

## **So, you want a record deal, right? Wrong.**

An exploration of the recorded music industry's relationship with artists.

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# Abstract

Over the course of the past few decades a lot of technological developments have been made in the industry in terms of music production, distribution, marketing, and consumption. Exploring the post-digitization boom in artists, record labels and distributors, this study seeks to investigate how the recorded music industry relates to artists.

The investigation is based on two semi-structured interviews. The first interviewee is an A&R manager at a traditional major record label. The other interviewee is the CEO of The Music Federation, a multilateral music company that happens to provide label services, Achal Dhillon. Interviewing Dhillon, part of the research developed into a case study of his company as an alternative way of releasing music.

Discussing artist expectations and current industry practices with the major label interviewee and Dhillon, it became evident that many artists were either blissfully (or in some cases: angrily) ignorant to what a record label does in this day and age, or why they even want a record deal. Many artists also have outdated views on the matter.

The interviews also revealed some very disturbing, elusive practices in the recorded music scene that somehow has managed to escape the public, industrial and academic discussion. There is a definite need for change in industry practices.

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# 1 Introduction

## 1.1 Main research topic

Within my network and over the course of my education I have experienced that many aspiring artists were chasing record deals without being able to answer why. I am under the impression that these artists juxtapose being signed by a record label with success with either outdated views on, or are simply unaware of what a record label actually does for an artist post-piracy, what the recompense system looks like or what to look for and negotiate in a record deal.

On the other hand, I have also come across other aspiring artists that simply dismiss record labels entirely. Some dismiss their position and clout in today's industry, based on presumed corruption and exploitation of their artists. Some seem to think that major record labels would be the enslavement and death of their creative self and career and that the independent record label was sent to deliver us from evil.

Either way, this seems to be a very polarizing topic among unsigned artists. Everyone has an opinion, especially those who have never been offered a record deal. However, most of these unsigned artists seem to agree upon two things, whether they are true or false.

1. There is virtually no money to be made from record sales unless you are a superstar.
2. Record labels are in the business of selling music.

On the first assertion, two questions come to mind:

1. If only superstars make money from music sales, why do you want a record deal at the current stage of your career?
2. Why would a record label want to sign you at the current stage of your career?

Whether record labels are in the business of selling music or not I have never questioned until recently. I hope to shed some light on these assertions and questions in my research project, among many other things you and I think we know.

To the extent of my knowledge, the recorded music scene and consumption has always been dictated by the technology available at the time. These technologies have been developing towards increased affordability, accessibility, simplicity and ultimately portability. When file sharing and Internet piracy choked CD sales a few decades ago, the industry was criticized for their attempts to fight the new product and technology, rather than adapting its own approach. After a while, the industry adopted with a legal alternative to file sharing without compromising the technology. They wasted a lot of money and years of research and development fighting the wrong fight, only to settle for music streaming. At least for now.

With internal efforts to stabilize and nourish the recorded music economy, it somehow managed to survive. I suppose one is more likely to hear complaints than praise, but all throughout my education and musical career, digitisation and the music industry has been a divisive topic. Music production, distribution and consumption is infinitely more affordable, accessible, and simple to use for creatives, artists, industry, and consumers than ever before. Generally speaking, every part of the industry has access to the same tools and information, whether it's recording software, digital distribution tools, marketing tools, educational material or spreadsheets. Yet somehow, creatives, artists and industry are still held back or skyrocketed by the gatekeepers of the old industry. If they aren't, they at least think they are.

When I first started this master thesis, I wanted to investigate how in touch artists are with what they need and what they can expect from a modern record label. However, what I learned from this research project had me questioning not only why they would want a record deal in the first place, but why they don't.

On a personal note: I have always had an interest for the industry side as well as the creative side. In my own musical endeavours, I too have released my own recorded music. In fact, my band signed with a very small indie label, and we have had a few other offers over the years as well. Having read every self-help book I can find on music business I like to think that I always approached my band's offers with caution and even know-how, even though I too was painfully aware that our band, like most bands at our current stage of development, was not likely to make a fortune in the current streaming economy. My band never concluded that any record deal is better than no record deal. Given my own limited success as a recording artist, I suppose this point is up for debate.

Nevertheless, there are many reasons as to why you would want to sign a record deal besides just the financial aspects. If we are to believe my following research: in some cases, the financial aspects of a record deal are even the exact reasons why you should not want to sign with a record label. With this project I wanted to uncover whether or not there was a knowledge gap between aspiring artists and record labels.

If there is - Are record labels doing anything to close this gap? Is it their responsibility? Do artists romanticize the record deal as we know it unjustified?

This brings us to the heart of this project. With the explosion of artists post-digitization as well as the huge changes in consumption and distribution; I wanted to better understand these dynamics, what a record label does in a post-piracy industry, and perhaps even where the industry is going. I have defined the purpose of this research:

**To better understand how the recorded music industry relates to artists.**

I have interviewed two industry professionals with very different backgrounds. One is an A&R manager working for the Norwegian branch of an international major record label, one is the CEO of a multilateral music company that provides an array of services linked through a distribution element. The former is a very traditional record label, while the latter is a revolutionary service based distribution company. I wrote *recorded music industry* in the main research topic for the very reason that one of these companies is not strictly a record label. I will however mainly be discussing their record label functions.

Disclaimer 1: Aspiring artists are the target audience for my master thesis. Given my own creative background, this research project seeks to provide artists with an overview of some of the opportunities and pitfalls of the current recorded music industry.

Disclaimer 2: After processing the data from these interviews, my band has decided to apply for a label membership at The Music Federation. I have become partial to this business model over the course of the past few months, and we are very much looking forward to releasing music with The Music Federation.

## 1.2 Structure

- Chapter 2 serves as a theoretical and historical backdrop for record deals. This chapter will provide the theory, history and terminology necessary to understand my findings and interpretations.
- Chapter 3 is about research methods for this project, as well as some information on the interviewees.
- Chapter 4 covers both the findings and the discussion of them.
- Chapter 5 is the conclusion.
- Chapter 6 lists the references for this research project.

# 2 A theoretical and historical backdrop

## 2.1 The music industry

Whilst music can be traced back centuries, if not millennia, this research is concerned with the industrial aspects of the recorded music industry, rather than music as a creative phenomenon.

The music industry does not exist in a vacuum, it never did. Music production, distribution and consumption have always relied on the technologies available, whether this is the crafting of instruments, the printing press, the dictaphone, online music blogs or headphones. This ever-changing, infinitely diverse industry calls for a flexible definition now more than ever, and tomorrow more than now.

Patrik Wikström (2009, p.49) defines the music industry as follows: *The music industry consists of those companies concerned with developing musical content and personalities which can be communicated across multiple media.*

Wikström (p.48) points to the British government's Department of Culture Media and Sports' (DCMS, 1998) elaborate effort to define the music industry's core activities, supporting activities and related industries. Over the past few decades, we've seen



increasingly blurred lines, constantly changing patterns and tasks replaced within each sector, I think it is safe to say that the main building blocks remain more or less the same.

Wikströms table 2.1 of DCMS 1998 lists the following:

<b>Core activities</b>	<b>Supporting activities</b>	<b>Related industries</b>
<ul style="list-style-type: none"> <li>▪ Production, distribution and retailing of sound recordings</li> <li>▪ Administration of copyright in composition and recordings</li> <li>▪ Live performance (non-classical)</li> <li>▪ Management, representation and promotion</li> <li>▪ Songwriting and composition</li> </ul>	<ul style="list-style-type: none"> <li>▪ Music press</li> <li>▪ Multimedia content</li> <li>▪ Digital media</li> <li>▪ Retailing and distribution of digital music via Internet</li> <li>▪ Music for computer games</li> <li>▪ Art and creative studios</li> <li>▪ Production, distribution and retailing of printed music</li> <li>▪ Production, retailing and distribution of musical instruments</li> <li>▪ Jingle production</li> <li>▪ Photography</li> <li>▪ Education and training</li> </ul>	<ul style="list-style-type: none"> <li>▪ Internet/e-commerce</li> <li>▪ Television and radio</li> <li>▪ Film and video</li> <li>▪ Advertising</li> <li>▪ Performance arts</li> <li>▪ Interactive leisure software</li> <li>▪ Software and computer services</li> </ul>

While the DCMS 1998 list is both very comprehensive and inclusive, I'm not so sure there is a need to define core, supporting and related industries. While the research project will be mainly focused on the recorded music industry, I think it is helpful to view all of these aspects as necessary building blocks in the industry as a whole, while opening for the borders of core, supporting and related industries to be shifted or removed entirely.

## 2.2 Terminology

In order to better understand the contents of this research project, it was important to me to establish a research project specific vocabulary. For some terminology it was sufficient just to just provide definitions, for other terminology it felt more helpful to define their roles and what functions they serve.

### 2.2.1 Record

The contractual definition of *record* in virtually every record deal since the 1960s includes both audio-only *and audiovisual* devices (Passman, 2015, p. 73). He notes that the current deals define records to be *any kind of delivery of your performances for consumer use*, whether sound alone or with visuals. This includes the Internet with Spotify, Pandora, YouTube, Vevo and so on.

### 2.2.2 Master

The word master has two meanings.

1. The original recording is called a *master* (Passman, 2015. p.74). Before the recording process was digitized, the master was a high quality tape which would be copied by machines. These copies were called *slaves*. The master is the controlling entity.
2. Master can also refer to a recording of one particular song (p. 74). This is particularly true now that we rarely deal with master tapes. These days, the word master typically refers to the multitrack recording and/or the finished two-track recording.

### 2.2.3 Catalogue

Catalogue will refer to either an artist or a record labels entire owned or licensed catalogue of music.

### 2.2.4 Royalty computations

Royalty computations refer to the division of proceeds between the artist and the record label (Passman, 2015 p.76). Although there are different types of royalties for different creative and professional services that go into making a record, the basic concept is the same. It is important to note that there are exceptions with for example *free goods* and *promotion*

*copies. Free goods, promotion copies, return privileges and reserves will not be covered in this research project, given the digitized nature of the interviewed record labels. The following explanation is cited from Passman's explanation (p.77).*

1. *The artist royalty is a percentage of the **wholesale price**. The companies also call this price the **published price to dealers (PPD to its friends)**, or sometimes (mostly outside the U.S.) the **base price to dealers (BPD)**.*

*Each royalty percentage is known as a **point**, so if you have a 10% royalty, you have 10 points.*

2. *You multiply your royalty percentage times the wholesale price to find out the number of pennies you'll get. Here's an example (using easy math numbers):*

*Wholesale price: \$10*

*Royalty rate: X10%*

*Royalty: \$1*

### **2.2.5 90% of Net Sales**

In *Decoded: The History of Record Deals*, AWAL explain that in the 1950s it was common to see artists get 3-5% rates on 90% of sales. Passman explains that back when records were made of shellac, record companies developed a practice of paying the artist on 90% of the shipment, keeping the remaining 10% to cover breakage. The practice on paying on 90% of net sales apparently persisted until the late 1990s, according to Passman (p.86). On top of this record labels used to add free goods and packaging costs. Typically, an artist's royalty would be paid on around 76,5% of the shipment's retail price.

### **2.2.6 Advances and recoupment**

*The company pays a sum of money to the artist and then keeps the artist's royalties until it gets its money back. So if a company gives an artist \$10,000 to sign a record deal, it keeps the first \$10,000 of artist's royalties that would otherwise be payable. The process of keeping the money to recover an advance is called **recoupment**. (Passman, 2015, p.86).*

When an artist recoups, the artist is said to be **in the black**.

### 2.2.7 Guaranteed release

According to Passman, very few record labels build in an obligation to *record* the artist's records or make a commitment to release them (p.119). You can get a **guaranteed release clause**. The guaranteed release clause does not obligate the company to release the artist's records, but allows the artist to terminate the contract. Given that the record deal features a guaranteed release clause, there will be a timeframe of when an artist can give the first notice and when the artist can terminate the contract if the record label still does not release the album after the first notice.

### 2.2.8 Distribution

There are two main categories of distribution. Physical and digital.

Passman (p.193) explains that *physical records (CDs) are distributed by four major methods: wholesale distribution entities, one-stops, rack jobbers and licensees.*

Digital records, on the other hand, are sold electronically, mainly downloads and streaming.

### 2.2.9 The Passman Theory of Technology Cycles

The Passman Theory of Technology Cycles (p.145) explains 6 stages of new industry technologies and record deals.

1. *The record companies scramble to see what their contracts say about these devices or delivery systems. Since they didn't exist when the deal was made, the contract doesn't deal with them at all or, or if it does, it usually pays a royalty that is too high now that the fantasy is a reality.*
2. *Because the technology is so new, no one (including the record companies) really understands its economics. Also, when it's first introduced, the thing is usually expensive, because it's a small market. For example, when digital started, the companies had to take all their analog music and turn it into digital, as well as add metadata, and set up systems to keep track of the millions of digital uses, to make sure they got paid. All this while the music earned zippo.*
3. *The result is a grace period during which royalties on these newbies are not particularly favorable to the artist. This is to give the technology a chance to get off the ground, and to help the record company justify the financial risk.*

4. *Invariably, this grace period goes far beyond its economic life, during which time the companies make disproportionate profits, and the artist gets a smaller share than he or she gets on the dominant technology.*
5. *As artist deals expire or are renegotiated, the rate goes up.*
6. *Finally, an industry pattern develops and royalty rates stabilize.*

## **2.3 Defining roles**

### **2.3.1 The role of the record label**

*In short, record labels are in the business of creating and selling recordings. Record labels work directly with artists and producers to coordinate the writing and production of the recordings, and then coordinate the manufacturing, distribution, marketing, promotion of the recording to ensure it sells around the world. (New, 2016, p.30)*

It is important to note that Jamie New Johnson's expertise and material is pulled from the Canadian music industry, but one could expect to find many similarities worldwide.

#### **Departments of major labels**

- Artist & Repertoire (A&R)
- Sales
- Marketing and Promotion
- Brands
- Publicity
- Product Management
- Production
- Manufacturing
- Distribution
- Finance
- Business Affairs and Legal
- International
- Publishing

According to New (p.30), some labels still keep each of these departments fully staffed, it is very common even for major labels to downsize and combine roles within the company. For example marketing and promotion could also be put in charge of brands and or publicity. Of course, combining roles is even more common for the independent labels.

### **Departments of independent labels**

New also lists some common departments for independent labels (p.30), but note that these come in all shapes and forms. Some services may have to be outsourced, or maybe the artists or artist managers handle remaining services themselves.

- President
- Marketing & Partnerships
- Digital Marketing
- Radio Promotion
- Administration & Business Affairs

### **2.3.2 The role of A&R**

*A&R are responsible for finding new talent to sign to the label, develop the artists creative and recording abilities, and oversee the entire production process. The A&R executive that is responsible for getting your artist signed to the label is the primary contact person at the label that you will be doing business with as a manager. (New, 2016. p.31)*

A&R stands for artist and repertoire. In short, their responsibilities include scouting, nurturing and developing talent, overseeing the recording process as well as assisting with marketing and promotion of recordings. They work with artists, producers, songwriters and managers.

## 2.4 Decoded: The History of Record Deals

AWAL's blog post Decoded: *The History of Record Deals* features a comprehensive timeline of events as well as royalty rates, advances and deal traits for the different eras. It's important to note that this chapter needs to be read and understood as a series of examples, rather than an absolute truth or accurate representation of record deal history. However, cross-referencing technological innovations and contractual concepts with Patrik Wikström's history of recorded music in *The Music Industry* (2009) as well as Donald Passman's *All You Need To Know About The Music Business* - AWAL's article does seem quite thorough.

Unfortunately AWAL barely mention any artist names related to the deals they list in this article. Neither do they list what countries these record deals originated in, although I have a feeling that contracts based in the USA are heavily featured, as they have a much longer tradition for advances than the rest of the music industry. They do not list their references for this article either. Although the details of these deals are very limited and some of them appear to be of the rare cases, this article presents some interesting findings on what clauses and practices were relevant through the different eras.

Thomas Alva Edison invented the phonograph in 1877 (AWAL, 2019). It was a result of combining the ideas his previous inventions, the telegraph, and the telephone. The phonograph enabled both audio recording and playback. To no surprise this was a turning point in music history. Even though we still would not see record labels like we know them today performers were often offered a flat fee for these recordings.

The early 1900's built the foundation of the record deals as we know them. In 1904, Victor Talking-Machine Company gave us some of the earliest record deals recorded. They manufactured record players, among other things. This is very interesting, as we would later come to see other manufacturers of electronic and audio playback devices create their own record labels, some very successfully, or acquired existing record labels. Some record labels also moved into the tech industry. According to AWAL, *the deal gave one artist \$4000 per song, plus 40 cents (or 26% to 40%) per sale, and resulted in the States' first platinum seller, a 78rpm opera piece.*

In 1909, the U.S. Congress passed the Copyright Act of 1909. This ensured publishers and writers mechanical royalties for every record sold. AWAL reports that A&R scouts would meticulously comb the south's rural musical talents, offering to buy the rights to their songs for very little money.

In 1919, Enrico Caruso signed a particularly performer-friendly deal with Victor Talking-Machine Company. AWAL reports that at the time, performers were typically offered \$15,000 and no royalties, compared to Caruso's \$100,000 a year for 10 years plus royalties.

In 1931, RCA Victor made the first commercially available vinyl long-player designed for playback at 33-1/3, in an endeavour to create longer records with more music. However, they were taken off the market in 1933 by American Records Corporations' new general manager Edward Wallerstein. He explained that "Most of the records made from Victorlac, a vinyl compound, the pickups available at the time were so heavy they just cut through the material after several plays. The complaints from customers all over the U.S. were so terrific that we were forced to withdraw the LPs." (Thill, 2010)

Columbia Records had similar technical difficulties, and the record industry and the general public would not see commercially available until Columbia Records put the needle down on the first successful microgroove plastic, 12-inch 33-1/3rpm LP in 1948 (Thill, 2010). The 33-1/3rpm was able to store about 45 minutes of audio. Up until this point, singles were the dominant format, but the 33-1/3rpm LP paved the way for a whole new way of thinking about recorded music.

During the 1950s, standard deals typically granted artists 3-5% rates on 90% of sales. Stars like Frank Sinatra would be offered up to 6%. (AWAL, 2019) This may not look like a lot today, but recording, manufacturing, distributing, and marketing was costly. Record labels also had to commit to sales projections upfront, at great financial risks with underperforming releases.

In the 1960s, the album format exploded, especially within the UK rock & roll scene. Artists like The Beatles fully embraced the album format, creating comprehensive concept albums. During this time, AWAL asserts that "*Back then, royalties usually spanned 5 - 12% in the States and 8 - 15% in the UK, with advances ranging from \$5,000 to \$15,000 for new bands,*



*plus three-year, six-album terms with 1 album commitment from the label (call 'em 1+5s) with 25% of the artist's publishing income locked down.*" In other words, we started seeing the first contracts that included album cycles.

By the 1970s, royalty rates were still between 5 and 15%, however upfront advances grew. AWAL reports that rising bands would get as much as \$150,000 advances. According to their blog post the differences were still vast where *"One early hip-hop deal exchanged \$10,000, recoupable, for a single and 50% of the publishing rights, while a superstar folk artist signed a 5-year, 10-album deal with \$425,000 per project advanced, and A similar act received a \$1M guarantee per album, plus a \$2.5M advance. As these upfront payments swelled, contractual periods lengthened and few acts ended up in the black."* (See *Advances and recoupment*)

The advances rose again in the 1980s. Much like the Victor Talking-Machine Company effectively became a record label, Sony and Phillips co-created the CD in 1979, which was released in 1982. AWAL claims that many artists had contract clauses that reduced their royalties by 20% on new technologies. Apparently, royalty rates at the time hovered around 10%, whilst superstars negotiated multi-million advance guarantees and royalty rates upwards of 35%.

During the 1990s, the record industry saw a massive increase in JV and P&D deals, where royalty rates usually spanned from 10-12%. Major hip hop acts would typically see advances ranging from \$500,000 to \$4M. CDs typically retailed between \$10 and \$22.

The entire era of physical formats and royalty/advance based contracts were largely in favour of the record labels due to the extreme risks related to discovering and developing an artist as well as manufacturing, distributing and marketing records. To no surprise, the Napster incident in 1997 brought some drastic changes to music consumption and distribution and to record deals.

The public was now either downloading records illegally for free or previewing songs on the iTunes Store, picking their favourites for 99 cents. The revenue from recorded music drastically dropped, and the record labels had to find a way to survive. This birthed the 360 deal, giving record labels access to all of an artist's revenue streams. Typically, this would

grant a record label 15-30% of endorsements, 10-30% of touring, 20-50% of merchandise, 15-40% of synch and so on. AWAL adds that it is not uncommon to still see artists with little leverage sign these deals. This is particularly interesting, as AWAL

According to AWAL, the traditional record deal still exists for many superstars and artists on the rise. They note that the royalties are often 85/15 in the company's favour, few guaranteed releases and often 2-4 options for new artists against an advance paid back with the artist's future earnings and master ownership for the label. This surprised me, as there has been momentous shifts in music consumption, marketing, distribution, and creation the past 25 years.

However, with physical music sales dwindling, peer-to-peer file sharing and streaming services on the rise, changing consumer habits, many artists and record labels choose to only release digital music. Costs related to manufacturing and distribution are virtually gone for many artists. We are starting to see these changes reflected in the record deals. AWAL explains that although far from the standard of the superstar deals, we are starting to see *50/50 splits, master reversion (copyright returning to the artist after 10+ years) fewer options (2 or 3), and more loosely defined product commitments (owing 14 songs in a term, versus a 14-song album).*

## **2.5 Master licensing deal**

Master licenses do not deal with the recording process, only with the end recording itself. *They are the means by which the owner of a master recording can formally permit or license others to use that master and to commercially exploit the copyright in it, without the owner relinquishing copyright ownership.* (Simpson & Munro, 2014, p.414).

Master licenses can be exclusive or non-exclusive. Exclusive licenses means that the licensee has exclusive rights to exploit the licensor's product, whilst a non-exclusive license allows any number of non-exclusive licensees the right to commercial exploitation.

Master licenses allow the licensee the right to make copies of the master and sell copies to the public in the territory and period of time agreed upon in the deal (2014, p.416).

## 2.6 The 360 deal

According to the International Federation of the Phonographic Industry's report *The Recording Industry in numbers* (IFPI, 2011), recorded music sales fell by approximately 40% between 2000-2011. Being in the business of selling recorded music, record labels were hit hard. Not only did internet technology bring changes to music production, sales and consumption, but also opened up for advanced branding and marketing techniques (Marshall, 2012, p. 78).

### 2.6.1 Pre-360

In attempts to adapt to these changes, EMI Records started charting this new industrial landscape and signed a historically significant record deal with Robbie Williams in 2002 (Marshall, 2012, p.78). Although this was not an actual 360 deal, it is quite evident that it was the precursor to them. Marshall explains that the deal was actually two separate deals, where one was more or less a standard recording contract, and one that wasn't. The first deal included a superstar friendly royalty rate and a £25M to £30M advance for two albums. The second deal included a £25M to £30M advance for four more albums, but unlike a traditional recording contract, EMI would receive a percentage of Williams' activities outside of record sales as well. This included *TV specials, merchandising, publishing, touring, sponsorship and 'other areas'* (2012, p. 78).

EMI were quick to realize they could monetize other artist revenue streams than just record sales. In 2005, they signed a deal with Korn that looks very much like a 360 deal (2012, p.79). For a two-album and touring cycle period, Korn received a \$25M advance. In return, EMI received 30% of Korn's income until 2010.

However, as record labels moved into all these other industry activities, other parts of the industry moved into recorded music. Korn signed a \$3M deal in 2006 with the world's biggest live promoter, Live Nation, in exchange for a 6% share of income from touring, licensing, publishing, merchandising and record sales (Marshall, p.79). Marshall explains that Live Nation started Artist Nation in 2007, which consists of five major divisions: *recorded music; merchandising; fan sites and ticketing; broadcast rights and digital rights management; and sponsorship and marketing* (Marshall, p. 80). However, Artist Nation lacks

the infrastructure of a major label, and continue licensing records to major labels for distribution. Madonna was signed to Live Nation in 2007, Nickelback, Shakira, Jay-Z and U2 in 2008.

### **2.6.2 Major reactions**

While Live Nation establishing itself as sort of a new major label and EMI experimented with 360 deals, the other majors were slow to respond. Major labels argued that the decline of record sales was primarily caused by internet piracy and that it could be rectified by improved intellectual property enforcement (Marshall, 2012, p.82).

By the end of 2007, Warner Music had a policy of only signing new artists to 360 deals. Following this, Warner Music and the other majors all started internal reorganising and acquiring companies with the required competences to take care of 360 deals.

Marshall (p.83) notes that at least on the surface, major labels largely rethought their mission statements. In 2010, Roger Faxon, the newly appointed head of EMI, sent a memo to staff where he outlined the way forward for EMI. He stated that the company would have a 'more diversified revenue base'. The goal was to transform EMI into an '*artist-focused global rights management business*', to become a '*wholly different music company*'. Marshall argues that *the record industry already no longer exists; in its place stands the global music entertainment partner industry.*

### **2.6.3 How do 360 deals work?**

Before we continue onto the details of the 360 deal, Marshall (p.84) provides an important disclaimer: the superstar deals of his article are *irrelevant to any discussions of the conventions of the recording industry*. These superstar deals look more like profit-sharing deals (which are much more artist friendly) rather than royalty-based deals. Unfortunately, these deals belong to artists with proper leverage. Donald Passman shares his firsthand experiences and advice on which terms to negotiate. It is also important to note that these are the observations of one individual and their lived and perceived experience.

Due to confidentiality clauses and antitrust laws, record labels don't seem to have established a shared standard of what 360 deals look like. This causes them to vary quite a bit. However, Passman (2015, p.102) explains that the name 360 comes from the 360 degrees in a circle. Record labels want a to share in the total pie of an artist's income. In these deals, artists share not only their income from recorded music, but also from their other income streams. That includes for example *touring, songwriting, merchandising, fan clubs, sponsorship money and/or motion picture acting*. Passman mentions that with enough bargaining power, artists can get for example 180 or 270 deals instead, where some non-recording revenues are excluded from the contract. However, the recording part of the contract is pretty much like a standalone record deal.

When it comes to non-recording parts, he notes that most record labels get from 10% to 35% of the artist's net income from non-record sources. The majority of deals give labels 15% to 30%. This depends heavily on artist bargaining power and from company to company. Some companies also vary percentages by category, for example 20% for publishing, but 30% on merchandising.

Negotiating net income can be a very complex matter. An artist would want to deduct as much as possible before paying the record label. However, labels want to limit how much an artist can deduct from their own income. Usually, this deduction cap means a limitation on total commissions the artist can pay their representatives (manager, agent, lawyer, and business manager). This limit is usually around 30%-35% of gross earnings. Without stating which, Passman implies that at least one company tries to cap commissions at 35% of *net* (p.104). A label might also ask for a minimum on touring income (30% of net income from touring, but not less than 10% of gross). Occasionally, the artist is only allowed to deduct certain expenses. This is called "adjusted gross" tour income (p. 105).

Some 360 deals will exclude an amount earned in each contract period across all areas (p. 105). Passman notes that depending on bargaining power, an artist might be able to add a clause in the contract that says that the record label *will not get a percentage of the first \$100,000 in a contract period, just a 360 percentage after that*.

360 Record deals distinguish between **passive interest** and **active interest** (p.105). Passive interest means that the record label has no say in for example which publishers or merchandisers an artist might do a deal with, they just get a share from the income. Active interest means that the record label does have a say in which deals are made. Passman provides an example where the record label might insist that the artist signs with a publishing or merchandising company they own (or more commonly, the record label and the publishing company are both owned by the same parent company). When negotiating passive/active rights, Passman stresses the importance not giving the record label passive interest in earnings under the active deals. In his example, the label has a 25% passive right to the artist's non-record income, and the artist signs to their affiliated publishing company. The artist should be allowed to keep all of the songwriting money, rather than giving away 25% of the income to the record label who have probably already benefited from the artist signing on to the affiliated company. If this is not possible, the artist should at least try and reduce the record label's active earnings from the affiliated companies. Exemplifying this, a possible contract clause is that the record label makes 25% on merchandising deals with a third party, but only 10% of earnings from a merchandising deal with their affiliated company. Most 360 deals are a mix of both active and passive rights (Marshall, 2012, p.85).

However, Passman recommends negotiating for a right of **first negotiation** and a **matching right**, rather than active interest. First negotiation means that an artist might be obligated to consider a deal with one of the record label's suggested companies before seeking out another company. The matching right means that the record label's suggestions must be allowed to match any deal the artist is considering with other companies.

It is also important to note that these revenue streams can either be or not be cross-collateralised. Marshall explains that in a conventional recording contract, the artist must recoup their advance from their subsequent income, meaning record royalties. In a 360 deal, the degree of cross-collateralisation is negotiable, and one could potentially repay the advance from for example merchandise sales and/or other revenue streams.

## 2.7 The Network Studio

The home studio constantly increases in availability, as prices decrease and the quality increases. Many personal computers and even some mobile devices are sold with a basic software package for audio recording and mixing already installed. Connected to the Internet, any artist can access online music distribution platforms. Spilker (2012, p. 775) uses the term *network studio* to refer to the augmented home studios with the possibilities of *autonomous production and distribution practices*.

Spilker suggests that the network studio has the potential to render the whole system of production obsolete, as anyone with a home studio now can sidestep *producers, record companies and the established patterns of promotion and retailing* (p. 778). On the other hand, it allows for new connections between production and consumptions. Kusek and Leonard note that some artists still make their recordings in professional recording facilities, however, claiming that “more often than not at the request of the record label that is backing them” (2006, p.144).

Patrik Wikström asserts that “*most of the tools required to produce a professional recording are software-based and can fit into ordinary laptop computers. As a consequence, most artists and musicians can afford to create their own complete and professional recording studio in their living room.*” (Wikström, 2009, p.122). Although this might be true in some cases, Spilker’s interviewees question both the professionalism of the home-studios and the production practices in them.

When asked to compare the relative merits of the home-based network studio and professional recording studios, the general opinion was that professional recording facilities both had better equipment, soundproofing and even competence. Spilker reports that those who had released their own albums had all chosen to do the final mixing and mastering in professional studios (2012, p.785). Spilker explains that the interviewees tend to regard music from the home studios simply as “demo music”, even though the home-based studio allows artists to record good music demos without professional recording facilities and for the artists to show the music to *musicians, fans, radio stations, record companies, music reviewers and organisers of live events*.

Spilker notes that 20 out of 22 of his interviewees used the Internet to present the music from their home-based studios, through websites like MySpace, YouTube, Facebook and the Norwegian site Urørt p.783). Several of these websites allow artists to communicate and interact directly with their fans. In addition to these websites, we have also seen music aggregators, online services that allow artists to upload their music to music streaming platforms.

However, the general notion was that the music the artists themselves uploaded to these social websites were *demos, sketches and "situation reports."* (p.785). They functioned as teasers for what would soon be distributed through other channels.

His interviews also reveal that the professional studio is regarded as a networking arena and an entrance point to the industry, as well as "*a symbolic hallmark signalling the seriousness of the artist*" (p.786). This raises the question of to whom this symbolic hallmark would be significant. I think it is safe to assume that the interviewees saw the professional recording studio as a stepping stone in their career, and that the professional recording studio's reputation or employees would be of significance to a record label. If artists indeed seek out professional studios because they seem to be of significance to the record label, one would have to entertain the possibility that even though technology has brought music distribution to these artists' doorstep, artists still seek out professional record labels.

Spilker's findings are quite remarkable. The network studio, increasingly available to the general public and ever improving, has not driven artists away from the professional studios. Instead, the network studio has given more artists the chance to record in professional studios, as they have come more prepared and in turn spend less time in the actual studios, thus spending less money. One could argue that rather than blurring the lines and breaking the boundaries of the production and distribution practices, the network studio has in fact helped reestablish them.



# 3 Methodology

## 3.1 Why interviews?

I chose the qualitative research interview for my method of research. This seemed like a logical choice, considering my interest in the industry professionals' opinions on current record industry operations and artist know-how. I hoped that shedding some light on how the recorded music industry relates to artists, it would be easier for artists to figure out how they should approach the industry in a way that made sense to them.

*The qualitative research interview attempts to understand the world from the subjects' point of view, to unfold the meaning of their experiences, to uncover their lived world prior to scientific explanations. (Kvale & Brinkmann, 2009, p. 1)*

The interview researcher seeks to obtain thoroughly tested knowledge, through attentive listening and questioning (Kvale & Brinkmann, 2009, p.3). The interview researcher introduces the topic and critically follows up on the subject's answers to their questions. The interviews in this project will be conducted as semi-structured life world interviews. They define it as follows:

*An interview with the purpose of obtaining descriptions of the life world of the interviewee in order to interpret meaning of the described phenomena. (Kvale & Brinkmann, 2009, p. 3)*

## 3.2 Seven Research Stages

In *Interviews* (2009), Kvale & Brinkmann present the Seven Stages of an Interview Inquiry (p. 102).

1. *Thematizing. Formulate the purpose of an investigation and the conception of the theme to be investigated before the interviews start. The why and the what of the investigation should be clarified before the question of how - method - is posed.*
2. *Designing. Plan the design of the study, taking into consideration all seven stages of the investigation, before interviewing. Designing the study is undertaken with regards*

*to obtaining the intended knowledge and taking into account the moral implications of the study.*

3. *Interviewing. Conduct the interviews based on an interview guide with a reflective approach to the knowledge sought and the interpersonal relation of the interview situation.*
4. *Transcribing. Prepare the interview material for analysis, which generally includes a transcription from oral speech to written text.*
5. *Analyzing. Decide, on the basis of the purpose and topic of the investigation and of the nature of the interview material, which modes of analysis are appropriate for the interviews.*
6. *Verifying. Ascertain the validity, reliability, and generalisability of the interview findings. Reliability refers to how consistent the results are, and validity means whether an interview study investigates what is intended to be investigated.*
7. *Reporting. Communicate the findings of the study and the methods applied in a form that lives up to scientific criteria, takes the ethical aspects of the investigation into consideration, and results in a readable product.*

### 3.3 The qualitative research interview

Kvale & Brinkmann (2009, p. 28, Box 2.2) list twelve aspects of qualitative research interviews.

*Life world.* The topic of qualitative interviews is the everyday lived world of the interviewee and his or her relation to it.

*Meaning.* The interview seeks to interpret the meaning of central themes in the life world of the subject. The interviewer registers and interprets the meaning of what is said as well as how it is said.

*Qualitative.* The interview seeks qualitative knowledge expressed in normal language, it does not aim at quantification.

*Descriptive.* The interview attempts to obtain open nuanced descriptions of different aspects of the subjects' life worlds.

*Specificity.* Descriptions of specific situations and action sequences are elicited, not general opinions.

*Deliberate Naiveté.* The interviewer exhibits openness to new and unexpected phenomena, rather than having readymade categories and schemes of interpretation.

*Focused.* The interview is focused on particular themes; it is neither strictly structured with standardized questions, nor entirely "nondirective".

*Ambiguity.* Interviewee statements can sometimes be ambiguous, reflecting contradictions in the world the subject lives in.

*Change.* The process of being interviewed may produce new insights and awareness, and the subject may in the course of the interview come to change his or her descriptions and meanings about a theme.

*Sensitivity.* Different interviewers can produce different statements on the same themes, depending on their sensitivity to and knowledge of the interview topic.

*Interpersonal Situation.* The knowledge obtained is produced through interpersonal interaction in the interview.

*Positive Experience.* A well carried out research interview can be a rare and enriching experience for the interviewee, who may obtain new insights into his or her life situation.

With regards to the interviewees' *life world*, this research seeks to shed light on where record labels think they overlap or intersect with artist and how their work relates to them.

With regards to *specificity*, I wanted to uncover current industry trends. Some of the things I wanted to know are highly elusive topics, and some are the technicalities of record deals. These interviews gave me a privileged access to current industry practices as well as their perception of artists' industry competences.

### 3.4 Quality control

In *Interviews* (2009, p.164), Kvale & Brinkmann state the following:

*The quality of the original interviews is decisive for the quality of the subsequent analysis, verification and reporting of the interview findings.*

Box 9.1 (p.164) lists six quality criteria for the interview:

1. *The extent of spontaneous, rich, specific, and relevant answers from the interviewee*
2. *The extent of short interviewer questions and longer interviewee answers*
3. *The degree to which the interviewer follows up and clarifies the meanings of the relevant aspects of the answers*
4. *To a large extent, the interview being interpreted throughout the interview*
5. *The interviewer attempting to verify his or her interpretations of the subject's answers over the course of the interview*
6. *The interview being "self-reported", a self-reliant story that hardly requires additional explanations*

### 3.5 Ethical concerns

*Ethical problems in interview research arise particularly because of the complexities of "researching private lives and placing accounts in the public arena"* (Birch et al. 2002, p. 1)

Exploring the subjects' life world, ethical problems is a feature of the qualitative research interview, not a flaw.

Kvale & Brinkmann present some inherent ethical issues within the Seven Research Stages. Not only are these issues to be aware of, but I also found their list was rather helpful in designing my interview and research project.

*Thematizing.* The purpose of an interview study should, beyond the scientific value of the knowledge sought, also be considered with regard to improvement of the human situation investigated.

*Designing.* Ethical issues of design involve obtaining the subjects' informed consent to participate in the study, securing confidentiality, and considering the possible consequences of the study for the subjects.

*Interview Situation.* The personal consequences of the interview interaction for the subjects need to be taken into account, such as stress during the interview and changes in self-understanding.

*Transcription.* The confidentiality of the interviewees needs to be protected and there is also the question of whether a transcribed text is loyal to the interviewee's oral statements.

*Analysis.* Ethical issues in analysis involve the question of how penetratingly the interviews can be analyzed and of whether the subjects should have a say in how their statements are interpreted.

*Verification.* It is the researcher's ethical responsibility to report knowledge that is as secured and verified as possible. This involves the issue of how critically an interviewee may be questioned.

*Reporting.* There is again the issue of confidentiality when reporting private interviews in public, and of the consequences of the published report for the interviewees and for the groups they belong to. (Kvale & Brinkmann, 2009, p. 63)

As for analysis and reporting, I found that the rhetorical differences between the interviewees were quite striking. For this reason, I ended up leaving a lot of excerpts from the interview transcriptions in chapter 4.

Because aspiring artists are the target audience for this research project, I unfortunately felt like I had to question the interviewees rather critically and sometimes harshly. While artists and labels are co-dependent, they are on opposing sides of negotiations.

## **3.6 The Interviews**

For this research I have chosen a semi-structured interview form. I have conducted two in-depth interviews with industry professionals. One interview is with a traditional record label, and the other with a not so traditional company, and not necessarily even a label, but one that still provides label services. Both interviewees have something to do with signing new talent to their companies, whether being an actual A&R representative or not, and both interviewees are concerned with releasing music. I have followed up the interviewees by email, to further explain certain examples or business models.

Admittedly, the interview with Achal Dhillon ended up being twice as long, and the data procured from the interview resulted in a case study on their label memberships.

### **3.6.1 Anonymity**

The ethical concern I dwelled the most upon for this research project was anonymity. In my experience, the media tends to portray record labels as either the unsung heroes of the music industries or the big, bad corporate wolf. In this research project I wanted to interview record label representatives, for the sake of enlightening aspiring artists. This presented the research project with a few opportunities, as well as challenges.

Obviously, the names of the interviewees and their respective companies would be greatly beneficial to determining their clout and position them and their approaches in the field of current record labels.

At the same time, lack of anonymity could potentially compromise interviewee statements by interviewees not wanting to sacrifice the discretion towards clients, record label managers' concern for press, or even competition between the different record labels.

I ended up letting the interviewees decide anonymity for themselves.

### 3.6.2 Interviewees

The first interviewee chose to be anonymous. They work with A&R for the Norwegian branch of an international major record label. They started working for this major label in 2018 as an A&R coordinator and has since been promoted to A&R manager.

The second interviewee is Achal Dhillon, founder, managing director and head of A&R and artist development at former Killing Moon (his recently disbanded independent record label), and current founder and CEO of The Music Federation. He chose not to be anonymous.

The Music Federation refer to themselves not as a label, but as a service-based distributor. In the interview Dhillon says that

*The Music Federation is currently a composite of some 60 members. Some are traditional record labels, some are live partners, some are managers, some are artists. We're all linked through a streaming element. Streaming in the context of both audio and visual. Through this Federation I payload my members with a lot of different services. These are broadly defined in two categories: Label services and non-label services. We are a functioning record label ourselves, The Music Federation. However, the decision has been taken to not run a frontline record label myself because of conflicts of interest with my members. I work with many, many different record labels. Some very small, some are based on just one artist business, some are based on releasing 5 different artists per week.*

*What The Music Federation does it that it recognizes that diversity which is ever-present within the recorded music space and it's not one straight forward way of releasing. Our business is more service based than it is financial, although we do have an advance granting facility that our members can use to actually issue financial offers to artists without running it by me. So, I'm trying to grant financial autonomy to my members, because in the nicest possible way: I don't want to sit there and be lobbied for money every five seconds. That is not great use of my time, it is a tool to work out whether it's actually worth any money to us.*

While conducting the interviews I realized I had to let the conversations dictate the questions, and not the other way around. Some of my findings I would not be able to predict, but they were well worth a follow-up. Thus, the following interview guide was important in order to ensure I got the data I needed without necessarily deciding the interview's direction.

### 3.7 Interview guide

<b>Personal and professional background</b>
<ol style="list-style-type: none"><li>1. What kind of record label do you work for?</li><li>2. What is your current position in the record label?</li><li>3. What types of work does your position include?<ol style="list-style-type: none"><li>4. What is your musical background?</li><li>5. What is your business background?</li></ol></li></ol>
<b>Expectations</b>
<ol style="list-style-type: none"><li>1. When do artists need you?</li><li>2. What do unsigned artists look for from your record label?</li><li>3. Do you experience that artists expect services you do not offer?</li><li>4. If yes: Do record labels have anything to gain from artists chasing after them with these unrealistic expectations?</li></ol>
<b>Reality</b>
<ol style="list-style-type: none"><li>1. How do you prefer to pick new artists?</li><li>2. How often do you take on new artists?</li><li>3. What do you look for in an artist?</li><li>4. What do you look for in a good pitch?</li><li>5. What kind of record deals do you offer?</li><li>6. Have the record deals you offer changed noticeably over the course of your career?</li><li>7. What do you expect from the artists you're working with?</li><li>8. What does it take for you to sign an artist?</li><li>9. What does it take for you to terminate a relationship with an artist?</li><li>10. What can you actually promise the artists you work with?</li><li>11. Is it a goal for you that your artists can make a living off of their music?</li></ol>



## 4. Findings and discussion

### 4.1 Artist expectations and industry realities

Going back to Spilker's Network Studio and how artists still seek industry professionals even though they work to acquire and take on skillsets that traditionally belong to industry professionals, I was curious to see why that is. Presumably, this boils down to either what artists expect a record label to do for them or what reputation record labels have among the general public and indeed industry. I had a feeling that many artists were either romanticizing the record deal unjustified, or not giving the record labels enough credit. Maybe they were confused as to which services they actually provide?

With my own band, we always tailored our pitches to specific companies and what information we thought they would like to know about us. Tailoring these pitches comes down to doing some research on who these companies are, what kind of artists they are into and which artists you would be up against or working with within that same label, which services these companies provide, what you have to offer them and projecting what it is like working with you.

In my interview with the major label interviewee, I wanted to investigate who approached record labels as well as how they approached record labels.

**Philip van Eck:** *What does a typical artist inquiry look like?*

**Major label interviewee:** *We sign everything from kids fresh out of Soundcloud with no industry background, as well as big, established artists who may already have a global fanbase. We also sign those in the middle who have managed to build themselves up a bit, but might need a bigger label and team to help them break into the next stage of development.*

The major record label seemingly signs artists at all career stages. Not surprisingly, seasoned artists with global fanbases and presumed industry experience sign with major labels. Even though Marshall argues that superstar deals are *irrelevant to any discussions of the*

*conventions of the recording industry* (p.84), they are relevant to discussions of managing the expectations of unsigned, aspiring artists.

**Philip van Eck:** *Do you experience that these unsigned artists come to you with expectations for the deal? Maybe even already in their pitch?*

**Major label interviewee:** *I think we get about 50 inquiries every week from artists looking to get a record deal. They don't have many expectations with regards to what they want from the label. It's a bit more like 'Here I am. I made this. Please, sign me.'. It seems like they are hopeful, wanting to be discovered rather than filled with expectation. It's possible that they don't know what it involves or what a record label actually does. Especially new artists without any background or familiarity with the music industry, but love to make music and want to become artists. Sometimes I get the sense that they think 'If I get signed to a major label, I'm all set. Then I'll have people around me who will make me a star'. Although that's a bit exaggerated.*

A possible extrapolation is that the unsigned, aspiring artists look to their superstar idols (or the seasoned artists from the previous example), seeing the superstars being signed to the major label and thinking that they themselves can expect the same level of stardom, without necessarily knowing what it takes or how to work with a label. It looks like some aspiring artists approach the major label with expectations of success, without any expectations of how said success is achieved.

One could argue that the volume of artist inquiries and their expectations related to labels major making them a star suggests that artists seek out industry professionals as both quality service providers and symbolic hallmarks. It would be interesting to know how many of these inquiries had already been recorded in professional studios before they ended up in A&R inboxes.

Even though most artists come to them with little to no expectations, the major label interviewee experiences that *most artists read their contracts thoroughly* and that *bigger artists usually go a few rounds with the contracts before settling on the terms*. Is it possible that artists want to be more involved with their own industry? The interviewee stresses that they never try and entice artists into bad deals, blaming American pop-culture for the poor reputation of major record labels.

**Philip van Eck:** *Do you also get contract inquiries from artists that seemingly hostile?*

**Major label interviewee:** *We do get the occasional meeting with artists who are very sceptical towards major labels, but I think most realize we just want to help their career.*

This is very interesting to me. Why would artists who are hostile towards major labels even approach them for an offer? Maybe the reach of their creative endeavours actually outweighs the financial payoff? Are they sceptical because of their own industry know-how or lack thereof?

**Philip van Eck:** *How do you prefer to discover new artists?*

**Major label interviewee:** *I don't really have any strong preferences. It's always cool when the music in my inbox is awesome. Or if I go and see a concert or get tipped off by a friend. However, as long as it's cool.*

New (p.30) has similar findings in her interviews with major and independent label A&Rs. Although there are regional differences in number of inquires and industry practices, she notes that her interviewees discover artists by

- *Mostly word of mouth and referrals from current industry professionals such as other managers, agents, producers, lawyers, etc.*
- *Email with a link to a video singing a cover song. This is extremely rare.*
- *Finding them online after their videos went viral.*
- *Finding them on Spotify.*
- *Through a contest, a club, a blog, a social media search.*

Particularly interesting is that both the major label interviewee and New's interviewees reveal that they are often tipped off by a friend or industry professional. This possibly validates Spilker's theory on working with industry professionals as symbolic hallmarks and networking as an important artist skill.

The major label interviewee further notes that a lot of the artist pitches they get represent these vague artist expectations. However, the major label interviewee seems to value industrial background and know-how in artist pitches.

**Philip van Eck:** *What do you look for in a good pitch? Is there a point in pitching at all?*

**Major label interviewee:** *There's absolutely a point in pitching. A lot of the pitches I get are sent late at night, written in a hurry and seem a bit panicky. I get a lot of weird pitches, but a good pitch: Artists who have thought through who they want to be as an artist, make good songs that convey what they want to convey and suit them as an artist. They send links that work. I also appreciate if they have thought about their visual direction, how things should look and so on.*

It is obvious that the major label interviewee is concerned with authenticity as an artist, but it also appears as though they appreciate when artists already have started developing and working on A&R related tasks like industry positioning, visual direction, authenticity, curating songs and so on.

**Major label interviewee:** *Another important factor that most artists don't include in a pitch is who they want to be as an artist, where they belong in Norway's music scene and which place they want to claim. I always appreciate when someone has put together a few pictures and generally anything that tells us something about what the project can be and how they want to achieve that. You don't need a full A4 page, but maybe a few paragraphs that are to the point. The idea with a pitch is to get people interested. Don't go off on tangents, stick to the point and show what you've got going on. Maybe you're playing some shows or whatever. You have to be able to sell your concept and persuade someone.*

If the major label A&Rs sees 50 of these inquiries every week and a lot of these are from artists with no previous industrial background or know-how, it is quite evident that many artists approach record labels without exactly knowing why or how. This reveals a tentative knowledge gap between artists and industry. Are record labels doing anything to close this gap? Is it their responsibility?

While mentioning that degrees of expectations vary from artist to artist, it seems as though The Music Federation has a somewhat similar experience with vague artist expectations. However, they are very concerned with managing said expectations early on. Also worth noting is that considering that they are both a brand new company and a composite of some 60 music companies, one would assume that that on top of Dhillon's following statement, the artists largely approach The Music Federation's label members with expectations of their own.

**Achal Dhillon:** *They expect me to make them cool, popular, and rich. Without even kidding, that is the starting point of most our artists. Otherwise, why the hell would you do it? If I knew back then what I know now, would I be so keen to pursue this career? Maybe. More often than not though, I feel those are the first three tenets and I think it is important to be honest about those values. It's important to be up front as to the reasons why you do just about anything in this life.*

*Now, what are the expectations? As we form a relationship, they start to realize I'm not that rich. I don't know how they got that into their heads in the first place, but I am bloody keen. What I find is as we go along the way with our artist base is that they just want to know the truth. They want to know the non-bullshit version about what's actually going to happen to them. I often end up making this one promise to them, and sometimes they walk as a result of what I'm about to say: I can't ever promise the people that I work with that I can tell them what they want to hear. Life is not like that, life is full of surprises. But I can promise you that we'll always tell these artists, these labels, these creatives - we'll always tell them what they need to know. Including when shit is about to get real and they really need to think about scaling down or coming to the really, really uncomfortable decisions.*

It is evident that The Music Federation is very concerned with managing expectations. Expanding further on artist's financial expectations, one can clearly see why managing expectations is so important.

**Achal Dhillon:** *Most artists think in financial terms, to no surprise. That's what they have been bombarded with when you watch biopics on Netflix and what not. Largely they all follow the same story. Somebody is born in their own shit, some sort of childhood trauma takes place and then work out they are amazing on an instrument.*

*Some recording studio person says 'Aha! I can make money out of you! I will let you record for free, but I will own it'. That was the birthing of indie labels.*

Dhillon mentions biopics as a possible origin of artist expectations. This loops back around to the superstars, as well as an artist centred, highly subjective and possibly fictional view of record labels and record deals. From watching biopics myself, I find that they typically don't offer much insight into record labels or record deals anyway, but rather portray them as an important part of developing an artist. If Dhillon's assertion is true, one could argue that aspiring artists pursue record deals that are both inappropriate for their current stage in their career and possibly even entirely fictional.

He also notes that *where we are getting to now: If artists think so overtly in financial terms, they're going to find this whole thing very disappointing. They're going to find that a lot of doors shut in their face, and they're not necessarily what I would deem the full extrapolation of a creative career.*

Dhillon brings up empirical numbers from streaming. I would argue that the real time statistics and transparency that is available to the artists, labels and public in DSPs is both creating and managing expectations related to sales performance. I would also like to note that many of the biopic superstars are still active in the music scene today. One can imagine aspiring artists getting signed to superstar labels expecting the same empirical numbers as their superstar idols.

**Achal Dhillon:** *Nevertheless, I understand why they think in financial terms. They understand this very basic concept of copyright and rights money. They're all inherently speculating on how much those rights are worth at different points of their career. The reason why there is so much new money flowing through the music sector is because we've actually attached empirical numbers to that called streaming. So we ascribed a certain financial value to certain things. It sucks for some people, but it's great for others.*

Finishing off his previous statement on artist expectations, Dhillon says *"right now, the way artists think, I have to say is fairly similar to what I think. That's because we talk and I entertain the possibility that I might be wrong about everything. The only way I'm going to learn is by my community informing me about what I should be doing for it."*

The way I see it, this is the very heart of The Music Federation's scalable business model. The Music Federation lets the artists (and other members) decide for themselves how involved they want to be with their own industry. Members get to do all the tasks they know how to handle, and The Music Federation or their other members will handle the rest. Not only does the transparency of the company help artists and members to manage their expectations, but it also helps The Music Federation manage their own expectations towards the artists.

Dhillon also brings up that his community is informing him what he should be doing for it. Rather than offering a fixed set of services, The Music Federation presents their label members with a list of royalty rates based on which services the label wants from them.

Similar to The Music Federation, the major label interviewee doesn't want to make any promises they can't keep and they too spend a lot of time on expectation management.

**Philip van Eck:** *What can you actually promise an artist you are working with? Do you experience that there is a mismatch between artist expectations and the services you offer?*

**Major label interviewee:** *We can't promise an artist that they will get onto this TV-show or that Spotify-playlist. All these things are beyond our control and in the hands of editors we have no control over. What we can promise is that we will have a team working every day for you to achieve your goals. We and the artists are working towards the same goals and we spend a lot of time on expectation management. I think it's important to be on the same side before starting to work together. This way we make sure there are no unpleasant surprises along the way.*

Even though both companies work to mitigate expectation mismatches and seek some degree of transparency, the key difference is that The Music Federation is actively encouraging industry participation. As we can see from the interviews, artists themselves may not know exactly why or when they need a record label. The major label interviewee highlights some specifics on when a record label may be necessary.

**Philip van Eck:** *You mention that many don't always know exactly why they need a record label or why they pursue a record deal. When does an artist need you?*

**Major label interviewee:** *Sometimes an artist has managed to build a small fanbase. The more an artist has got going for them, the more work it becomes. If an artist is about to do everything themselves, be their own press contact, their own business manager, do advertising and so on... The more one wants to grow, the more work it becomes. I think one reaches a point, which comes at different stages for different artists, but there comes a point where you actually need more muscles to keep growing. Maybe you need a team who can really take the visual profile seriously and expand upon that, maybe you need a press contact. The music may need to be taken to the next level. I think that it is when you reach a point where you feel like there is a lot of potential you need help to harvest. That's what I usually see. Other times we get these undeniable talents that we see will become great with guidance over time. We are capable of entering at any point of an artist's career, and our strategies vary accordingly.*

While it's important to remember that the interviewee's examples are in fact just examples, it's interesting how all the examples represent the traditional record label, without 360 competences. As we'll discuss further in chapter 5.3, this major label mainly offers 360 deals. One would think that the communicated core competences would be adjusted accordingly. Is it possible that Marshall's *global music entertainment partner* (p.83) is struggling to get a foothold even within traditional record labels? Is it possible that their self-perceived value is still the record label as we know it from history? One has to keep in mind that the interviewee's core functions at the label is still rooted in the old recorded music industry and that their perception may or may not be subject to this lens.

**Philip van Eck:** *What does it take for a deal to be terminated?*

**Major label interviewee:** *In the end, all our artists work with a team. With people in our company. Sometimes it's better for an artist to work with someone else or a team that suits them better. In this case we sit down and talk it over. Maybe we don't reach the goals we hoped for, and that's an honest matter.*



## 4.2 A&R

If an artist is going to tailor the pitch to the company, it makes sense to know who you are pitching to and what their job actually is. The A&R being the artist's contact at the label, I wanted to hear straight from them what their job is like and what they bring to the table.

With artist expectations covered, what can artists expect from a modern-day A&R?

**Philip van Eck:** What kind of work does your position involve?

**Major label interviewee:** *Part of what I do is finding new artists. I keep an eye out online, talk with other people, and go to concerts to discover new talents. The biggest part of my work is following up on artists on our roster. I have about 8 artists that I work with. Some I check up on daily, some weekly, some even less, depending on what they are doing at the time. I help coordinate studio sessions if needed, and I have a good overview of which producers are cool to work with within each genre. I also speak with songwriters and publishers, so it's important to keep an overview on who are good at what. Then I book the studio sessions, find a time for them to meet up, find a studio they can work in, and sometimes I brief the producer first to let them know what the artist is looking for.*

Going back to Spilker, a possible extrapolation of the major label interviewee's statement is that while artists use professional recording facilities to access industry professionals, chances are that they might have to go back to the studio after signing. It seems as though the A&R is very keen to be a part of the recording process. This, of course, must differ on a case by case level, but one can't help but question the relevance of utilizing professional recording facilities as a gateway to the industry.

**Major label interviewee:** *After some time in the studio, I get demos to listen to and I give with them some feedback. I don't like to tell the artist what to do, what to make or how to sound, but we have a dialogue on what is cool and what is bad, what can be improved upon and so on. If no input is needed and I notice that they are vibing, I'd rather not get involved, as creative processes can be a bit fragile. Some artists are very self-propelled and deliver more or less finished products and see what needs to be done themselves, while others require more follow-ups in order to steer them in the*

*right direction. Our common goal is always to get the end-product as good as possible.*

While Passman notes that *very few record labels build in an obligation to record the artist's records or make a commitment to release them* (p.119) and the media feeds us stories of record labels robbing artists of their creative autonomy, it appears as though even the major label interviewee prefers to leave the creative process to their artists and producers. However, it is important to note that any given creative autonomy is not the same as a guaranteed release. While the interviewee mentions that the common goal is to get the end-product as good as possible, it might mean a different thing to the record label than it does to the artist. Some written songs may not even reach the studio before scrapped by the label.

**Major label interviewee:** *After finishing the production and the song is finished, I take it to mix engineers and mastering engineers. I've built myself a good network of those. I work on finding the right person for the right song, and after the mix sounds perfect, we progress to mastering.*

*I'm also involved in the introductory creative processes about the visual aspect of the release, as well as the storytelling aspect of the release. This is coordinated with my coworkers, who then execute. Negotiating contracts is also a part of my job, whether this is between artists and the label or between producers and the label. There's also some administration to do with making payments and making sure everyone is happy.*

It is obvious that traditional A&R functions are still core competences of the record label, even if an artist has for example already recorded their music in a professional studio or done a lot of the visual branding prior to signing.

Mentioning that he recently disbanded Killing Moon as a record label, Dhillon notes that they still have direct artist memberships. They call this Killing Moon Academy, which is now The Music Federation's actual functioning record label. While Killing Moon Academy is developing artists and releasing music, Dhillon notes that they also have *X amounts of labels who are all developing themselves.*

**Achal Dhillon:** *The artist wants quality A&R and development services, which we can obviously provide. The label wants access to a set of quality artists that they know are going to go somewhere. So what am I doing? 'Labels: Meet artists!' And guess what? We're all linked through a distribution element. So I can get my A&R kicks, and I will never be credited for it, and I don't want the credit for it. I just want to make sure that the artist is match fit, that they are ready for what is coming or not and that the label knows what they are doing as well. It's kind of playing for both sides, but that's because Killing Moon and The Music Federation sits directly in between most sectors concerned with music.*

Where the major record label makes the right connections between artist and producer, The Music Federation seeks to fit their direct artist signings with the right record labels for them. This membership model is for the artists that don't want to take on the label services themselves. One must keep in mind that many of The Music Federation's label members already bring a roster of artists that they A&R themselves. Looping back around to the original question, Dhillon elaborates on A&R:

**Achal Dhillon:** *To answer your A&R question: It is about making the right introductions. That is a rather intricate part of A&R. Most people see it as talent detection and hanging out with the artist. I can't be said to A&R anything unless I've actually interfered somehow with the creative side of their career or influenced it in some way. I will say however that I don't typically tell the artist what's right or how to play. I talk to them about narrative and what their message to the world is going to be. I talk to them about why what they are doing is important and why I feel the need to broadcast that to the rest of the world. That's my A&R, my artist & repertoire there.*

Both companies seem to try and leave the creative process to their creatives. None of these companies mention anything of guaranteed release. The Music Federation allows artists to sign up as their own record labels, while The Music Federation takes on the artists' label services. If an artist signs up as a label member of The Music Federation, they can ensure their own guaranteed release for any song, as long as the music formatting corresponds with The Music Federation's technical demands. This release autonomy is a feature in any aggregator or distributor service, but the distribution services and flexibility of The Music Federation are unmatched. However, some artists may want the guidance and restrictions that comes with a traditional A&R with a firmer grip on what gets released and what doesn't. One could argue that while somewhat creatively restrictive, it's a commercial quality control. Hopefully, if the A&R does in fact make the right introductions between producers, studios and artists, these creative restrictions will not have to be imposed.

## 4.3 Services and record deal structure

The major label offers an array of different label and non-label services. As the interviewee puts it, they *are quite the full coverage label*. Their staff consists of 60 or so workers, with competences ranging from a *visual and creative department with several art directors, people working with video, photo, designers, people who are really good at storytelling and branding*, as well as *A&Rs, project managers and a promo-department*. While mentioning the fact that they can do everything in-house, they say that they often out-source some of these services.

**Major label interviewee:** *We are quite the full coverage label, but we don't insist on doing all these things ourselves. Even if we are 60 people, we are still only 60 people. Our in-house people aren't necessarily the right photographers to execute what we want to create. Having a network and making the right connections is an art in itself.*

According to the major label interviewee, they still offer mostly 360 deals, although with a few exceptions like *licensing deals, distribution deals and joint venture deals*. The interviewee notes that *all contracts are tailored to the artist*, and that they don't have a *one-size-fits-all*. While they mostly offer 360s, they point out that *some artists have a team that are really good at this or that* and that they would not insist on taking over that. They mention that they adapt their contracts accordingly, and they do so with all their deals. It seems like the deals are quite flexible and scalable, and they do consider which deals are more suitable for each artist. It is important to note that not all artist have a lot of bargaining power when it comes to dealing with especially major record labels.

**Philip van Eck:** *Historically, artists have received big advances from certain labels. Do you still issue advances of this sort?*

**Major label interviewee:** *Yes, we do. A lot of artists get advances. It's a guarantee for the artists, allowing them to fully focus on making music. Like a full time job. I think the financial autonomy is very important for many in such creative processes.*

**Philip van Eck:** *Do most of your artists receive advances?*

**Major label interviewee:** *I'm not entirely sure about that. A bit of them do, but not all of them want advances. Some also negotiate for a lower advance. This way they are guaranteed royalties from their first stream and a more even revenue stream rather than a big lump cash all at once. Many artists also already have a very good economy already with no need for an advance.*

There is no doubt that part of the record label's value is still financial as a lot of other services are still very costly. Recording studios, music videos, photoshoots, marketing, merchandise and touring are still big expenses for artists. While there is a lot to say for financial autonomy and creativity, there are pitfalls associated with this.

According to Geoff Taylor, Chief Executive of the British Phonographic Industry, in an article for Music Business Worldwide (Taylor, 2021) *UK labels are pumping £250 million a year into new music (A&R) and another £150 million into global marketing – vital investment that helps artists cut through in a hyper-competitive market.* Rhian Jones of The Guardian (Jones, 2021) notes that this makes up 35% of the total £1.118 billion that labels made from UK music in 2020. While it's evident that record labels spend a lot of time and money on developing artists, one must remember that in addition to the advance, the money spent developing artists is money that needs to be recouped from music sales. Going back to the major label and their range of in-house and out-sourced 360 related services, one could argue the 360 deal does not set the artist up for financial success.

**Philip van Eck:** *Has the record deals you offer changed noteworthy over your time in the company?*

**Major label interviewee:** *I'm not the one actually writing the contracts, but I do write down some of the key points. Some details have changed over time, like particular words or phrases or some old clauses that are no longer relevant anymore. Maybe we add something about new technologies that have occurred since the last time.*

It would be interesting to view this in relation to Passman's Theory of Technology Cycles, but unfortunately, I was not able to get a clear answer from the major label interviewee.

The Music Federation as a whole offers an array of different services which they broadly define in two categories: Label services and non-label services.

Dhillon argues that *label services came about as this idea that you can have the same functionality as a record label, without having to give them rights over your music*. He mentions that *the popularity of label services came up during the height of Internet Piracy when the bottom had really fallen out of the then record label model and sales were diminishing*. It gave rise to the popularity of distribution and aggregator services. Dhillon questions whether getting a record onto shelves, whether physical or digital is actually being a record label when anyone can do this through aggregators or distributors.

The Music Federation define their modern-day label services as follows:

- Digital distribution
- Physical Distribution
- Product Management
- DSP plugging
- Promotional services (Radio, TV, Press)
- A&R Management

In addition to these label services, they offer the option of full day-to-day running of your record label *if you just want to pick a name, you have some artists that you want to release and that's it*. Dhillon further explains with regards to label services that The Music Federation provides *a scalable set of services depending on what you, the member, the protagonist actually want to do with your level of involvement*.

**Achal Dhillon:** *For example if you like to record your own stuff, maybe A&R management doesn't really suit you. If you seem to have a clear idea of how you want to manage things like socials, then I'm not so sure if digital or social media strategy would be for you, but things like product management, things like radio plugging, things like press.*

Dhillon points to some of the same reasons as to why you might want to sign with a record label as the major label interview does. He also notes, however, that traditional record labels will perform these things for you, even if you have understood them. He explains that *that's*

*why you would want to form your record label, and then you take the rest of the skillset on yourself. That's how you build a business.*

He also explains that being a record label still isn't necessarily any artist's dream, and that's where The Music Federation's offerings come into play.

**Achal Dhillon:** *What we've decided to tell people is we'll do all the hard shit so you don't have to. Running a record label is lonely, it's long and you'll spend 99% of your time on things that have nothing to do with the reasons why you wanted to start this in the first place. I've spent 15 years trying to solve that problem, and this is the nearest I've actually come to solving it.*

While The Music Federation offers label services and are indeed a functioning record label, they actually encourage artists to undertake being their own label and deciding their own level of involvement. As these tasks and the know-how are getting increasingly accessible to the general public, just like the home studio, one might want to reconsider how much this is worth before deciding to sign with a label.

Upon request by their members, The Music Federation also offers non-label services. Dhillon explains *what has made it a lot easier in a post-pandemic world is that we have seen a world with a near total shutdown of the live sector. We know what intersects and connects with other sectors right now.* He argues that over the pandemic (COVID-19) we have seen that while not necessarily releasing records, live promoters have moved into the streaming space, releasing audio or audiovisual contents. These services include any service that may improve the prospects of The Music Federation's members. His example include, but are not limited to:

- Live promoters
- AV providers
- Merchandise
- Publishing
- Music Supervision
- Brand partnership
- Sponsors
- Endorsements
- Online asset management



While The Music Federation can deliver the services of the 360 deal, Dhillon makes it very clear that they do not offer 360 deals. This boils down to their company structure and who should be credited for what. Dhillon stresses that *it's very important to work out which services are working towards your label and which isn't necessarily*. Part of The Music Federation's lies in its other members. As a member, you sign up for a collective of businesses linked through a distribution element. All of these get an influx of potential customers and service providers. Some of these are manufacturers that The Music Federation use for their non-exclusive merchandise services, some of these are audio visual providers that make content for festival members.

**Philip van Eck:** *Everything you said with regards to label and non-label services are traditionally a part of the 360 deal, where the record label gets a percentage of every income stream an artist has. How is what you are doing any different?*

**Achal Dhillon:** *360s have conclusively been proven to not work. In order to have a truly validated 360 offer, you need to have the dispenser of that 360 offer to actually be proficient and active in all of the rights that they are being sold. We will not offer services that we cannot provide adequately. We will also be very stringent in saying whether we own and operate that business or whether we have brought on a third-party provider.*

Dhillon argues that the dispensers of 360 deals typically aren't pulling their weight in these agreements. The Music Federation either provides these services in-house, or they out-source the job to a member/partner that they know can in fact provide the service adequately.

He also explains that 360s are inefficient in terms of fees and royalty rates. Referencing a band he used to manage, he claims that *no matter how much money you throw at an artist, it doesn't necessarily buy them fans or indeed a stable career*.

Also worth mentioning is that the non-label services that The Music Federation provide are non-exclusive, and upon request. This means that The Music Federation only get a share of the revenue from non-label services they actively engage with and generate on demand from the label member.

A 360 deal wouldn't typically encourage artists to take on more responsibilities in order to let the artists keep a bigger share. The Music Federation seems to be actively working towards reducing, or closing, the knowledge gap and the actual industrial gap, between the artists and label. Artists, labels and other members are trained to take on as many tasks and competences themselves for an increased share of revenue, in order to keep more and more of their own income over time as they need fewer services from The Music Federation and its other members. There's an educational aspect of The Music Federation's model that over time may very well challenge how artists approach industry in Spilker's findings on The Network Studio. The Music Federation is working constantly working towards providing fewer services and taking a smaller cut, as opposed to the 360 deal seeking to acquire and retain a cut of multiple income streams.

**Achal Dhillon:** *It is too late for people like me to be both artist and industry. Fortunately, it's not too late for my staff, which is why I'm arming them with absolutely everything that they will need to deal with this shit. We train a lot of people. You'll be impressed by the remit of the different members that we are bringing onboard, and it is unashamedly turning towards people like yourself rather than the dinosaurs. I needed dinosaurs to get the other dinosaurs' attention, and now I don't need them anymore. This has to be about cultivating the next generation of artists and indeed industry. I see them as one and the same.*

Not only does Dhillon train his staff, The Music Federation also offers industry training workshops as a part of their label membership. It's clear that they want their artists and members to see the value of being more involved with their own business. Marshall's record labels may be global entertainment partners, but Dhillon's artists may soon enough be the next global entertainment partners.

**Achal Dhillon:** *One thing I have to make a big reveal to you about is what Killing Moon actually means. It is a hunting term. A killing moon refers to a moon that is so bright in the sky that it lights up everything. Everything that you're trying to kill can see you, and you can see everything else. So it's about this romanticism about access to knowledge, transparency and just knowing what lays ahead. It's not about dominating or conquering or anything like that. It's about being able to see and then make the best informed decision that you possibly can.*

The Music Federation is very concerned with quality and human capital in choosing third-party service providers and members, as well as transparency in who is actually providing the services and who should have the money for each service. Initiating a deal between The Music Federation and my own band, we were advised to sign up as a label member, rather than pursuing a direct signing as an artist. Admittedly, The Music Federation's policy on the intake of members and service providers was very reassuring to us, as The Music Federation actually relies on members, out-sourced services and themselves being able to work together.

**Achal Dhillon:** *You cannot come into The Federation if you are a bad person. Economically, this is vital to our success as a business. If you are a bastard, I don't care how much catalogue you've got or how rich you think you are. You're not coming in. Why? Because you're a prick and you screw everything up and I need to insulate the rest of the federation from you. That is how economies get screwed up. One bastard, usually at the top of it, doing something that the rest of the organization doesn't want them to do. I have to marshal that, and that means I cannot let bad service providers in either. I can't let bad investors in. I have a board of advisors now, a lot of them are artists. If the artists don't like you, you're not coming in. That's it, I can't do a deal with you.*

Having established that The Music Federation does not offer 360 deals, but does in fact provide 360 upon request for an applied additional service fee, what record deals do they offer?

**Philip van Eck:** *What kinds of record deals do you offer?*

**Achal Dhillon:** *We have only ever issued exclusive licenses or non-exclusive licenses. In respects of frontline releases and compilation releases, I don't see us issuing assignments of copyright. I don't see us signing anything because we don't need to. That is contradictory to our business model. We're basically saying that ownership is overrated, as far as me buying stuff off you. What I really want to do is control the money, and control how you are receiving that money whilst creating such a financially lucrative deal for people where you are earning at least half of what we are earning, but we're doing all the hard shit for you.*

Dhillon has decided that he does not need “*a piece of paper or change in the law to offer services to people*”. He argues that all they need is the license and permission to release records. Similarly, if they would like to produce a tour for an artist; all he needs to do is actually ask the artist if they would like to tour and play shows.

**Achal Dhillon:** *That’s the only deal I will do. Because I can’t see any point in any other, to be brutally honest. Otherwise I just say to them ‘Why don’t you just become a member, and then you can sign other artists to your thing’. Funnily enough, that is exactly what is happening with a number of different instances. Some go all cross-eyed and I say ‘You just want us to release the record don’t you?’ and they say ‘Yeah’. This isn’t for everybody. We have to entertain the possibility that that is the case.*

With regards to the almost non-existent legal obligations associated with exclusive and non-exclusive licensing deals, one could argue that these licenses alone provide very little accountability both for members and The Music Federation. Considering the before-mentioned artist expectations, one might think that these artists seek contracts to formalize responsibilities and accountability. These licenses are traditionally a part of any given record deal, accompanied by a set of clauses and terms that dictate responsibilities for each party. If either party fails to meet their agreed terms, the contract is eligible for termination. This means that the record deal as we know it acts as both a safety net and a liability for both parties.

However, one must keep in mind that The Music Federation is not strictly or even necessarily a record label. They sign more label members than they sign artists directly onto their Killing Moon Academy. The label members are free to use which ever contracts they see fit with their artists.

While only issuing exclusive and non-exclusive licenses seems simple enough, Dhillon notes that “*it’s incredibly counterintuitive to all the things I’ve been taught in the industry. I’m not supposed to trust artists. I’m supposed to think of you as all stupid, opportunistic and horrible people with a twisted narrative against me.*”

Dhillon’s point on not being supposed to trust artists and vice versa paints a picture of today’s music industry. It’s not surprising that the industry to a certain extent revolves around how

much you can get away with rather than your actual merits, if the whole business model and industry training is rooted in fundamental trust issues. Are industry professionals trained to think of artists as stupid and opportunistic? If yes: How is this reflected in record deals?

This explains why Dhillon is so concerned with human capital as the foundation of the fair music industry that he claims he wants to build. Further, he argues that in most cases, the license will not be worth the lawsuits associated with breaches of contract.

**Achal Dhillon:** *Really, what we're going for in mutually assured development, it requires me to be vulnerable to artists. It requires me to lower my defences. If you're going to fuck me over, you're going to fuck me over. No piece of paper is really going to change that, is it? We're not actually going to get to the point of suing each other. The license isn't worth it unless we're talking tens of thousands. Are we going to take each other to court over breach of contract? No, we're just going to slag each other off like everyone else.*

## 4.4 Catalogue and release-level distribution

One key difference between the major and independent record labels today is how they distribute their music. Major labels distribute their own music, while independents outsource distribution to a third-party vendor, who may or may not be owned by a major label. This applies to both physical and digital distribution. Independent record labels sell their entire catalogues of music to the distributors.

Dhillon exposes the massive pitfalls of catalogue-level distribution deals. It's important to note that the labels, artists and numbers in Dhillon's interview are random examples for the sake of contextualising the problems, not accurate representations of their actual deals.

**Achal Dhillon:** *Say you're Domino Records (Label), and you come up to me and want me (Distributor) to finance your label. I'm looking at your catalogue, your remit of artists. There's one artist on there that's called Arctic Monkeys (Artist), and they alone justified me doing the deal with you. I will go to my bosses at The Orchard (Distributor), because I like market share. I'll go to Ian Dutt and say 'I want to do a deal with Domino. Why? Because it'll make me look fantastic in terms of my own personal performance at this company, and it'll increase the market share of The Orchard. It'll make me look great.'. I come back to you (Label) and say 'I will cut you a deal for a cool £1M every year for the next 4 years. But you and your Arctic Monkeys will not receive one penny in royalties until I've recouped that million across all your (Label's) releases.*

*Now, here's the problem. You have a portion of what? £200k out to that million to Arctic Monkeys? The rest of it goes to other artists, staff, overheads and that kind of shit. Do you think that Arctic Monkeys will have a problem recovering that 200k quid? No, they're going to do it like that. So what happens is I've deliberately enticed you into a breach of contract with your artists and therefore it makes the label a lot more culpable.*

At first I was rather confused about this particular problem and had to discuss and elaborate over email with Dhillon. Provided is a step-by-step explanation:

1. The record label receives £1M from the distributor for 4 years. Over time that's £4M.
2. The record label does not receive any royalty payments from the distributor until the whole £1M (£4M after 4 years), is recouped across all the label's releases.
3. Because there are no royalty payments from the distributor until the whole label's advance is recouped, no royalty payments can be made to Arctic Monkeys, even though Arctic Monkeys recouped their £200k, the label knowingly breaches the contract of paying them royalties after £200k recouped.
4. With the record label spending their distributor advance on other artists that don't recoup, staff and overheads, they make sure that they don't recoup the remaining £800k, unless more of their artists skyrocket.

Dhillon argues that *this means that either Arctic Monkeys are essentially propping up other artists, which is basically fraud, or the label is in breach of its royalty obligations to Arctic Monkeys insofar as they have recouped their proportion of money.*

Dhillon states that this is how it's been for at least as long Killing Moon has been a label. Record labels avoid paying royalties by making sure they don't recoup their advance granted by the distributor. The contract breach being that the artist has recouped, but because the company hasn't, the artist will not get the money they are owed. The company owes the artist money, but there is none.

Jamie New Johnson states that *in short, record labels are in the business of creating and selling recordings* (New, 2016, p.30). I would argue that the income of these record labels is funding from distributors for selling superstar artists, not revenue from streaming or music sales. Arguably, this gives the independent record labels with one or a few big artists incentive to sign smaller artists and neglect them in order to maintain and reinforce the funding of superstars in a music industry where most artists never see any royalty payments.

One could argue that if record labels no longer sell music, but superstars and catalogue in exchange for distributor advances that will never be recouped, it becomes all the more important to keep other revenue streams.

For major record labels this is not an issue, because there is no distributor advance to the record label, no advance for the record label to recoup themselves, and artists do not necessarily rely on how well every other artist at the label is performing.

Also worth mentioning is that Dhillon's example does not apply to smaller labels that don't receive advances from distributors or grant advances to their artists. However, there are plenty of ways to make money in the music industry, but recorded music is not necessarily an income stream for all artists. For some artists the recorded music becomes a marketing tool for selling tickets to live shows or merchandise. For some, artist development and advances are the income.

If artists don't see any royalty income from these record deals, one could argue that there is little point in negotiating royalty rates. For the sake of the argument, one could even argue that with negotiating a lower royalty rate for yourself, the label would be incentivized to prioritize your recordings. This way the record label would recoup their advances quicker, resulting in quicker royalty payments for the artist. However, I cannot recommend this. It's just a point to make on how skewed the distribution of power is in the industry. And chances are your deal is made to keep the label from actually recouping the advance from the distributor buying their catalogue. While there's much to be said about negotiating tactics, negotiating lower royalty rates is not sustainable for artists in the long run.

As for The Music Federation, they do not distribute on a whole catalogue-level, eliminating this problem entirely.

**Achal Dhillon:** *The Music Federation - and I believe this is unique to us. I am undecided whether I patent this process, or I make it overtly known. I will take a success metric based on how many people emulate what we are doing rather than how much money we are making. We are the first distributor or service based one that accounts to rightsholders at release- or project level as standard, as opposed to whole catalogue-level. This sounds very, very boring, but it's actually a rather large development in business development that has never been made in music.*



This release- or project-level distribution legitimizes the independent record label's existence. In a recorded music industry where the artists on independent record labels no longer have to rely on other artists to help recoup the label's advance from the distributor, both the label and the artist stand a better chance of actually recouping the release. They actually rely on it, as they have no big advances associated with their catalogue.

This loops back around to The Music Federation only issuing exclusive and non-exclusive licenses. One must question whether either party needs the legal obligations and formalized accountability when both parties are mutually reliant on the performance of each distributed release or project.

Both interviewees emphasize the artists' need for financial autonomy and both music companies issue advances. It is no doubt that the record label's core functions is still financing artists. It is important to remember that not only does an artist have to recoup the advance itself, but also the label's expenses like marketing, promotion, tour support, recording costs legal fees and so on. With an advance, the label has probably figured out a way to make more money than the advance out of the artist, or the artist is propped up by someone else and not the label's priority.

It is important to note that this is not necessarily the case for every record label.

Unfortunately, I was unable to procure any information on to which extent this is the case for Norwegian record labels. However, catalogue-level distribution is a potential threat to artists around the world.

## 4.5 Free studio services

More noteworthy, The Music Federation is able to grant financial autonomy by reducing the artist's and/or label's out of pocket expenses. There are big administration costs associated with releasing music, for example promotional services, marketing and social media services, contracting third party services, manufacturing coordination, copyright administration, publishing services, sync services or merchandising. Providing these services for an increased share of revenue, they grant artists and labels a certain financial autonomy in not having to pay for these services out of pocket. This may or may not allow artists and labels to pursue creative and industrial endeavours previously out of financial reach.

The Music Federation also offers free recording studio services to their artists and label members in order to reduce advance overhead fees. According to their website, this includes tracking, mixing, engineering, producing, and mastering. This reduces the need for an advance as well as costs and risk for both the artist and the label. There is no doubt that this is helpful to both artists and the label, but how can this work?

**Achal Dhillon:** *Say you're an artist or a label member and you want access to Metropolis. For the sake of this example, Metropolis are very keen for you to use their space, so they agree to give you free studio time. In return for that I will issue them a Music Federation Coin. Now this Music Federation Coin, we'll call it FED-coin or MFED-coin, will be worth X amounts against The Federation's service fee towards Metropolis. Say this counts for 5% off their service fee. Metropolis will have worked out at that point that 'We have got something rather massive coming out through Metropolis Recordings that we want Ach to do for a lower service fee because we've worked out we will actually make more money by doing that' and therefore The Music Federation credits becomes worth X amount of money because it translates into that financial value. That is a greater want of theirs, over charging you 5 grand to come and use their space. "We could just do that for Ach and then save 5% on our Rage Against The Machine campaign. That 5% is going to be worth far more to us." So we developed this common usage, and I'm glad to be able to say the interactions and trading between Federation members have already started.*

*So, what you do over the course of the next 4 or 5 years is allow that to take shape. When people start using FED-coins outside the Federation as means to pay for stuff, that's when you've got a currency. I mentioned that in the context of Web3, I haven't mentioned that in the modern context of NFTs or crypto. There will be an NFT element, but not in the sense that you've probably seen it so far. We can't go down that route of cryptos or NFTs just yet because they are fucking up the planets due to energy consumptions involved. However, we hopefully found a few solutions there.*

Dhillon exemplifies that their coins could count for say 5% off of their Rage Against The Machine campaign. To the extent of my knowledge, studios were pretty much done with artists after the recording is done and the occasional producer royalty cut. Typically, the record labels would handle the music and marketing campaigns after the studios are done recording.

Following up on this over email, I was curious about what services the studios would want from The Music Federation. Dhillon explained that the studios they work with typically subscribe to the same services as any label member, *the idea being that the studio operates on a Motown/production house model, and therefore needs to release records themselves.*

Given that The Music Federation's *production houses* are now essentially functioning record labels themselves, I suspect that the production houses and label/artist members who receive free studio services would enter some sort of joint venture agreement, splitting the royalties, but the details of these deals are yet to be confirmed.

## 5. Concluding discussions

Looping back around to the introduction, I would like to address some assertions and questions that I was curious to investigate.

*If only superstars make money from music sales, why do you want a record deal at the current stage of your career?*

While most artists seemingly make little money from actual royalties and record labels often get a share from other revenue streams as well, it's not like the artists don't get anything out of record labels. There are absolutely financial advantages to signing with a record label.

Among these are:

A) A lot of artists still get advances on record sales.

While some record labels use these advances to prop up other artists and avoid royalty payments like in Dhillon's example with Domino Recording Company and Arctic Monkeys, royalty advances is an income stream that some unsigned, aspiring artists never see.

B) Artist development and limiting out-of-pocket-expenses.

According to Rhian Jones from The Guardian (2021), record labels in the UK spent over 35% of total revenue from recorded music on artist development in 2020. Oftentimes, this is money further helps the record labels ensure that artists never make anything more than advances and artist development. However, these are still valuable financial and career services. Most aspiring artists I know invest all of their profits from musical endeavours back into their project anyway.

However, if the record music industry was actually honest about which services they provide and why the artists should sign with them, I imagine we could see a lot more artist friendly record deals. Although, this is pure speculation.

## The future of the recorded music industry

I think that the record industry as we know it will probably continue to exist for the superstars and the major labels because they can afford it. For now. As for the rest of the recorded music scene, I don't think they can much longer.

There is indeed a knowledge gap between artists and industry. The Music Federation has taken it upon themselves to close this knowledge gap. Closing this gap will not only train the new generation of artists and indeed industry, but may also dismantle the independent recorded music industry as we know it. I presume that over time, the pressure among artists and maybe even industry for a fairer recorded music industry will demand a change in ethics and business models. Future artists will either sign a 360 deal with a major record label, or will probably have to sign a record deal with someone who wants to shut down the plutocracy. I believe more and more artists will demand project/release-level distribution in order to have both efficient and adequate label services, as well as financial independence from the performance of other artists on the same label.

Investigating this knowledge gap further, it appears that there are differences and similarities in artist expectations for these companies. This can be numerous reasons to this, among them:

- A) The Music Federation's company profile isn't primarily a record label. If you stumble upon The Music Federation, it's probable that you're looking for an alternative to traditional record labels and carry different expectations and insight. It's a company you find when you don't want to adapt to a broken industry.
- B) The Music Federation houses a lot of different record labels, and chances are that their artists already have been through the mill. I reckon most of these label members pop up on generic online searches for "*good record label*" long before The Music Federation does.
- C) The sheer volume of inquiries to major labels.

It is quite obvious Lee Marshall was right in thinking that record labels would be global entertainment partners, rather than actual record labels. However, the very same can be said about The Music Federation's members. The Music Federation claims that there is no way to justify labels in their current form, but there is still a place and a need for a recorded music industry as long as we build a flexible, multilateral recompense system to accommodate the global entertainment partners. Is it possible that by allowing all these different members into the label space, The Music Federation is trying to tear down the power structures of the current recorded music scene?

It seems like Spilker's symbolic hallmark's significance to the record label is somewhat inflated by artists, considering that the traditional major label connects their artists with suitable industry professionals and recording facilities for further recording, as well as portray an array of ways to discover artists. This is not to say that there aren't creative advantages to recording in professional studios. For many, this is still a necessary step to improve the actual music. However, I would suggest that the artists in such cases where the professional recording facility is a necessary step for a professional sounding recording are not necessarily the proficient artists/producers Spilker refers to.

Unfortunately, from the interviews I cannot see how the major label justify their 360 deals, especially not in the future. Nothing in the interviews pointed to them helping artists out in other areas than label services. This is not to say that they don't, their website lists departments that clearly work on non-label services, but it doesn't seem like they think these things are a part of their core services. This could just be because of the nature of our interview topic or their job in the company, but from an artist's point of view, I would negotiate these areas with caution.

The major label interviewee's choice of anonymity is also very interesting to me. While the major label is very traditional in company structure and they provide services and record deals that don't seem to have changed much since the emergence of 360 deals, the interviewee still seemed a bit restrictive in what they were willing to share. One would assume that these weren't industry secrets anymore. However, they were still able to share invaluable experience and insight into elusive topics that I could not have found elsewhere, and I am very grateful for the information they provided.

This being said, Dhillon's willingness to share was striking. His interview shed light on some well-kept industry secrets on very intricate distributor/label-mechanisms, as well as new industry practices that may or may not be indicative of how the field of independent record labels and artists will navigate the industry in the future. I think The Music Federation's transparency, marriage of business, ethics and creativity, training program and access to information will win over more and more industry professionals and artists.

I wonder to which extent this transparency or lack thereof represents their communication with their clients, but I must say that Dhillon's openness builds trust. It came across like he really wanted me to know everything about him and his company. One can imagine, however, that he has had a lot of practice pitching these things to investors and potential members, given his position, and recently launched company.

Similar to Live Nation in the 2000s, we see other industry branches moving into label services. What is different this time around, is that The Music Federation aids in services that the members can't provide adequately. The Music Federation is a community based, centralized industry government, making sure that *a) everyone who contributes to the community gets the help they need, either from The Music Federation or from a member,* and *b) no one gets paid for work they're not doing.*

It appears that many traditional record labels today aren't necessarily in the business of selling records, but rather in selling superstars for distributor advances. Especially with catalogue-level distribution, as artists rely on the performance of other artists on the label to recoup. While many artists still receive advances, they are often robbed of their opportunity to make more from music than they are given in advance. In these cases, it becomes increasingly important for artists not to give away 360 rights to the record labels.

Wrapping up our interview, Dhillon notes that the point of The Music Federation is *getting contextual and getting to the point of what we are doing with these rights.*

**Achal Dhillon:** *Just because the system doesn't exist in terms of a multilateral recompense system doesn't mean we're not building it. It doesn't mean that I'm not receiving a load of investment by certain tech companies who want me to build this thing. Because it will change everything. It will mean that we live in a fairer music industry, where it is about the meritocracy rather than 'Do you know any rich people?'. That's what we do. That's why it's a better model than the 360, and I'm bloody glad you asked.*

I must say I feel very fortunate to research this matter at this precise moment in time. The recorded music industry has had a little more than two decades to adapt to the digital music scene, and from a business perspective: it certainly has. When the public no longer bought music in a post-piracy world, record labels made sure to sell something else. 360s came about, record labels now sell superstars while artists were forced to buy into artist development and advances with the rights to recorded music and 360 revenue streams.

However, the majority of artists weren't given a fair chance to adapt to the industry's changes. While artists being their own record labels isn't necessarily a new phenomenon, The Music Federation's new label/artist-hybrids with access to industry backed services and infrastructure, I think they stand a fairer chance of enjoying the fruits of their labours.

The Music Federation has existed for less than a year, and it will be interesting to see if its meritocracy ends up an experiment or a revolution. Can they stand the test of time and opposition? By the looks of it, companies in The United Kingdom are already considering which side of history they want to be on, and The Music Federation is growing rapidly. Maybe The Music Federation's members will be the global entertainment partners of the future. We'll see how sustainable The Music Federation's business model is over time, but if I'm going to release music in a world where only superstars make any money from music sales: I'd much rather be on the fairer side where no one profits from work they're not doing.

I believe this is a revolution. *And I'm bloody glad I asked.*



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