattails of the 60's with rock and roll continuing to sell. New genres punk, rap, and disco also were introduced onto the scene throughout the decade. Responsively, Sugar Hill Records was created to solely release rap. RSO was created and dominated the disco scene, releasing titles such as Saturday Night Fever (The Bee Gees) and Michael Jackson's Thriller (which is still the top selling album of all time). As the decade wrapped up, CBS, EMI, Warner, PolyGram, and MCA were the dominant major labels (RCA Victor falling off). ⁵

The creation of the Compact Disc (CD) in 1981 marked a major turn in the industry. Sony and Phillips joined forces to put this new form of tangible media out onto the market. The CD was on the market in '82 and completely changed how music was able to be recorded and distributed, was portable, could allow more post production work and higher quality sound, could house more tracks, and could be sold along with LP's and EP's.⁶

With this introduction, a whole new aspect to distribution was also added, but I will discuss that in further detail later in Digitalization History. As punk and rap became much more prevalent, the formation of a number of record labels followed. Rick Rubin and

⁵ <http://www.soc.duke.edu/~s142tm01/history.html>

⁶ <http://www.playlistresearch.com/recordindustry.htm>

Russell Simmons founded Def Jam Records in 1984. Sup Pop was started in Seattle and was held partially responsible for creating “grunge.” Matador Records is another independent formed during this time. It was dedicated to unique alternative acts. Sony, Warner, BMG, EMI, MCA, and Polygram remained at the top as dominant major labels. ⁷

The 1990’s marked when the music industry grew to the point of over-inflation. As the CD became the preferred medium in which music was released, music became much more affordable and accessible. Catalogs were being reissued off of vinyl and tape releases and people were replacing their old collections with these digital discs. The introduction of the Internet into homes in the mid 90’s also contributed to the major influx of music sales. CD’s were being sold at an unprecedented rate and musicians were basking in this over-inflated wonderland called the music industry. In 1992, the Moving Pictures Experts Groups (MPEG) approved the MP3 as a new medium for digital recordings to be stored as. These files could be converted onto the computer and allowed for more storage space on a CD. A number of negative repercussions of this introduction will be discussed in further detail later. Major labels continued to acquire independents throughout the decade. Some notable acquisitions included PolyGram purchasing A&M, EMI purchasing Virgin, and Elektra (not a major) bought Sub Pop. Prior to this acquisition, Sub Pop introduced 90’s giants such as Nirvana and Soundgarden onto the scene. Universal Music Group was formed in 1996, later acquiring PolyGram in 1999 and becoming the leading music company. Under this label, Island, Def Jam, and Mercury merged and Geffen, MCA, and A&M merged. ⁸

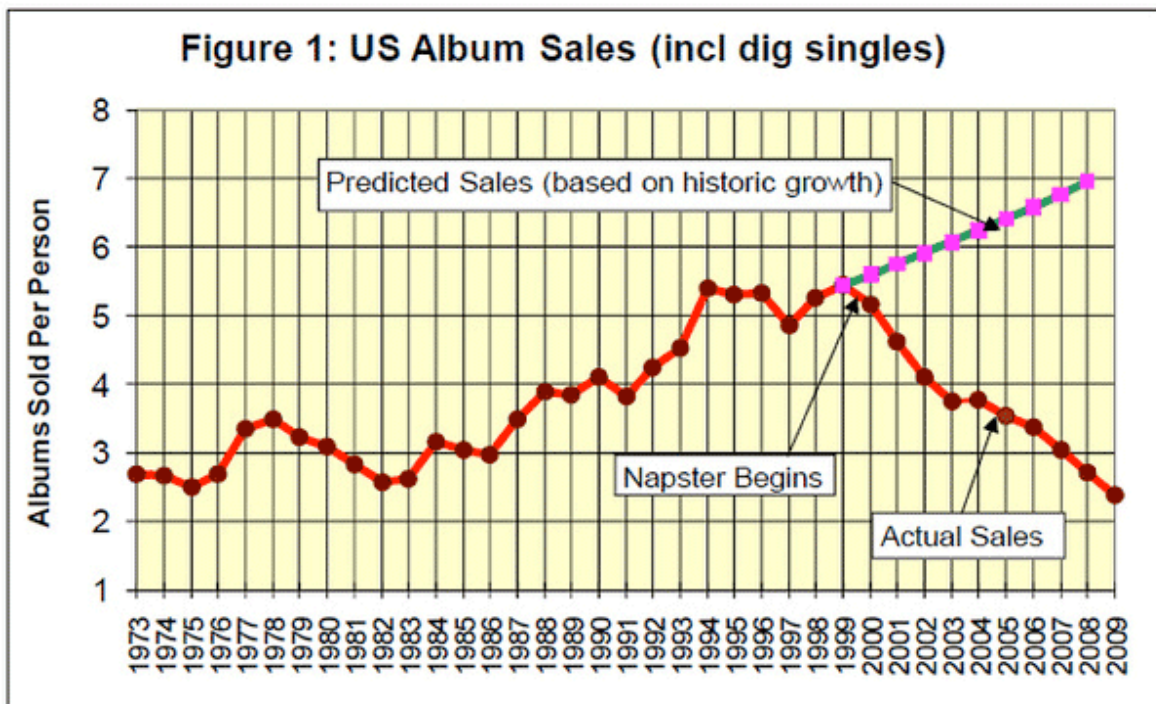
DIGITALIZATION HISTORY

The digitalization of the business took flight in 1999. Perhaps the biggest impact on the industry was introduced through Napster that year - music piracy. Napster was a file-sharing program that allowed computer users to share and swap files, specifically music, through a centralized file server. Following this, record labels were forced to react. Legally,

⁷ <http://www.pbs.org/wgbh/pages/frontline/shows/music/inside/cron.html>

⁸ <http://www.playlistresearch.com/recordindustry.htm>

they were able to combat this free streaming option. The slow reaction to the availability of digital file exchange ultimately led to the bubble of the 90's to be popped. Peer-to-peer sharing catalyzed a mentality that music is a free commodity, a subject I will be touching on later. Upon taking pirating pioneers down, many labels worked to form their own form of digital distribution outlets. This slow reaction helped labels overall, but major damage had already been done.⁹



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In 2003, Steve Jobs introduced a legal model for digital music distribution- Apple's iTunes. This retail outlet sold 1 billion songs in three years, quickly surpassing a number of long established physical outlets. Napster, Sony, Yahoo, and Rhapsody were notable competitors. By 2008, Apple became music's #1 retailer.¹¹

On the other hand, the digitalization of the industry added a number of advantages and avenues for independent record labels. Although to be discussed in further detail later, independents were now able to financially compete with major record labels for

⁹ <http://iml.jou.ufl.edu/projects/spring01/burkhalter/napster%20history.html>

¹⁰ ABC Corporation

¹¹ <http://www.playlistresearch.com/recordindustry.htm>

distribution. They no longer had many of the overhead costs of physical distribution and could easily get all of their songs on iTunes for a fraction of the cost. Their marketing costs were also greatly reduced. The distribution ties to major labels could somewhat be diminished and ties between independents and majors became a little less prevalent in the digital aspect of business.

The digitalization of distribution brought about the rise of digital radio as well. Sites such as Pandora provide a physical radio equivalent in the digital world.

The rise of artist distribution has also been made much more accessible. Digital distribution has made the "Do-it-Yourself" mentality for artists much more realistic by eliminating many costs associated with recording and releasing music. Artists have tools at their hands to digitally record and release music by themselves. Reaping a number of benefits, these artists can¹²:

- Cut the costs of going through a label for initial distribution
- Further establish themselves, making them much more appealing to labels that otherwise might not notice them
- Retain more royalties from the sale of these digital songs
- Compete with both independent and major labels in the sense of an even digital playing field on iTunes or Spotify

As digital distribution began to grow, the music ownership model began to be replaced with the music access model. As technology advances, society has leaned towards preferring models that support extensive access to actual tangible mediums such as CD's. Your personal collection has lost its relevance when people can access the extent of today's recorded music at their fingertips on their smartphones.

¹² <http://entertainment.time.com/2013/04/12/can-music-collectives-fill-the-gap-between-labels-and-diy/>

Over this history, the music industry has had to respond to developing technology and law in order to survive and remain relevant in society. Analyzing the history presented above, I conclude that the industry has always been reactive and its response to the digital age is no different. With independent labels being so high in number and in cultural significance, they must address these issues to remain prevalent.

DISTRIBUTION HISTORY

Music Distribution in the simplest explanation is the process of getting music from the label to the consumer. Distributors make the connection between the bands and their fans. Bands can distribute their own music, but the most common distribution methods are through major and independent distribution channels. Much like the labels discussed above, mergers and acquisitions occur within distributors. This has reduced the number of distribution outlets for musicians.¹³

Music distribution is now termed under physical and digital distribution. Physical distribution is the traditional method of getting music to the consumer. This business model originated as music labels began to expand and needed an outlet to get the music in stores for the consumers. As technology evolved, companies distributed records, tapes, and CD's- all tangible forms of recording and replaying music.¹³

This mass production of music began in 1901 when music could easily be identically replicated with metal stampers. Prior, music recorded on cylinders had to be individually recorded- an innovative process. Although new, this process brought headaches. In order to make multiple identical tracks, multiple recorders had to be set up, timed to start and record, and run simultaneously. When a musician messed up, all recorders had to be stopped and the cylinders trashed. As you can see, this process was tedious to get a tangible media that could be distributed. As technology developed, this process became exponentially easier and record labels could easily mass-produce identical copies for physical distribution.¹³

¹³ <http://dean.ero.com/paper-historical-disruption-in-the-music-business/>

Physical Distribution promotes, enhances, and encourages music ownership. A consumer typically goes to the record store or other distribution outlet, purchases a record or CD, goes home to listen to it, and adds it to his or her collection. The idea of a music collection is encouraged, as consumers typically do not pitch an album. There is typically a much higher correlation between a sense of ownership with the physical ownership of music. You have an album, you can hold the physical songs in your hand, you can flip through the artist booklet, and you can buy accessories- record players, milk crates (these are ideal for storing vinyl as anyone that grew up with vinyl will tell you), CD players, and other means of playing and collecting physical music.¹⁴

Physical Distribution also successfully combats music piracy. You cannot share vinyl records or CDs unless you record MP3 files of a song or share a CD with all of your friends. Further, consumers hold a sense of ownership in the physical asset and are encouraged to protect this item, as you would a watch or a TV.

Physical Distribution and recording also allows bands to get their music to their fans at shows. If fans like the songs they hear- they can go buy a CD, tape, or vinyl from the band's merchandise table. Often this experience is further enhanced with the band's presence and possible autograph opportunity. This physical medium adds a value perspective to shows and lets fans go home with a physical memento from the show. Obviously, it is much harder to provide this experience with MP3's unless a digital download card could be purchased- but who wants a download code card signed by Billy Corgan (ok, that might be kind of cool).¹⁵

Physical Distribution saw an exponential growth in the 90's with the rise of the CD. The CD was the most versatile tangible form of music yet seen in the music industry- consumers could play music in their cars with the ability to skip between songs, it was lightweight, costs could be reduced, and more could be recorded on one purchasable disc. People began to replace their collections with CD's and the market exploded. With every extreme high comes an extreme low though, and when users saw that they could store these digitally written files on their computer and easily share their libraries, music piracy

¹⁴ <http://urbanhonking.com/ideasfordozens/2008/01/12/a-brief-history-of-the-music-i/>

emerged as a major concern. As a response, the industry had to introduce digital distribution (to be discussed below).¹⁵

Digital music distribution on the other hand is the distribution of music in digital formats, such as the MP3. The digital side of distribution originated in the 1990's concurrently with the digitalization of the industry. File sharing was made possible through the Internet's growing presence in the home. Originally made popular by illegal use, peer-to-peer file sharing on sites such as Napster digitally distributed songs at no cost. When the industry combated this, they also established models to legally distribute files online. Music catalogues; full recordings, and everything could be distributed without the cost of the physical production. Digital warehouses of music are distributed through retail portals such as iTunes, Napster, and Rhapsody.¹⁶

The rise of digital distribution can be attributed to four main technological advancements¹⁷:

1. The MP3 Format
 - This compression technology reduced the file size of the sound recording. This was reduced by about 10% per disc.
2. High-speed, flat-rate internet connections
 - This reduced download time to a fraction of what it used to be.
3. Multimedia computers with vast storage capacities
 - Users can now store mass amounts of files, listen to their music through their computer, and access downloads easily
4. Free, user-friendly "ripping" software
 - Users can easily rip MP3 files from their CD's and download these files from the internet

¹⁵ <http://www.knowthemusicbiz.com/what-indie-musicians-should-know-about-physical-distribution/>

¹⁶ http://www.historyofrecording.com/Music_Distribution.html

¹⁷ Renard, Faulk, Goodrich. MEIEA Journal. Vol. 13, No. 1. Pg. 150

Digital Distribution breaks down a number of financial and accessibility barriers associated with physical distribution. Costs of physical production are greatly reduced as more and more people are accessing music online now. The cost of shipping is also completely eliminated for songs distributed digitally. Access barriers country to country are also greatly eliminated. At one time a record could come out in the United States and unless you found a specific record store willing to stock their shelves with these lesser-known albums, people were out of luck if they lived across the seas and wanted to find new music on the shelves. Now, these same people can access digital downloads wherever they are located- contingent of their country's specific legal permissions.¹⁸

MAJOR RECORD LABELS

Major Record Labels are the dominant financial force in the music industry. They dominate in market share, they own their own distribution outlets, they do a lot of international business, and they have ties to major retail outlets. Currently there are three major record labels that control about 66% of the market.¹⁹ These are referred to as "The Big Three" and consist of Warner Music Group, Universal Music Group, and Sony. As explained above, there have been a fluctuating number of major labels as mergers and acquisitions have occurred. These three own major distribution companies and manufacturing plants. They typically take care of marketing and promotions in-house and reach out globally.

WARNER MUSIC GROUP

Beginning as a branch of a movie studio, Warner Music Group was founded in 1958. Originally Warner, the label picked up many up and coming rock and roll artists of the time. Acquiring Atlantic in '68. Warner began its expansion, eventually picking up Elektra Records as well. After these two acquisitions, Warner Communications changed its name to WEA (Warner Elektra Atlantic). At this time, WEA housed artists such as Neil Young, The Doors, and many more under Elektra and Atlantic. In 1987, Warner merged with the Time

¹⁸ <http://www.soundonsound.com/sos/feb04/articles/onlinemusic.htm>

¹⁹ Soundscan

Corporation into what would become one of the most powerful media corporations- Time Warner. Warner Music was sold in 2003. Edgar Bronfman, Jr. is the current Chairman of WMG.²⁰

Located in New York, Warner Music Group oversees the labels: Warner (Reprise, Sire, Maverick, World, Nonesuch), Atlantic (Elektra, Bad Boy, Lava), Rhino, East West, World Group, Cordless, and Asylum.

Warner also oversees WEA Distribution and the Alternative Distribution Alliance. WEA Distribution is the major distribution outlet for Warner. They distribute for both artists on Warner Music Group as well as other labels. The Alternative Distribution Alliance was WMG's solution to the expanding independent music business. ADA distributed independent music and film. This is physical and digital worldwide distribution. They distribute for over 100 independent record labels.²¹

UNIVERSAL MUSIC GROUP

Much like Warner, Universal Music Group originated from a movie studio- Universal Pictures Group. At the time referred to as "Universal Records," Universal was responsible for releasing the soundtracks from Universal Pictures films. Today, Universal Music Group (UMG) is the largest music corporation in the world. Based in New York, NY and Santa Monica, CA and is a subsidiary of Vivendi- a Paris based media conglomerate. UMG owns Universal Music Publishing Group- the third largest music publishing company in the world. UMPG is affiliated with major artists such as U2, Massive Attack, The Chemical Brothers, 50 Cent, Blink-182 and many more.²²

Some of the main labels Universal oversees include: Mercury, Island, Def Jam (Lost Highway, Roadrunner), Interscope Geffen A&M, MCA, Verve (GRP, Impulse!), Geffen, Universal Classics (Decca, Phillips, Deutsche Gramophone). Universal Music Group also houses Universal Music Group Distribution. UMGD manages the sales, marketing, and distribution of UMG assets- the artists and umbrellas signed to UMG. This is in the form of

²⁰ <http://musicians.about.com/od/majorlabels/p/warnermusic.htm>

²¹ <http://www.wmg.com/timeline>

²² <http://musicians.about.com/od/companyprofiles/p/Universal.htm>

digital and physical distribution. Universal Music Group Distribution has led the industry in its market share for the past 15 years. UMGD distributes their music globally.²³

SONY MUSIC ENTERTAINMENT

Sony, originally American Record Corporation, was founded in 1929. In 1938, it was renamed to Columbia Recording Corporation after being acquired by CBS. This again changed in 1966 to CBS Records. After being bought by SCA and renamed to Sony Music Entertainment in 1991, Bertelsmann Music Group merged to create BMG Music Entertainment in 2004. Sony bought back BMG's half and renamed the company back to Sony Music Entertainment. Owning 25% of the market, Sony Music Entertainment sits in the middle of the "Big Three" in terms of ownership.²⁴

Sony owns the largest music publishing company in the world: Sony/ATV Music Publishing, Sony/ATV was founded in 1955 as Associated Television and grew over the 20th century and eventually being sold to Michael Jackson. Jackson merged with ATV Music Publishing in 1995. There are currently over 2 million songs under Sony/ATV. Sony also owns Sony/BMG Distribution.²⁴

Below are some gathered conclusions over the pros/cons of major labels. Although not definitive, it provides a quick overview of these topics. These were partially deduced from my interviews. To read more in depth please refer to Appendix _____:

Pros of Major Labels²⁵

- Deep Pockets- Major labels have a much higher budget for management, promotion, and distribution
- Own pressing plants- Reduced overhead costs for creating tangible mediums of distribution

²³ <http://www.universalmusic.com/company/history>

²⁴ <http://musicians.about.com/od/companyprofiles/p/SonyBMG.htm>

²⁵ <http://musicians.about.com/od/beingamusician/a/majorlabelpandc.htm>

- Can make long-term investments- Major Labels' budgets can allow for longer allocation of funds

Cons of Major Labels ²⁶

- Slower Decision Processes- With more intricate bureaucratic company structures, it is often harder for decisions to be made in a timely manner. Shareholders are taken into account and bottom line profits must constantly be monitored.
- Smaller artists often get lost in the shuffle- With priorities on very large artists, the smaller artists signed to major labels often get less time devoted and can be lost in the shuffle of business, often getting distributed much less.
- Less artistic control than independents- Major labels often offer less control for artists, as they have a plan that works and they will stick to it
- Much more formulaic approach to album releases

MAJOR LABEL DISTRIBUTION

Major Labels take care of their distribution in house. They often offer deals to independent labels to use their expansive distribution channels. They distribute globally and heavily control this market, distributing to major retailers such as Wal-Mart and Best Buy. With this network, they are able to get their artists on more shelves, provide much more exposure, and control the market.

One implication of the current physical distribution model is the underrepresentation of independent artists and labels on the shelves. In 2013, major labels held approximately 66% of the market, a 2% decrease from the previous year. UMG held the largest individual share at 28%. Part of their growth is attributed to acquiring EMI. Comparatively, while major labels owned a majority of the market at this time, independents collectively totaled more than any individual major label. ²⁷

Crossing over to distribution market share, major labels collectively owned approximately 88% of the distribution market in 2013, a 6% increase from the prior year. UMG also dominated this market, housing 39% of distribution market share. Comparatively, independents had a decrease of 6% of this market, while their overall

²⁶ <http://xnlorerecords.com/record-labels-major-vs-indie/>

²⁷ Soundscan 2013 Data

market share grew 2%, reiterating the continued dependence on majors for distribution. Can they fully independently compete? ²⁷

Please refer to Appendix F for a more detailed view of this.

INDEPENDENT RECORD LABELS

Independent record labels are record labels that are independently funded. They are often connected to a major label, whether being tied through distribution or promotion through special deals worked out between the indie and the major. Independent record labels can be anything from a small time home-based label, to a larger professional label merged with other independents. Independents are often the starting point for bands.

Independent record labels have been around from the beginning of the recording industry, as illustrated above. They have often been credited for signaling developments in popular music. Early on, the proliferation occurred in jazz, country, and blues as major labels were focused on show tunes and film scores. Creditably, Sun Records introduced Rock and Roll by taking risk with (in hindsight a brainless decision) signing Elvis Presley, Johnny Cash, Jerry Lee Lewis, and Roy Orbison.

Arguably, the most successful independent label of all time is A&M Records. A&M was founded in 1962 to promote and distribute for Herb Alpert's (founder) recordings. This label quickly expanded to sign artists such as Carole King, Cat Stevens, Procol Harum, Peter Frampton, and Styx. A&M originally distributed for a number of other independent artists. Polygram acquired A&M in the late 80's but continued to be managed independently. In 1998, A&M was finally sold to Universal. It was the most commercially and critically acclaimed successful independent label. ²⁸

Independent record labels are often revered as those who can take more risks, represent niche genres, and fill in the cracks that majors leave. They have much smaller financial obligations and budgets so they are able to take greater risks signing artists early in their career.

²⁸ <http://www.playlistresearch.com/recordindustry.htm>

DIGITALIZATION FOR LABELS

Both major and independent record labels have been impacted through the digitalization of the industry. Slow to initially adapt to a changing market, major labels faced major piracy cases when peer to peer streaming became relevant. The digitalization of the industry also provided new opportunities for major labels. They could now distribute digitally- a new method that would allow for much cheaper overhead for a much broader, complete internationally capable market.

Streaming has been one of the biggest financial opportunities for major labels in response to the digitalization of the industry. Music streaming involves music being transmitted from a source to a consumer in a fashion much like a radio. There are streaming methods that users involuntarily listen to music and streaming methods where users can pick exactly what they want to hear. The former of the two offers users a much more "radio-like" experience. Notable sites that offer this experience include: Pandora, Spotify Radio, and iTunes Radio. Direct streaming options on the other hand offer users a completely voluntary listening experience, one where a song of choice can be played when you want and playlists can be made to play whatever you want. Spotify, Grooveshark, and Beats Music are prime examples of this service. Users are offered free services (heavily funded by advertisement dollars) or subscription services. Subscription services often eliminate intertwined advertisements and barriers for smartphone use.²⁹

Where major labels heavily benefitted from streaming occurred with publishing rights. Major labels own a vast majority of published music's rights. Although artists have signed with an independent in the past, when acquired by a major, the publishing rights transfer to the major. The platform of streaming sites is based off of these rights. Spotify, for example, then offered major labels very large upfront costs to be able to stream artists' music on their application. In order to acquire this vast amount of music, these upfront payments were very large- which sounds awesome. Where the deal gets controversial is that these payments were made to labels, not artists. In 2013, Spotify paid out \$500M in

²⁹ <http://www.hypebot.com/hypebot/2011/02/does-spotify-pay-lady-gaga-more-than-indie-artists.html>

royalties to rights holders, \$1B since its start.³⁰ Dependent on the label, these pay days were sometimes distributed to some of the artists. Artists are primarily "paid per play" which simply means that every time a song is played, the artist gets paid. These payments differ from streaming service to service, and I broke down some of these costs in the proceeding table. While major labels received these large upfront payments, current independent labels were forced to follow and to provide their music for a much smaller payment.³¹

SOME STREAMING STATISTICS:

| | Catalog | Quality | Platforms | Price For User | Artist Compensation |
|--------------|-------------|----------|-----------------------------------------|----------------------------|----------------------------------------|
| Spotify | 20M | 320 Kbps | Android, Blackberry, iOS, OS X, Windows | \$5/month, \$10/month | Between \$0.006-0.0084/play |
| Beats Music | 20M | 320 Kbps | Android, iOS, Web, Windows | \$10/month | N/A |
| Google Play | 20M | 320 Kbps | Android, iOS, Web | Free, \$10/month | \$0.001/stream |
| Grooveshark | Unspecified | Variable | Android, Web | Free, \$6/month, \$9/month | Often \$0 |
| iTunes Radio | 26M | 256 Kbps | Apple TV, iOS, OS X, Windows | Free, \$25/year | \$0.0013/song plus 15% ad rev to label |

³⁰ <http://business.time.com/2013/12/03/heres-how-much-money-top-musicians-are-making-on-spotify/>

³¹ <http://gigaom.com/2011/12/11/why-spotify-can-never-be-profitable-the-secret-demands-of-record-labels/>

| | | | | | |
|------------|----------|----------|--------------------------------------------------|-----------------------------------|---------------|
| Sony Music | 25M | 320 Kbps | Android, iOS, Playstation, Web, TV | \$5/month, \$10/month | N/A |
| Pandora | 1M | 1M | Android, Blackberry, iOS, Roku, Sonos, Web, Xbox | Free, \$5/month | Varies |
| Last.fm | Variable | 128 Kbps | Android, iOS, Linux, OS X, Windows, Sonos, Web | Free, \$3/month | N/A |
| Rhapsody | 32M | 192 Kbps | Android, iOS, Web, Windows, Xbox | \$10/month | \$0.13/stream |
| Rdio | 20M | 192 Kbps | Android, Blackberry, iOS, OS X, Web, Windows | \$5/month, \$10/month, \$18/month | N/A |

<http://time.com/30081/13-streaming-music-services-compared-by-price-quality-catalog-size-and-more/>

<http://thetrichordist.com/2013/02/06/streaming-services-ranked-by-artist-friendliness/>

<http://futureofmusic.org/blog/2013/10/17/how-does-itunes-radio-pay-artists>

The variable prices under “Price For User” are based upon the variable benefits derived from paying more. Often higher rates are associated with mobile use or family plans. These royalties are also split between the label and the artists, dependent on prior negotiation.

What this table ultimately boils down to is a concerning topic within the industry- what trickles down to the artists. Although these streaming services greatly benefited labels, artists are left with much less payment from recorded music than in the traditional physical industry.

IN RAINBOWS

In an extreme, yet revolutionary example, Radiohead recorded and released their seventh album in this DIY style. Having recently cut ties with long-time label, EMI, Radiohead decided to keep matters "in-house" and release this album digitally and for whatever fans wanted to pay.³²

Radiohead announced "In Rainbows" 10 days before its digital release. Digital distribution was still on the rise and the release of "In Rainbows" paved the way for future of the industry. "Pay what you want" shifted the playing field from the label to the consumer and was the first of its kind from a major band. It was revered as "easily the most important release in the recent history of the music business" (TIME) and "hailed as a revolution in the way major bands sell their music" (Mojo).

The band distributed completely digitally and independent of any label tie initially for two months. They decided to also release a physical copy, distributing through BMG, Remote Control Records, ATO, and Maple Music/Fontana, and XL Recordings. Though distributed through these outlets, Radiohead retained complete ownership over the recordings and compositions on "In Rainbows."³²

This example is important in analyzing digital distribution for a number of reasons. First, this shows how powerful the market for digital distribution can be. Of course, Radiohead had a very strong fan base by this release, but by solely digitally distributing, the band took matters in their own hands and truly exemplified the power of the consumer. This release also showed that major labels are no longer needed for major releases. Bands tired of all of the red lines in releasing and distributing through a major label contract no longer need this tie as they once did to physically distribute. Bands can go directly to their fans with the Internet and can distribute for as little as a hosting site will charge (sometimes free). Digital distribution allowed Radiohead to have a completely international market and reach virtually anyone in any given location. This digitally distributed album also showed the power of the publicity built through releasing an album

³² <http://www.nme.com/blogs/nme-blogs/did-radioheads-in-rainbows-honesty-box-actually-damage-the-music-industry>

digitally prior to physically. It showed that physical distribution can be enhanced through digital distribution and that the coexistence of the two is definitely important.

The digital release also addressed the issue of music piracy. Music piracy is inevitable- no matter how hard you try to combat it. By releasing it and distributing it in this digital, pay what you want model, Radiohead got its music from their heads to their fans in a way that allowed people to pay what they seemed fit and allowed them to track these sales accordingly. When fans took it for free, they did so legally, but the paying fans proved to outweigh them. Ironically, more illegal torrent downloads occurred than zero payment downloads. ConSchore claimed that only 38 percent of downloaders paid for it, while 68 percent chose to get it for free. This averaged \$2.26 per download to the band.³³

Regardless of the positive or negative outlook on this release, it is a fact that this release not only opened the eyes of industry executives into the new digital world but also put the ball in the consumers' court. Digital distribution is an inevitable process in today's world and it can be used to effectively combat physical monopolies that major labels own. Further, this release showed that fans still value music- even if it is not tangible. It showed that bands and labels need to be creative to respond to implications such as piracy. Artists and labels need to continue to establish this relationship to the consumer.

THE TIES BETWEEN MAJOR LABELS AND INDEPENDENT LABELS

Over the history of the business, major labels and independent labels have had to work together for a number of reasons. Although majors have much more vast fiscal assets, independents have held an advantage of predicting where the industry is headed. Major labels owe much of their expansion capability to their high profile of distribution ownership. Independents work more often with independent, smaller distributors. Both work together to expose all music to all demanding markets. Although this coexistence is necessary, one wonders how much tie is needed between the two and if a completely independent coexistence is possible and for the better?

³³ <http://www.nme.com/blogs/nme-blogs/did-radioheads-in-rainbows-honesty-box-actually-damage-the-music-industry>

Major and independent labels work together most expansively in the distribution aspect of the industry. While competitors in the market, major labels and independent labels must work together in order to achieve mutual goals. This can be beneficial for both parties and is inevitable for the future sustainability of independents for physical distribution.

INTERVIEWS AND CONCLUSIONS

For this thesis, I interviewed representatives from three independent record labels. These were Ben Swanson from Secretly Canadian/ Dead Oceans/ Jagjauar/ Numero Group/ SC distribution/ Fort William Artist Management/ SC Publishing/ Bellweather Manufacturing, Portia Sabin from Kill Rock Stars/A2IM/WIN, and Bekah Zietz from Sub Pop Records. To read the full interview, please refer to the Appendix B-D where they are translated to text.

SECRETLY CANADIAN

To summarize my interview with Ben Swanson, we discussed the major advantages and disadvantages independent labels and distribution companies face. Summarized, Ben viewed some of the advantages of independent labels to go as follows:

Pros of Independent Record Labels:

- Less production expenses
- More income from sales to artists
- More creative control of artist
- Open to niche markets, experiments, and artistic freedom
- Can provide long term commitments (3 year record deals)
- More creative risk-friendly

Cons of Independent Record Labels:

- Much smaller financial budgets
- Much smaller distribution outlets
- Less promotional power- financial and man-power
- Less financially risky

Ben explained that the primary issue that Secretly Canadian and all of the other labels he oversees is money. Majors have much bigger budgets and competition is inhibited by their ability to hire the top-notch employees and to distribute much more. Majors also have distribution as a competitive advantage over Indies. This has declined in the digital age, but it is still prevalent. The minds behind their processes drive strong advancement and better returns.

Independents are able to take much more creative risks than majors. At the same time, majors are able to take much more financial risks as they have their budgetary safety nets.

Secretly Canadian did not encounter as harsh of implications due to the digitalization of the business as many labels did. They started in 1996, so they had a much smaller catalog and history of physical distribution as others. The main issue due to the digitalization that they encountered was metadata problems. They have had problems with the organization of this data and tracking a lot of their digital sales.

Secretly Canadian signs bands for three albums- something much different than many other labels do. Ben's tactic with this is to create a much more comfortable environment for the artists, one where they don't have to worry about a sophomore slump or negotiating new terms every album. This also provides some security for the label and makes them more comfortable not having to negotiate new deals every album.

Ben feels that the "freeconomics" mentality was definitely present earlier this century. He believes that streaming models are the answer to this; there just are major kinks to work out within it as for payment. Labels have responded to technology, but it will take time to work out the financial details.

Secretly Canadian has looked to expand some revenue streams. One example is the signing of comedian Tig Notaro for two albums. The second won a Grammy. Ben was pleased with this success but he did not feel SC was ready for another comedy album yet.

As for major distribution companies, he quoted:
"They are better at getting records in stores. They have more leverage at Target and Wal-Mart. They do better volume. They have better volume, so they are able to get even their smaller acts in there. Same with late night TV. There are a lot of good people working at

late night TV, but sometimes there is a lot of leverage involved. For distribution, they get into “Breakage” where digital services will guarantee majors (ex. 500 mil in revenue per year) and if they do not generate that revenue for the major, they will make up the difference. If they don’t make that revenue, they owe the label the difference. And that revenue does not get distributed to the artists, it goes into their pocket. That’s an issue going on right now and it is something majors can leverage”

Ben exemplified the importance of being a part of ADA. He explained that a major benefit of this is access. Without this, SC wouldn’t have access to chains or get their music to the ears of the buyers. He feels that going through the Warner system is very beneficial for SC and it wouldn’t be beneficial to act otherwise.

Secretly Canadian’s distribution branch distributes internationally. They distribute for other independents, but the label’s biggest artists are distributed also through ADA. They are selective in who they distribute for, but it is mainly based on a void to be filled and a label they can get along with.

KILL ROCK STARS

My interview with Portia Sabin, owner of Kill Rock Stars, was comparative in nature to the interview with Ben Swanson. I wanted to be able to have comparative results to draw conclusions from. This being said though, I got a lot of similar responses, but also very different ones. Summarized, Portia viewed the advantages and disadvantages of independents as follows:

Pros of independent record labels:

- Centralized around the artist, artist’s development
- Provide profit share business models for bands
- Less bureaucracy
- A&R security
- Discovery of artists before they get big

Cons of independent record labels

- Small budgets

- Small copyright catalogues compared to majors
- Less leverage
- Implications of music being viewed as a free commodity

Further, a reoccurring topic and something that Portia reiterated a number of times is the implications of digital streaming. Her perspective from an independent record label owner is very negative over the whole subject. She explained to me that originally, when Spotify and other streaming sites began to grow and become prevalent, they first turned to major labels. Filling their services with the expansive catalogs of majors, they offered and continue to offer very large upfront payments to these labels. Independents, having much smaller catalogs were viewed as more of a second source. These upfront payments are not offered to labels such as Kill Rock Stars, putting them in a position where they are practically forced to adapt to these new streaming models if they want to remain relevant.

Portia also exemplified that a major problem independents and majors are facing is the new mindset that music is a free commodity. According to her, this happened very swiftly and the only other market this occurs in is print media. This presents not only a problem for revenue for labels, but also in the logistics behind everything they do. When music was only physically distributed, labels had a much easier time tracking sales, seeing where an artist is hot, and financing future projects.

A third major topic covered was the varying contracts between majors and independents. She explained that majors tend to follow a percentage deal for artists. This, in a nutshell, is a deal that is based off of a percentage of CD sales. There are very long contracts involved that stipulate what will be taken out of this percentage for the label. On the other hand, KRS and other independents tend to follow a profit share model. At KRS, this model is practiced to provide artists with revenue from royalties after they break even on their investment. The label splits the revenue 50/50 with the artist after this is met. The contracts are 4 pages, the last dedicated to signatures.

One solution to these problems encountered by independents that KRS is trying to implement is to expand revenue streams. One way that they are doing this is through signing comedians. Portia feels that this is a very untapped market and by representing

these comedians, KRS is able to diversify their portfolio and generate some revenue from this. Comedy is the new punk rock.

Portia was proud to distribute independently from a major source. She explained that this choice was intentional. She prefers the much more personal level that she is on with her distributor, Red Eye, and feels that it is much more effective for Kill Rock Stars. She explained that often independents distributing through majors get put on the backburner and will not get nearly as much attention as the major artists they are distributing.

Portia also illustrated the importance of collaboration within labels. She is a current board member of the American Association of Independent Music. She also served on the Worldwide Independent Network. A2IM is a trade organization for indies in the US that all big indie labels are a part of. She feels that this serves as an opportunity to break down what would otherwise be viewed as a rivalry between these labels to serve for the collective good. There is a struggle in the independent industry and they must “play together.” A2IM allows indies to be represented in discussions that only majors used to be a part of. The biggest being legislative discussions affecting the whole industry. For example, Internet radio royalties- sound exchange. WIN is a very similar organization that serves as a collective for independent labels internationally. It serves to break down a lot of these rivalries and incubates an international network for them.

SUB POP

My interview with Bekkah Zietz from Sub Pop was generally similar to the two preceding ones. Ms. Zietz is the head of publicity and international promotions for Sub Pop. Her answers generally were generated around this point of view, but it was very insightful nonetheless. She provided outlook into other avenues not really addressed by Portia or Ben.

As far as promotional pros and cons of independent labels goes, she mentioned:

Pros of independents and publicity:

- Family dynamic with bands

- Sonic and political appeal
- Campaign to what an artist wants
- Belief in the music

Cons of independents and publicity:

- Small budgets
- Smaller staffing
- Declining sales in general

CONCLUSIONS

As mentioned, the digitalization of the industry has created a number of problems for major and independent record labels. Most notably, the industry has been combating piracy, the act of stealing music, as it is now much easier to with the inclusion of file sharing and illegal downloading on the Internet. More importantly, this problem represents an evolving culture, one that now views music as a free part of life, an art form that you are entitled to. As this new support of “freeconomics” expands, record labels are forced to look for new revenue streams to support themselves.

Independent Record Labels have caught major repercussions from these three changes in the industry. Will independents be able to stay independent in the future? Will there always be a dependence on the major labels? Can they compete in the new digital world? How can independents sustain in an industry whose clients expect a free product? I plan to address these points through my research presented in this thesis.

Historically viewing the expansion of the recording industry, we see a trend of independents and majors responding to technology and legislation. As technology quickly advances, the recording industry must as well and at these response periods, we have seen a major increase in sales, but then a low period of the industry responding to these quick changes. Viewing this as almost a sin curve, I believe that the industry is currently at one of these lower points. They are trying to figure this new digital market out and how to control new impeding forces such as streaming and piracy. The sustainability and significance of independents will conversely grow with this. We have seen tremendous market growth for these companies over the last year and I find this very promising.

Although these changes within the industry have effected both majors and independents, the impact, based on my research, has been much more severe on independent labels. This is for a number of reasons, the main being much smaller budgets than majors, including:

- Independent labels' much smaller budgets
- Legal advantages major labels have with much bigger publishing libraries
- Smaller networks for distribution
- Smaller copyright catalogs

Can independents stay independent in the future? Or, will the continuing dependence on major distribution channels prove otherwise? Independents have seen tremendous growth for market share over the past year, but their percentage of total distribution lacks. This shows me that they are heavily relying on major distribution channels still and that it will be this way for a while. As the market continues to trend towards digital sales, independent labels are seeing a break in these overhead distribution costs and barriers that proved troublesome for them in the past. Although this market is proving beneficial for these reasons, independents' reliance on majors will continue for the near future. Their distribution relationships and retail outlets are far too strong for an independent to reasonably compete. They stock the most major physical retail stores and if independents want this relevance they must continue to utilize resources such as ADA or others.

Historically, the means to these outlets have only been acquired through mergers and acquisitions, and I believe that the physical history will continue to repeat itself. Over time, independent distribution outlets will grow to a competitive level, contingent on smaller retail growth. These smaller music retail outlets will continue to carry these independents and as these represented genres and artists continue to grow, the same will happen to their stores. More demand will push the independent product into the store more and these relationships will foster an environment for simultaneous expansion.

With the introduction of digital distribution and retail, the playing field has been evened out in this sense to the point of a relatively equal indefinite market. Independents

have this whole same realm and can have equal opportune distribution through outlets such as iTunes and Rhapsody. Further, independent labels are able to release, promote, and distribute music at a much cheaper rate, breaking the previously established budget barrier that majors held over independents.

Not only has this broken a budget barrier, but the digitalization of the industry has cut a lot of the initial costs incurred when an independent signs a relatively unknown band- a very risky cost that could have some heavy impacts on a minimal budget. These tools, such as Facebook, Twitter, Garageband, and others, give bands the ability to initially release albums or EP's on their own. This establishes them and promotes them apart from a label. Cutting these initial costs can help independents have a more secure investment based off of the results of this and to have promotional material already recorded to use. In the extreme example explored above, Radiohead was able to record, release, and distribute an album without and financial tie to an album. Utilizing these digital tools, this was made possible.

This being said, there is an evident need for this relationship for major labels as well. Independents have served as a creative force behind the industry historically. If majors want to stay on top of the game and understand where the industry is going and where the creative taste of the country is, they must continue to distribute for independents. I feel that this is something that independents can use in their favor and serves as a competitive advantage when working out deals with majors.

The digitalization of the music industry has introduced a number of questions for independent labels, the first being, how can they compete in this new digital world? Based upon my research, I believe that the digitalization of the industry has both positively and negatively impacted independents, but overall has more positively impacted them. They will be able to compete easier overall due to this and it has evened the fiscal playing field in a number of ways (to be explored below).

Positive Impact

The shift to distribution being heavily digital has helped alleviate a lot of the major costs associated with creating and shipping tangible music products. Costs have been cut

dramatically and independents are seeing equal representation in digital retail stores that have no capacity to what they carry.

Negative

Some negative implications impacting independent labels include streaming payment models and saturation of the market with the ease of “DIY” bands. Streaming and digital radio introduced a new platform in which majors were offered very big up front payments. A lot of the time this was not offered to indies due to their much smaller catalogues and rights owned and they were forced to offer their music if they wanted to stay relevant on this developing technology. Another implication due to the digitalization of the industry is the saturation of the market with the easier ability of bands to start and do it themselves. It seems that smaller independent label artists are going to get lost in this vast ocean of music and the importance of the label is somewhat diminishing in that sense. While this occurrence was discussed above as something positive in cutting initial costs of labels, I believe that it also saturates the market in this sense. A balance must be achieved and the industry is definitely moving in that direction.

As discussed above, a major implication on whether independent labels can continue to be sustainable and significant in the market in the future comes from a changing society’s view on music. Both independent and major labels are facing a new society that commonly views music as a free commodity- whether it is through streaming, accessibility through the artist, or piracy. With the introduction of many streaming sites such as Spotify or YouTube, users are easily able to access music and music videos for free, whenever they want. Although it seems ideal that society changed, I believe that it is somewhat unrealistic to expect this. The music industry was caught with their tails between their legs when consumers took off with peer-to-peer file sharing. To expect that people will change will only set the industry, and more so the independents, back behind their consumer base.

PROPOSITIONS

I first propose that independents continue to utilize digital distribution outlets to continually combat this evolving world. This will allow them to remain prevalent while the continually evolving industry moves completely digital. The In Rainbows research and example illustrates the power that independent artists and labels have now. Digitally distributing is the way of the future and I believe, unfortunately, that within the next five years, we will see these numbers completely overtake physical sales. Bands and independents are able to completely record, release, and distribute music digitally. These outlets will continue to be perfected and this system will provide power and competitive advantage to independent labels.

Second, as proposed by Ms. Sabin of KRS, independents must continually expand their revenue sources. In the case of Kill Rock Stars, they are expanding to sign comedians, record comedy records, and distribute them. This method not only taps into an otherwise underrepresented market, but will provide diversity for physical distribution. Independent labels will make up a majority of the comedy section or other section and will be known as responsible for distributing this- further establishing their brand. Secretly Canadian has also tapped into the comedy market, working with comedians such as Tim Heidecker, Eric Wareheim, and signing Tig Notaro for two albums.

I believe that this is perhaps one of the most basic, but important and useful tactics for independents in the future. With this expansion of technology, there are constantly new avenues for labels to explore in terms of obtaining artists/comedians, integrating music, and gaining exposure. One suggestion that I have to incorporate more revenue streams for independent labels is app integration. Apps are one of the fastest growing technological advances for mobile devices. According to recent research, for Apple iPhones alone, there was 27,000,000 app downloads last year, equating to an average of 88 downloads per phone, and revenue of \$6,400,000,000. There is a market of 905,000 apps in store for Apple, 23% games, 11% Entertainment, and 3% music. Looking at these numbers, I see a highly expansive market that independent labels can tap into. Independent designers, companies, and students are creating apps constantly. What do you hear in practically

every game/entertainment app you play or look at? Music. Taking Portia's advice about independents needing to expand revenue streams, I propose that indie labels look to license music with app creators. Practically every game or entertainment app has music in the background and this would be a unique and vastly expansive market for independents to explore.³⁴

Further, if independents continue to represent music niches that are underrepresented by majors, they will continue to cater to these consumer crowds. This seems pretty self explanatory, but I believe that the temptation to stray from "who you are" is there. As Ben mentioned, it is important for the sustainability of a label to stay true. These labels are sustainable in themselves and as the niche expands, the label will. Just give it time.

Gathered from my research and information derived in the interviews, the importance of collaboration was alliterated. Collaboration has been a major strength throughout the industry in the past, and I believe that the continuance of this within the independent sector is mandatory. There have been a number of collaborative efforts within the independent sector that have proven significant. Indies are starting to see legislative leverage and this is through collaboration. If other independent labels begin to cooperate and work to this common goal, we will see further expansion and the playing field will continue to even out.

Another idea I propose that independents do to remain significant in the market and sustainable in the future is to put the ball in their court by collectively devising a competitive streaming service that is solely supplied by their catalogues. The collective mindset in my previous proposition would be needed for this and a network such as the one in A2IM would provide the power and collective budget to finance this. There is no arguing that independents are growing at an impressive rate, 20% growth of market share from last year. Their power is slowly growing and their catalogues are expanding over

³⁴ <http://www.statisticbrain.com/mobile-phone-app-store-statistics/>

time. They have enough consumers to support a streaming service based on fair artist compensation.

As you can see with this research, the interviews, and my conclusions, there is definitely a sustainable path in the future for independents and a rapidly growing significance in the market. I believe that there is a very bright future for independent record labels and that a continuous growth will be seen if they are aware and practice what was proposed in my conclusions.

Appendix A Definitions

Record Label- Companies that manufacture and distribute recorded music and promote that music

Major Label- Represent the majority of music recorded, distributed, and sold. Major labels own their own distribution sources and have numerous subsidiary labels under their umbrella.

Independent Label- A record label that is independently funded and not connected to one of the major labels. They often do not own their own distribution outlets. They have fewer financial resources, but have had a tremendous impact on the industry.

<http://musicians.about.com/od/ip/g/recordlabel.htm>

<http://www.bemuso.com/musicbiz/recordcompaniesandlabels.html#anoteaboutrecordlabelmergersandacquisitions>

Merger- Method by which companies legally unify ownership of assets formerly subject to separate controls. The less important company loses its identity and becomes part of the more important company, which retains its identity. Mergers extinguish the merged company, and the surviving company assumes all of the rights, privileges, and liabilities to the merged corporation.

<http://legal-dictionary.thefreedictionary.com/Mergers+and+Acquisitions>

Acquiring- Method by which companies legally unify ownership of assets formerly subject to separate controls, very similar to a merger. Acquisitions involve a company buying most, if not all of the target company's ownership stakes in order to assume control of the target firm. It is beneficial by a company taking over an existing company's firm operations and niche rather than expanding on its own.

<http://www.investopedia.com/terms/a/acquisition.asp>

Streaming- Music that plays from an online source. It may be played on a downloaded player on the computer or on a player embedded in the website from which it is streamed.

<http://www.ask.com/question/what-is-the-definition-of-streaming-music>

Digitalization- The process of converting information/a business/a product into a digital format.

<http://whatis.techtarget.com/definition/digitization>

Distribution- The process of bringing music from the source to the consumer.

Traditionally, physical distribution put music on shelves. Now, digital distributors put music on online retail outlets.

<http://musicians.about.com/od/glossary/g/Distribution.htm>

Appendix B

Interview with Ben Swanson

Could you explain what all you oversee at Secretly Canadian and how you got started in the business?

I'm one of the owners of Secretly Canadian Jagjaguar Dead Oceans, and Numero group- the four labels we run here as well as SC distribution, Fort William Artist Management, SC Publishing, and Bellweather Manufacturing- who does our production. I oversee everything. I deal with a subset of the SC artists- a macro provision of those artists. I do a lot of the website things and the digital presence online. I put out fires on a daily basis.

At Secretly Canadian, are you drawn more to what represents your creative taste and what you think is artistically significant or to an artist that you see being very commercially successful? Is there a combination of the both, or are you focused on putting out quality art?

Ideally a combination of both. When we first started it was really just a passion project. We were all still in school and it was the music we love. This continues today, but with 75 employees globally, there has to be financial potential. It doesn't always have to make financial sense but we want to make a positive impact with the artist. It's a struggle. We are always like I really like this band or I have been listening to this band a lot but then someone always chimes in 'We will lose money with them.' So that is the constant balance we try to strike so I think somewhere in between to balance are the artists we have.

In general, what issues do you face at an independent record label that majors typically do not face and is there a way to stay competitive?

It's easy to talk shit about the majors, but it's hard to generalize. There are a lot of smart people at majors and they have the resources. They put out a lot of crappy music but they put a lot of good music. I think that a lot of what is forgotten about majors in the indie community in particular is that they hire a lot of smart people who are highly capable. A lot of this attitude is in the indie or punk scenes- I have done this myself. The primary edge though is resources. They have financial resources; they have staffing resources that we can't even begin to match. A lot of the logistical things. I guess as a result they can bring in a lot of talent- whether it be artists or staff. When you can put up six-figure salaries you are going to get a lot of quality. Their big competitive advantage from a pure label standpoint is distribution to an extent, although this has eroded significantly over the years. For example, in the US, our main distributor to chains and one-stops is ADA which is the independent arm of Warner, so a lot of our records go through Warner, as do a lot of indies. They are somewhat piggy-backing their distribution channels. On the digital side, there is not a lot of competitive advantage, although there is a little. It's really in the marketing end where they are able to advertise more strategically, something we just do not have the resources for. Publicity is the same- they are able to throw really smart bodies at projects.

These days a lot of this is in radio. That's the sort of untapped resource for Indies. It's really hard to tap into commercial radio. We had success with "Bubble Butt" where we used the Warner radio team. It was really successful overall for us, but it's hard for indies to tap into this. They see this as a major competitive advantage. They are starting to crack a bit because they are beginning to see the advantage of our distribution going through them. They help promote the song and are successful and then they get a cut. They are starting to soften on that, but they still believe strongly that their main competitive advantage is in radio.

Do you feel that the growing emergence of independent record labels is a response to a lack of creative representation from majors?

I think it was like that for a while, but if you look at the last two years or so, it's starting to shift back. If you look to history in the 90's, bands started to jump ship for majors and it was sort of seen as. Just look at when Sonic Youth jumped, or when Nirvana jumped, or even later when Modest Mouse jumped, there were watershed moments when they shifted to majors. There were a few years where dominant indies stayed on indies. In the last two years it's starting to settle. You are getting these legacy major label bands, such as QOTSA, or Sonic Youth going back to Matador, are going back to indies for more of a creative freedom. They don't take advantage of what majors are good at. They aren't taking advantage of what majors bring because they aren't that kind of band. So there are also probably long term financial advantages of being on an indie. They don't need the big advance because they are already established. They would rather see the money in the long term. On the other hand, you see bands that typically wouldn't cross over to a major, crossing over now because, the very simplistic view is that they can "start their careers" and really establish that. They are able to leverage whatever momentum they have for this creative control. So its this weird interesting mix where I think its starting to settle a little bit where some are coming back to the indie fold, but some younger artists are jumping to a major to see where that will take them.

Are independents able to take greater risks with artists with an independent label vs. a major that is heavily focused on the fiscal return of the artist?

Absolutely. We put out that Mark McGuire record last month- a major is never going to put that out, it doesn't belong on a major. I'm not sure if you have heard it, it's a beautiful ambient guitar record that wont sell a lot of copies but if you deem that a risk, then we can absolutely do that easier. At the same time, majors can take bigger financial risks than indies. We cannot give a band 500,000, whereas majors do that all the time. We are probably better off to take creative risks, while they are more suited to take financial risks.

What is the impact of branding a record label on the sustainability of a label and their artists?

Branding is something we have been talking a lot about lately because we are somewhat a “label group” having four labels under this same “roof” and what we have noticed is this somewhat washes out the branding over the years, when you have the same people talking cross streams basically. Where, at Sub Pop, they are only talking about Sub Pop Records- they have a really strong brand. They and 4AV probably have the strongest brands in the independent “universe.” It’s a challenge for us, but we come at it from more of a mid-west standpoint where we are not as ready to push our label brand forward on records, we would rather push the band forward or the project forward. It’s a balance. We don’t like to get cocky about ourselves, but there is definitely a value. Look at Sub Pop. Their vibe is awesome. It’s somewhat sarcastic. It’s very impressive, and it’s really fun to watch. We definitely try to learn from them, but were just not as good at it as they are.

What are some ways that Secretly has had to respond to the digitalization of the business? Was there anything that proved especially troublesome in this transition?

We started in ‘96 and I think our first digital deal was in 2000 or 2001, so for us this has all happened somewhat organically. We didn’t have a huge history of physical sales; we were never really caught stuck in this physical mode. We are very physical based, but less so than other labels out there. At the same time, being independent allows to you move about somewhat more nimbly. I do think that the big overall challenge that a lot of independents face is metadata issues- the need to be really on top of metadata. Metadata is everything. If you put up a song on iTunes or any DSP and it has the wrong IRC or you have it tagged wrong in your system it can mess up a lot of things. Money goes missing or you have to take stuff down. It’s really forced a lot of labels to become a lot more organized- which I think is a good thing. Indies tend to have shortage of labor and it has kind of forced a lot of organizational issues. To me, that’s a big challenge.

How long do you typically sign a band? Do you feel it is important to grow with one through a sophomore to even a third record?

Yes. We typically do 3 record deals where we own the master. We used to do album by album, but about 7 or 8 years ago we switched because we started to hate this stressful moment. Its sort of like having a girlfriend, where every 18 months you have this really intense sit-down where you ask ‘Do you still want to be together??’ and it sucks. You are constantly re-evaluating and you are both always on edge. It affects financial aspects of signing. You are like ‘Well, we only have one record left’ and the band or manager is asking us to take a big swing with a really expensive publicist or something that we normally would never. When you have 3 records, the conversation is much easier. You can envision investing in the bands longer, because you have a longer investment in them. I think having that 3 record arc feels really good. Some labels sign for two, which feels really short for me. Bands do have a sophomore slump a lot and sometimes you can recover from that and sometimes you cant. You are able to modulate over 3 records in ways you cannot with 2. Say you have a mildly successful first album, but the second has promise and doesn’t quite deliver, but you had really invested heavily in the second. With the third, you can modulate

in a different way and still be ok in the end for you and the artist. I believe the artist has some security this way too. If they underperform on the second, it provides them some security and allows extra buy in from the label.

We have evolved into a society that often views music as a free commodity, what is the most important thing an independent label can do to address this issue and remain sustainable?

I think it's switching. With Spotify it's switching. We don't really talk about piracy anymore- its not really in conversation anymore. I won't say people don't pirate, they do. The onboarding of streaming services provide a little bit of royalties and they add up. I don't think the math has worked out where it makes up for the difference and it's getting there. We have adjusted as a result. I think we're not as worried about music being a free thing than we used to be.

Portia Sabin of Kill Rock Stars mentioned expanding revenue streams to the last question. She said that they are expanding into comedy, is this something that SC has done?

Yes. We did Tig Notaro (SP?????) for two records, one was nominated for a Grammy. It was our highest selling record ever other than Bon Iver, but this was mostly because Louis C.K. put it on his site and sold 100,000 of them. We are proud, but I think it's an outlier. We would do another comedy record, but we are not quite ready to jump into that yet, we are concerned about our representation through it.

Distribution

How much distribution across the country is SC distribution responsible for in a year? Do you internationally distribute?

All of it. Yes.

What is your selection process for additions to SC distribution?

It's a variety of modes. Its not dissimilar to how we work with a band. Do they aesthetically fit? Do they fill a niche we do not cover with other labels already? Can both parties bring something new to the table? Can it be mutually beneficial? With some its no, we don't feel we are the best fit for you. So we above anything else look for potential. We sign tiny labels that we like and see potential. We want to create an environment where they can see the potential.

What issues do you face as an independent distribution company that majors would not typically face?

They are better at getting records in stores. They have more leverage at Target and Wal-Mart. They do better volume. They have better volume, so they are able to get even their smaller acts in there. Same with late night TV. There are a lot of good people working at

late night TV, but sometimes there is a lot of leverage involved. For distribution, they get into "Breakage" where digital services will guarantee majors (ex. 500 mil in revenue per year) and if they do not generate that revenue for the major, they will make up the difference. If they don't make that revenue, they owe the label the difference. And that revenue does not get distributed to the artists, it goes into their pocket. That's an issue going on right now and it is something majors can leverage.

Could you explain the benefits from being a part of the Independent Distribution Cooperative?

A bunch of similar labels got together that felt like we could negotiate a solid distribution agreement with each other as opposed to doing it independently.

You recently resigned with the Alternative Distribution Alliance, could you explain this decision and the importance it holds on SC distribution?

We have been with ADA since 2004. We love them. We have both changed, but we really value our relationship with them. They are a part of the Warner system and they have really taught us a lot about being an independent and when to work within the major label system because there are lots of good things to come from it.

Do you feel that independent labels are more drawn to an independent distribution company? What draws them?

With indies, they typically prefer going through an ADA, a RED, or a Red Eye or In Grooves (Universal's Indie Arm). This is mostly for access. They can't get access for chains or they can't get the ears of the buyers. It's all about access. We value being independent, but we value being pragmatic. We don't feel that being through the Warner system erodes our independence. I think the attitude of having the stigma of being with a major is selling out is somewhat outdated now. Whereas 15 years ago, most indie bands wouldn't license their songs to a commercial, but bands do it all the time now. The consciousness has evolved to include pragmatic actions. Part of being independent is staying alive and if you can sustain through this tie and retain their identity then it is most important. As a consumer you would not notice this. It's all back of house.

What can independent distribution companies do to stay competitive with the majors over the next five years?

Part of the reason we formed IDC is ADA was making a big push to take digital cuts from all of the labels and we wanted to keep our digital rights. We wanted to maintain control over this. Also, I think that there are good things and bad things about the evolution of how people are consuming music now. One positive is that there is a lot of music out there now, a lot shitty, but now more than ever, there is a lot of music with a lot of soul that rises to the top. Look at the bands you see on late night TV or radio, there is a whole lot more of good,

substantial stuff on there. I think that one of the survival tactics over the next five years is to stay true to what you are. This is as long as you are smart and organized about how you do your business, you will be just fine. People will find your music.

Appendix C

KRS INTERVIEW

You have had a tremendous impact on independent labels, from serving on A2IM to WIN to helping start the Libera Indie Music award, to now being the president of Kill Rock Stars, I wanted to thank you for all of this as well as thank you for your time. I first learned of KRS reading the back of an Elliott Smith album and since I have been drawn to the label. Its awesome and I really look up to what you do there.

I saw that you began studying Anthropology and education at Columbia University. What made you decide to move into the music industry?

I have always been in the industry in some way or another. I used to play in bands, we broke up, and I moved back to New York. Here, I started playing in another band and got really interested in grad school. In 2001 I started managing bands. In 2004 I got my PHD and began teaching and managing the Gossip. I also got a University of Washington Seattle fellowship. The Gossip went gold in the UK. My husband, who started Kill Rock Stars, gave me the label in 2006. At this time there were 27 records to be put out, but we kept it going.

Could you discuss your time on the Board of the American Association of Independent Labels?

I am currently on the board of the American Association of Independent Labels (A2IM) and have been serving for 7 years. A2IM is a trade organization for indies in the US that all big indie labels are a part of. It is great to get to know the other labels here. I feel that this serves as an opportunity to break down what would otherwise be viewed as a rivalry between these labels to serve for the collective good. There is a struggle in the independent industry and we must “play together.” A2IM allows indies to be represented in discussions that only majors used to be a part of. The biggest being legislative discussions affecting the whole industry. For example, Internet radio royalties- sound exchange.

You served as a chair to the Worldwide Independent Network, could you tell me more about what you did here?

The Worldwide Independent Network is a global forum for the professional independent music industry. This, unlike A2IM, serves the entire world. I was on this for 3 years. We don’t really think about it, but there are rivalries all around the world. A lot of these interactions show you how cohesive the United States are. WIN is currently trying to create an international database for ISRC Codes.

You now are the president of Kill Rock Stars, what does a typical day entail for you?

Emails. Dealing with a lot of bands' questions. Planning new artists. We now are working with comedians. I do a lot of organization now and the accounting. I pay royalties as well- 4 times a year. This is usually bi-annually for labels. We are proud to be one of the few that pay royalties out regularly.

Does Kill Rock Stars have a distribution relationship with a major label?

No. We are fully independent. We use Red Eye Distribution, which is totally independent. This relation was on purpose. We were courted by all major distribution companies.

Why did you make this decision?

We like that we feel like we are in the same boat as them. When we were being courted by major distribution companies, we felt like we were on separate pages. They are completely in a corporate culture. Nothing would have gotten done with them. If we need anything with Red Eye, its much easier to get anything done, there is so much less bureaucracy. I feel that you have a more real relationship with independents. Kill Rock stars will always be low on the totem for distribution with majors.

What is the main thing that distinguishes independent label from a major label and what would draw an artist towards independent vs a major?

The entire culture is different. With us as an independent, the band signs with me. The A&R for a major deals with the chain of command but has no say overall. A&R reps are constantly getting fired, they have no job security and it's hard for them to maintain relationships with the bands. There is an inherent dishonesty built into their system, mostly in how they work their deals. Majors give percentage deals, while independents are on a more profit share model. The percentage deal is very complicated. Bands get a percentage of the standard price of the CD. Typically 12% of SLRP. Huge artists might get 20% or so. These deals can be 88 pages. Each page is a reason for deducting from what they are making from the 12%. They give advancements up front and are designed not to give royalties. Profit share on the other hand is designed to produce royalties. You will get a larger upfront pay, but then will continue to make money forever on these royalties. Kill Rock Stars puts up all the money for the deal. When this is met, we split the rest of the profit 50/50 after. All of this money afterwards is profit. These deals are 4 pages long- the last being the signature page.

At Kill Rock Stars, are you drawn more to what represents your creative taste and what you think is artistically significant or to an artist that you see being very commercially successful? Is there a combination of the both, or are you focused on putting out quality art?

Definitely a combination of the two, more weighted to personal taste. We are interested in artist development. Independents used to do this up to a point; now no one really focuses on artist development. CD's used to be how artists developed. No, with no album sales we are having to find other ways to get fans. Commercials are one way. We always look for an artist's songwriting, their work ethic, and whether anyone else will like them other than just us. Artists need to know the business and have had pulled their boots up before for us to be interested. Majors are concerned about the bottom line. They tend to put out more things that are "like" other artists. They wait until someone is already developed and then use their money as power. The digitalization of the business has hurt both parties.

What issues do independent labels face that Majors do not and is there a way to compete?

Money. Majors own most of their copyrights. As a result, they have found new venture capitalists to invest. Majors are not worried about the percentage per stream with the new streaming models. They got/get high up front deals from companies such as Spotify, so they have incentive for low stream rates. If you're Spotify in this example, you can get most of your library from the three majors' copyright rights. Indies don't get this up front rate, they are stuck with the low stream rate. Majors found another way to make money off their artists through streaming.

There is only one other industry where things became "free" over night and that's publishing. We are handicapped with streaming. The new services are giving massive advances to majors- advances they don't have to share with the artists. In reality all of this money is going to Google. Independents are getting the short end of the stick here. Try to make money in an environment that is totally against you.

Are there things that independent labels can provide for artists that majors cannot?

We get excited about it all. We can be curators and find artists. We get to discover artists before they become something huge.

Do you feel that you are able to take greater risks with artists with an independent label vs. a major that is heavily focused on the fiscal return of the artist?

Yes, but there is a big divide in what you know and translating that into sales. For one example with a band we signed, we spent \$50K on the record, maybe \$75. We sold practically no records, but they played music everywhere. There were no sales. With the emergence of technology, we don't have the ability as easily as before to know what to spend on bands. This band got huge, had huge turnout, but we had no numbers to back it. They got a lot of publicity on radio stations, but we had no numbers from that to translate into what to spend on their next album. This financial risk is evident for independents.

What is the impact of branding a record label on the sustainability of a label and their artists?

We have such a deep catalog; the brand is built on the artists on it. We are working on rebranding into the comedy market as well. This is currently underutilized and we see great opportunity here. We are also appealing to the NPR crowd.

In your opinion, what is crucial for independent record labels to focus on or to do in order to stay competitive with Majors and to sustain in the industry?

Find alternative revenue streams! The deck is stacked for the major labels. There is less competition now with major labels. Now its everyone is just trying to stay alive. There is more of a battle with technology and culture than there is with majors and independents. I really don't know what's coming from all of this. We live in a culture where everything is free, kids grow up not paying. Labels must think of new ideas to combat this.

What do you think the next five years in the music industry will look like overall?

As for Kill Rock Stars, comedy is the new punk rock. We are signing more and more comedians to the label. In the future, I see a demand for music, but as of right now, I see no revenue stream.

Would you ever be interested into moving into a major label position?

No. Unless they offered me a CEO job to start. I do not want to start responding to a boss.

Appendix C

SUB POP INTERVIEW

Ms. Zietz, could you begin by explaining the transition between being an office manager at Chop Suey to managing at Suicide Squeeze to now heading publicity and international and video promotions at Sub Pop Records?

All were very different jobs. I did local promotions and radio outlets. At Suicide Squeeze I oversaw everything- publicists, radio, it all. It was just me and the owner there. At Sub Pop, our two publicists handle all of this publicity. I oversee the international promotions to Canada, Australia, New Zealand, and Japan.

What do you think helped you get the current position at Sub Pop?

I got the job through an internship.

Who has been your favorite band to work with here?

Each project is very different. We have a family dynamic with bands, even more so than with co-workers. We really look to build this family aspect with the bands.

Does Sub Pop have a distribution relationship with a major label?

Our distribution is through ADA- the division of Warner Brothers. Out in house works with direct sales.

You have mainly worked for independent labels, would you be interested into moving into a major label position?

Definitely not. I am tied to the music we put out at Sub Pop sonically and politically. I like to know that I am a part of the pieces to the bigger picture rather than just someone that is used for the gain of a few.

What advantages to major label campaigns have you witnessed in your work with independent groups/ label campaigns?

They have quadruple the amount of people on staff. Their budgets are much bigger. They can use millions to promote an artist.

Have you had any publicity nightmares?

Not really. Because we are so close with our bands/artists we have the advantage of being able to cater to each. We can campaign to what an artist wants. Our A&R can make sure that bands will get along with us as a staff and with the label. There is always a solution here.

What is the impact of branding a record label, such as Sub Pop's grunge brand, on the sustainability of a label and their artists?

We are turning 26 this year and we were never just one thing. We are lucky to have established ourselves early through that all. We are also lucky that our logo has become its own brand in itself. We see it popping up and being used for other things. On one hand its really cool to see our impact in this way and that it is so known, but on the other it would be cool if they got permission to use it prior.

Do you feel that you are able to take greater risks with artists at an independent label?

There are different risks for both. Majors see money and majors see music. They definitely take this into account when working with an artist. When Sub Pop signs someone, they actually believe in the music.

Do you think that Sub Pop can continue to compete with the big budgets and networks of major labels?

With declining sales, I think that we are somewhat in the same playing field right now fighting this battle.

What do you think the next five years in the music industry will look like overall?

We are moving to all streaming services, like Beats. Streaming is so much more prominent now. I'm interested to continue to see vinyl. I think CD's will be obsolete soon.

Appendix E

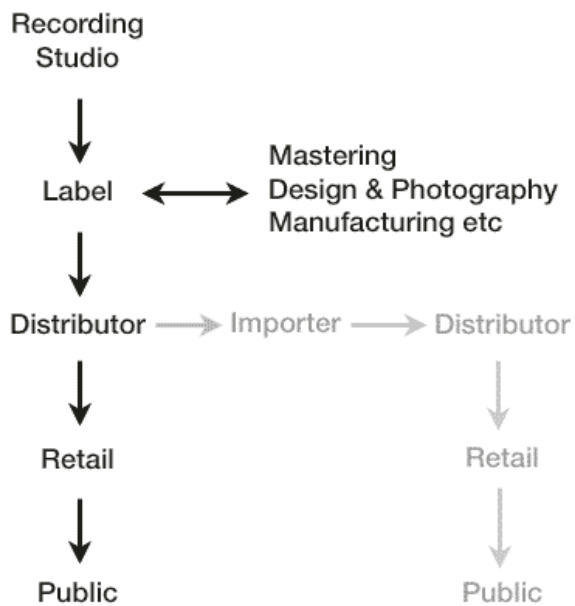
Release Models

<http://www.discogs.com/help/database/submission-guidelines-release-label-catalog>

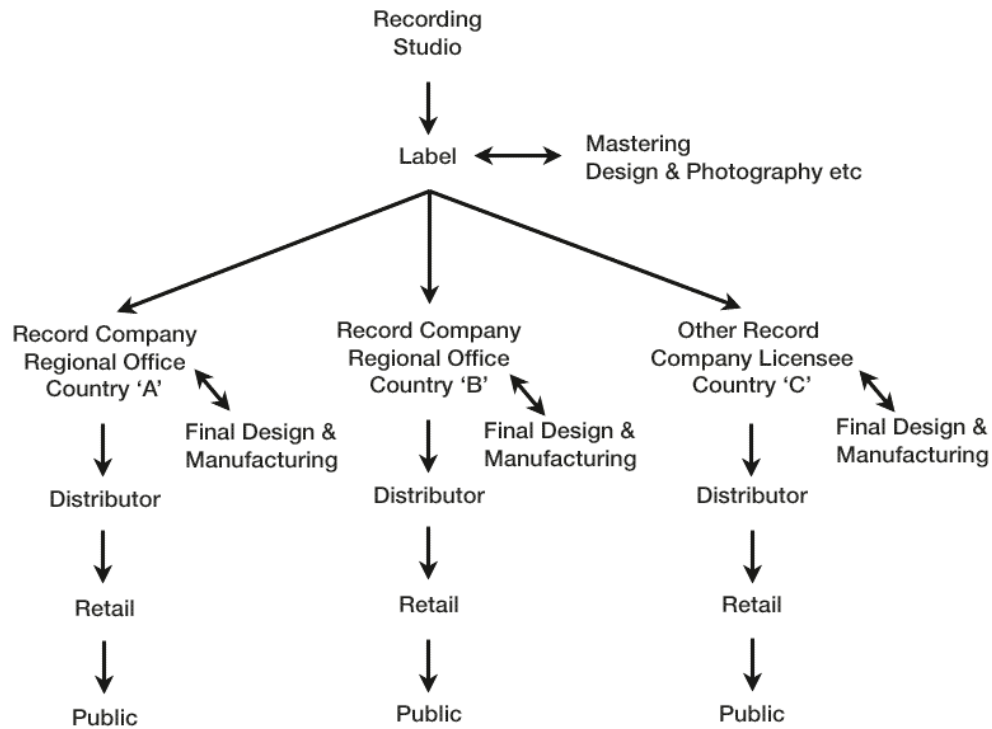
The Minimum Necessary



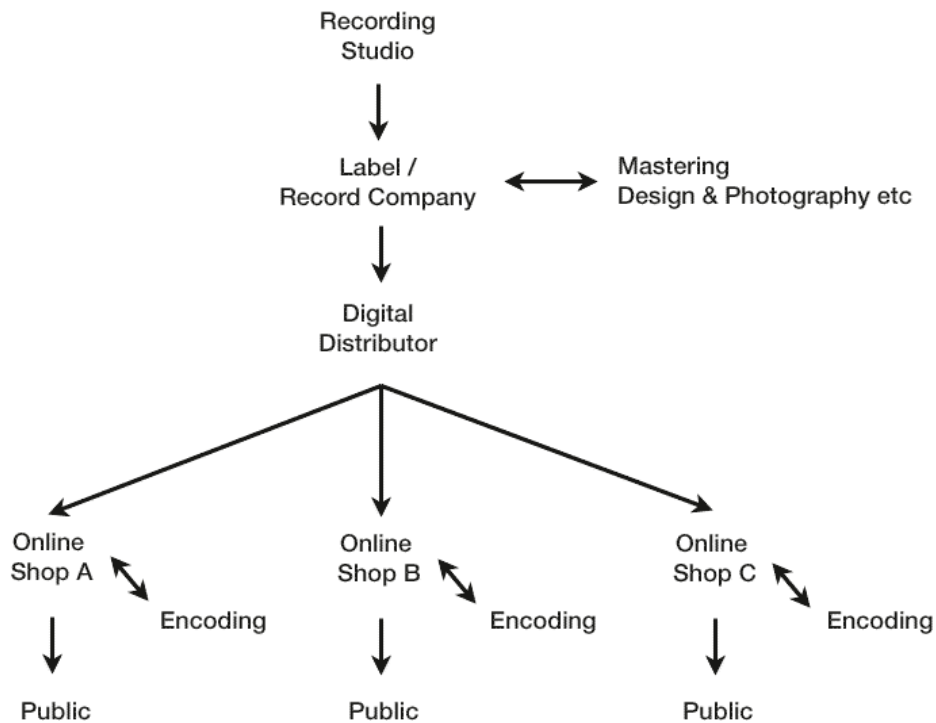
Small or Medium Sized Label Release Model



Major Label Release Model

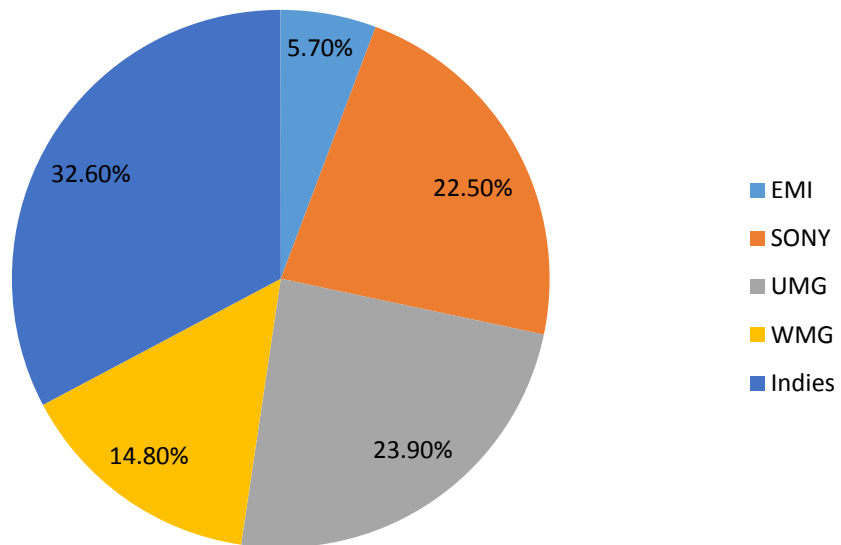


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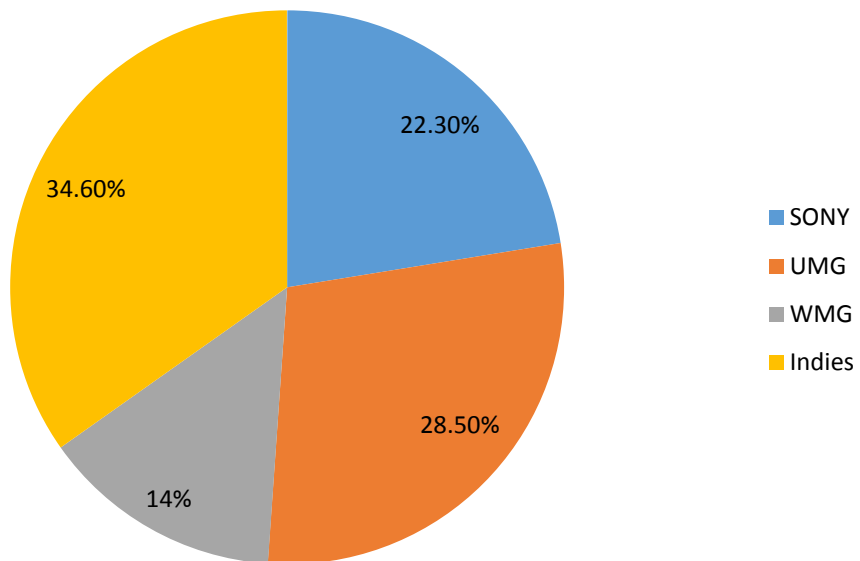


Appendix F

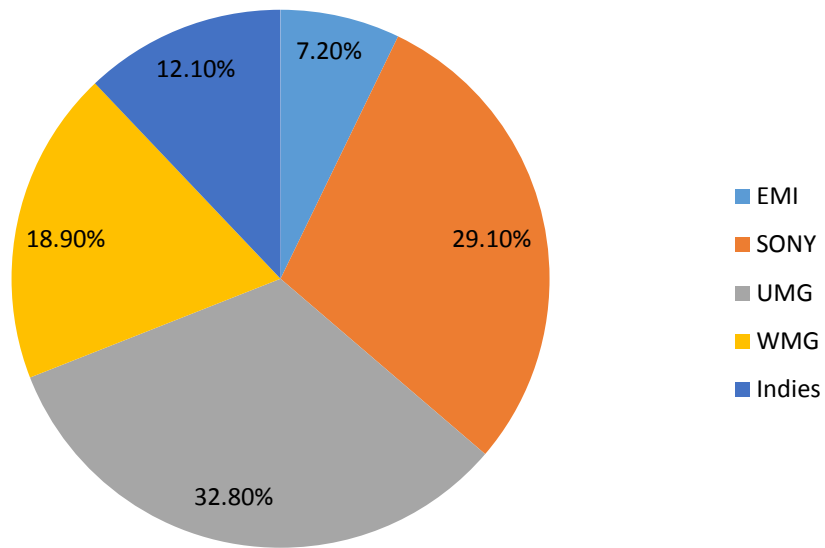
2012 Market Share by Label



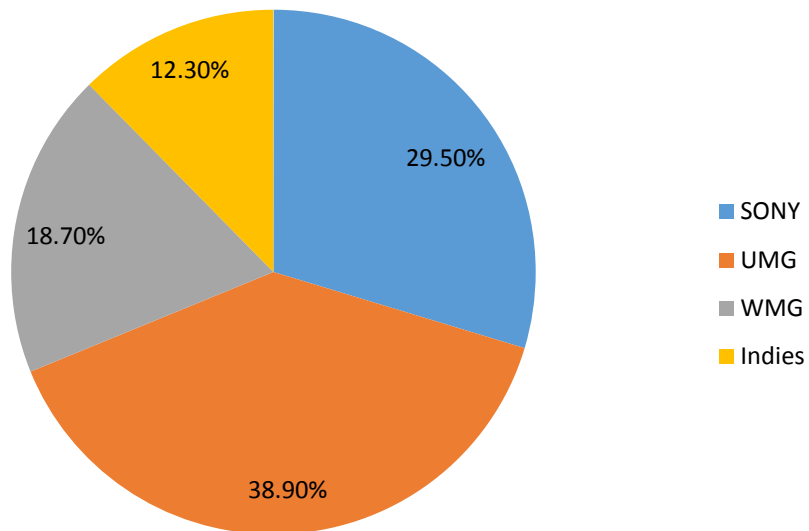
2013 Market Share by Label



2012 Market Share by Distribution



2013 Market Share by Distribution



Soundscan 2013 Data

Appendix G

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