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EQ: How are independent artists and new technologies dismantling the impact of major record labels?

"The band is now 1/4 of the way through its contract, has made the music industry more than 3 million dollars richer, but is in the hole $14,000 on royalties. The band members have each earned about 1/3 as much as they would working at a 7-11, but they got to ride in a tour bus for a month." Producer Steve Albini discusses this common situation in his controversial essay, The Problem With Music (Albini). Bands have historically been eager to sign contracts with major record labels, mostly because corporate-backed record companies have the resources to turn their artists into successful money-making brands. Signing to a major label has been the only reasonable way for an artist to be heard by a broad audience, yet many record deals end up as unfavorable to the artist as the deal Albini discusses.

Since the beginning of the record industry in the early 1900s, corporate record companies and their artists have been the most successful (in terms of earnings, fanbase, awards and recognition, etc.), yet much of this success is due to the independent, trend-setting labels that the major labels follow. Independent labels are known for taking risks and developing artists with unique sounds, and many of the world's top artists (Elvis, The Beatles, Maroon 5 and 50 Cent, for example) were once signed to independent labels. However, partially due to new distribution technologies introduced in the past few years, and an increasing amount of opportunities for exposure to consumers, independent artists have been moving towards the center of the mainstream music market; some are successfully competing with major-label artists, and finally receiving their hard-earned, long-overdue attention and recognition. Artists, labels, and consumers are finding that because of the overall appeal of independent artists- partially due to the growing exposure and resulting popularity of independent artists as well as a historical trend in broadening consumer music tastes- changes benefiting independent artists are taking place in this system that has indisputably favored corporate-sponsored major-label artists in the past.

The Record Industry – Background

Since the beginning of the recording industry, corporations have been the most controlling forces. In 1940, three record companies controlled the music industry, and two of the three companies (RCA/Victor and Columbia/American Recording Company) were part of major broadcast corporations (Bishop 12). These companies recorded, produced, manufactured, marketed, and owned the rights to each of their artists' recordings, and they focused on producing mostly big-band jazz and classical recordings. However, as more African Americans moved toward urban areas in the 1940s, blues, jazz, and gospel began to move away from their classification as "race music" and moved toward the mainstream; the corporate labels wanted to capitalize on this growing popularity in major markets (Bishop 12). The popularity of this music grew simply because the music was around and it was something new, and by the 1950s the majority of people had developed an appreciation for more than just one or two musical genres.

By the early 1950s there were six major record labels, which had adapted in order to accommodate the diverse music tastes the public was developing. At the same time, teenagers were beginning to look for a style of music they could call their own, since their parents had seen and been a part of the rise in blues, jazz, and gospel music (Bishop 13). By this time the major labels had successfully signed, recorded, and promoted many unknown artists, but the smaller independent labels better understood what the younger generation wanted to hear. In 1954, Sun Records in Memphis, Tennessee signed Elvis Presley, who created an early version of rock 'n roll by combining country music with R&B (Sun Record Company). Independent labels caught on to the rock 'n roll sound early, and as more and more labels released rock 'n roll records, their popularity grew among teens who wanted to hear specifically this style of music. Major labels felt the pressure to shift their artist rosters in order to accommodate this consumer demand, and they gradually did so by the late 1950s (Bishop 13).

As rock 'n roll's popularity grew, so did record sales for independent labels. From 1955 to 1956, independent labels saw a 44 percent increase in sales. Yet in the mid-1950s genres other than rock 'n roll still dominated the radio and sales charts, and from 1954 to 1958, four major labels (Columbia, RCA/Victor, Decca, and Capitol) were responsible for 75 percent of the hit records listed in Billboard Magazine. By the end of the decade, however, in 1959 the same four major labels were only responsible for 36 percent of hit records (Bishop 13).

In 1960, there were around 3,000 record labels in the United States, and 500 were under the "corporate umbrella" of major labels (Bishop 14), and major labels saw that the smaller independent labels were setting trends and, at the time, had a clearer understanding of what the younger generations wanted to hear. Even after a decade of observing independent labels, and having the opportunity to develop similarly successful artists, those majors who either could not effectively compete with successful independent labels, or did not see a need to risk promoting unproven new artists, simply began to buy, distribute, or co-own independent labels in order share in the success. This led to a cycle that still occurs today: independent, entrepreneurial labels start musical trends, "[identify] a particular market niche in which to specialize" (Bishop 12), and eventually sell their company, catalog, or artist roster to a major label.

Major Label Structure

Working through a major label is the "mainstream" way to produce and release a record. An artist signs with the label, and the label gives the artist an advance, with which the artist records an album, and then turns the master recording over to the label. The label turns the master into CDs and sends them to the distributor, which in turn wholesales the product to record stores (Passman 81). Once the CD is in the distributor's hands, the label focuses its efforts and resources on advertising, promoting, and marketing the album.

In a major label, the following people have the most important jobs:

A&R - "Discovers" and develops new artists, and often helps coordinate the artist's release (Passman 81). This can include helping choose the songs the artist records, choosing the producer, album artwork designer, and most importantly, coordinating all the departments of the label to make sure that all of the label's resources work together successfully for the release.

Marketing – Handles the advertising, publicity, album artwork (sometimes), music videos, in-store displays, and promotional merchandise (Passman 82). This department is responsible for turning the artist into a successful commercial brand.

Promotion – The promotion department exclusively works to get the artist's songs on the radio (Passman 82). Most major labels have an in-house promotion department, while some hire independent promoters. Using independent promoters allows for a smaller full-time staff, and can work as an advantage to the label because their artists are getting promoted along with those represented by other labels; this makes radio's decision to play the song more about the song and artist, and less about the label.

Independent Labels

The term "independent label" has several meanings, all of which are drastically different. "True independents" are owned independently from a corporation, and distributed through independent distributors (owned independently from a corporation). Some "true" independent labels are owned by major labels, but are still viewed in this way when they are distributed by independent distributors, and the major label owner stays out of most of the label's affairs (Passman 85-86).

"Mini-majors" are complete record labels, without distribution systems of their own. They are often distributed by a major label's distribution company, and sometimes co-owned by a major label. Examples of "mini-majors" include Jive Records, which is distributed by BMG, and Maverick Records, which is distributed by WEA (Passman 84).

A different type of label, which is becoming more popular in recent years, is the major-distributed independent label. This label simply supplies the major label with the recording, and the label does everything else. The independent label essentially acts as a production company, and some even rely on their major label partner to do the promotion (Passman 85). Sometimes the label is owned by the artists themselves, as is the case with Ani Difranco's "Righteous Babe Records." Difranco uses the label to promote her own records, and it is now considered one of the most successful independent record labels in the United States (Barnet and Burriss 23).

Major vs. Independent Labels

In order to examine how independent artists are dismantling the impact of major record labels, it is important to understand the real effects of the major and independent label systems, whose operations have been summarized. Therefore, it is necessary to look at the advantages and disadvantages of major and independent labels, from the perspective of both the artist and the consumer, and determine which system has the greater potential to dominate the music industry in the 21st century.

Major Label Advantages

Money and power are the most desirable assets of a major record label. In order to successfully release an album nationally and expect it to have widespread appeal and attract the attention of the majority of people who listen to new music, a significant amount of money must be invested in the release. Major record labels often spend a considerable amount of money on promotion in order to make sure that their artists are successfully promoted through outlets like radio, music videos, TV, magazines, newspapers, in-store displays and promotions, etc. These outlets have long been considered the most reputable means for finding and selling new music; they contribute highly to the sales of records whose marketing campaigns rely on and utilize them, and while it takes power and money to access them, that's not a problem for corporate-backed major record labels.

Because of their financial structure, it appears that major labels simply have an advantage over independent labels with limited funding. Michael Jackson, for instance, benefited greatly from the $200,000 his label spent to produce his *Thriller* video in 1983 (Alderman 62). *Thriller* sold 20 million records (Alderman 63), and its video was groundbreaking and widely popular. A $200,000 video budget is absolutely out of reach for independent artists and labels, and when it comes to making a promotional music video with no restrictions, exactly as the artist and label want it, major labels certainly have an advantage.

Radio airplay has historically been an especially important factor in a record's release. Consumers of mainstream music listen to the radio to hear their favorite songs, and greatly rely on it to introduce them to new music. Launching a national commercial radio campaign takes money, time, effort, and strong relationships with the program directors at radio stations. Many labels, even majors, outsource the job of radio promotion to an independent promoter who can take the time and effort to do the job successfully, and has good relationships with radio stations. A national commercial radio campaign through an independent promoter can cost $40,000 just to try to get one single onto national pop radio, and after eight weeks, the promoter is done working for the artist (Farrish). Major labels have the advantage of being able to afford this kind of promotion, whereas $40,000 is sometimes more than an independent label can spend on an artist's entire album- from the production to the promotion.

Major labels also have the advantage of having more money and better distribution networks than independent labels, which gives them a better ability to meet a demand for their product as they see it growing (Barnet and Burriss 23). As Richard Barnet and Larry Burriss, authors of Controversies of the Music Industry, put it, "[l]arge multinational labels have the capital to manufacture larger inventories of CDs than do indies. With their company-owned international distribution systems, majors can quickly move many recordings from their CD manufacturing plants and warehouses to retail stores if a song suddenly gets radio airplay" (23).

Major Label Disadvantages

One of the main arguments against major labels is that they are set up to promote and reward formulaic, unoriginal music, in order to safely market music that is known to have high consumer appeal. Music Genres and Corporate Cultures author Keith Negus writes "[t]he work of record companies is now based far more on strategic calculation, data management, monitoring and measuring techniques and the explicit applications of forms of management theory. It is based less on gut feeling, hunches, intuition and inspired guesswork" (62). This attempt at formulaic, corporate-created music is also seen in the use of "hit-picking software," which digitally analyzes a song, compares it with hit songs, and predicts its ability to succeed on the radio and charts (Kusek and Leonhard 157). Music has historically served the purpose of both entertaining listeners and causing them to react to the moments of new, original creativity that truly define a song. With originality thrown aside by software that intentionally promotes predictability, and corporate executives who market "safe" artists with mass appeal and little surprise to listeners, it may become difficult to find music that appeals to those who appreciate originality, within the corporate music industry.

Major labels, as Steve Albini mentioned, also have a reputation for giving artists unfavorable deals and rewarding the business team greater than the artist who created the music. Herbie Hancock, a well-known and respected jazz pianist and innovator of technologies, shares his opinion on the major label business model: "I'm not happy about the business model that the record companies have been running until now. They have proven again and again that they are far from angels, far from having even a casual interest in giving artists and songwriters a fair share. They have been ripping off artists, writers, and the public for close to a century, to the point where I can honestly say I don't trust them at all" (Alderman xvii).

Major labels have also been slow to utilize the marketing potential of the internet, and have just recently begun to bring in technology-savvy executives to compete with the independent labels who have been using digital distribution and internet marketing for years (Maney). The traditional, corporate environment of most major record labels often does not foster the same kind of creative, forward-thinking talent from its business people that is embraced at small independent labels, which is why major labels are at a disadvantage when it comes to embracing new technologies and taking advantage of non-traditional marketing opportunities. Without utilizing new digital technologies, major labels are becoming less appealing to music consumers who do use these new technologies, and the major labels are essentially ignoring their opportunity to have an impact on the technologically inclined demographic. In this age of constant technological advancements, this demographic is only growing.

Independent Label Disadvantages

For the most part, every advantage that major labels have is a disadvantage to independent labels. Independent labels often lack strong, international distribution networks that would help get their products in stores. They often lack the capital of major labels that are part of international media corporations, which affects all of the independent label's operations, from the production of records to the promotion. Because they are less powerful and often not as established as major labels, independent record labels often do not have the same leverage and access to radio, retail, and the media as major labels do. Ultimately, these disadvantages make it the responsibility of independent labels to seek out or develop new ways of promoting records, simply in order to survive and compete with the corporate-backed labels.

Independent Label Advantages and Appeal

In 2005, CD sales in the entire music industry were down 8% from 2004– yet independent labels, at 18%, have the largest share of the market that they have held in the last five years (Leeds). This is because independent labels are developing more sustainable business models and artist rosters than major labels, and music consumers are finally recognizing the appeal of independent music in greater numbers.

Independent labels are run in a way that is completely different from major labels. While corporate major labels are run by business executives who are often distant from the creators of the music they market, many independent labels are run by just a few people who sign, develop, and work closely with each artist on the roster. This shorter, more direct path from the creation of the music to its promotion helps maintain the artist's original intended vision, and simply makes for a more authentic, unaffected musical production.

On the business side, independent record labels are run as small business, with few employees and lower expenses than major labels. Therefore, they are structured to make more money with fewer record sales (Kusek and Leonhard 111). Lower expectations for record sales allow independent labels to take more chances on the types of artists they sign, produce, and promote, which can only bring greater musical diversity and selection to consumers.

Record labels typically do not attract consumers, as music fans are more concerned with the music itself and not the business people behind it. However, independent labels often have a particular sound, and fans of artists signed to a certain label often trust it to deliver music that they like (Kusek and Leonhard 21). Major labels, however, are home to artists of many different styles of music, and therefore if a major label's roster consists of 40 artists, it would be reasonable to assume that a certain music fan might only like ten or fewer of these artists– whereas an independent label specializing in "indie folk" music might have a 10-artist roster, and an "indie folk" fan might like nearly all 10 of them. This kind of consumer loyalty creates a built-in fanbase for many independent labels, and these labels and artists are able to satisfy their fans by simply maintaining musical integrity and releasing quality music that their discerning fans want to hear.

The Impact of Technology

More than ever, artists have the ability to succeed without the backing of a major record label. Studios are cheaper (due to the constant advancements in recording technology), marketing can be hired out to powerful and effective agencies, and there are numerous distribution options for independent artists (Kusek and Leonhard 22) in this age of consumer demand for diversity in music and music delivery methods. As consumers move towards internet stores and digital music stores, independent musicians and labels have a better chance of competing with major labels, since independent labels have the same access to these digital stores as major labels (Barnet and Burriss 23). Traditional distribution methods will become less significant (Barnet and Burriss 23), and consumers will have the opportunity to easily access to a huge variety of music, from which they can choose the music that appeals most to them. The long-term impact of digital distribution has yet to be seen, however.

Because digital distribution is cheap and accessible for artists, almost anyone can start a record label and release music (Passman 390). This digital pool of music makes it very easy for consumers to discover relatively unknown artists, and leaves the decision of what is "good" and "bad" music up to the consumer. Teenagers often discuss new bands with each other through podcasts and Myspace.com, and within minutes of hearing talk about a new band, can have that band's album downloaded onto their computer and ready to be played on any audio device they want (Maney).

Conclusion

The digital music phenomenon, which appears to be leveling the playing field between independent and major artists, affects music consumers as much as it affects those inside the industry. Those who are used to discovering new music on the radio may soon find themselves listening to a podcast, hearing about the next big independent band through the internet. The diversity in music that consumers can discover is now virtually unlimited, and with digital outlets favoring more than simply the five major record labels, consumers are gaining access to a new music market. This new market is one where major-label artists are just as accessible as local garage bands, which means consumers in general are becoming more exposed to quality independent artists than ever before.

Though major record labels still dominate the music market, the overall appeal of independent artists, labels, their direct path from artist to consumer, and their musical integrity will ultimately, with the growing popularity of digital distribution and decreasing emphasis on traditional methods of promotion, lead to the dismantling of corporate-driven music.

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