

NEWSLETTER

An Entertainment Industry Organization



Manage for Success: Staying Alive

By Keith Holzman

The President's Corner

David Hirshland

We appreciate your attending our panel this evening. We feel we have assembled a wide-ranging and formidable group of independent label executives to assess the landscape of the current retail world. Next month, on May 22 to be exact, we will end our year with a bang as we present our traditional "Evening With" series, this year with the legendary artist, producer and songwriter Van Dyke Parks. Though most of you know Van Dyke as Brian Wilson's collaborator on the classic Smile album his resume is full of highlights, from his participation in the psychedelic pop group Harper's Bizarre in the Sixties and his own distinguished solo career thereafter to his recent work with the likes of Victoria Williams, Rufus Wainwright and most recently Joanna Newsom. This is sure to be a fascinating evening with one of L.A.'s great pop heroes and a distinctly American musical icon!

Most indie labels these days are stuck between a rock and a hard place. Sales of CDs are falling well below the expectations of even a few years ago, and the increase of digital download sales are far from making up the difference.

So what does a label have to do to stay alive and be profitable, avoiding the pitfalls of declining income and higher expenses? Because even though you may be in the business because you love music and want to help develop new talent, at the end of the day you'll still need to pay your bills, your staff, your artists, and yourself.

A few of my clients have come up with various ways of trying to do just that.

For example, some labels are negotiating to be co-publishers with their artists. They request 50 percent of the publisher's share, thereby leaving the writing artist with the other 50 percent plus all of the writers' share. Thus the label

as co-publisher owns one quarter of a copyright and the writer retains the other three quarters. This is fair, provided the label actively handles all administrative matters while vigorously seeking all potential sources of publishing income.

As another example, a few labels have established their own management divisions, nurturing talent while taking a permissible share of fees. This was considered a conflict of interest some years ago, but it's frequently a necessity for evolving artists who come to a label without management. Of course any label considering doing this should have able people on staff with sufficient management experience to cultivate their artists' careers. The label should also seek competent legal advice to avoid any odor of conflict before taking on such a responsibility.

Other labels have created in-house booking staffs to actively get paid performing work for their talent, as detailed in an article by Ray Waddell titled "The Agency That Isn't" in the current (April 21) issue of Billboard. Quoting Tony Brummel of Victory Records, Waddell writes "It's about

making sure our bands are out on the road and not waiting for someone to take interest. When somebody takes interest that makes sense and really believes in the band, then the band is free to go."

Labels may have another source of income by contractually taking a percentage of an artist's merchandising profit. I don't think this is unreasonable if the label is actively working to develop an artist's career, a common matter some years ago, but long neglected by the large multinationals.

One way of saving money is to pool common resources among friendly labels. An example is provided in an article by Todd Martens, also in the current Billboard, titled "Sharing the Wealth." It deals with a newly launched label called Dead Oceans started by former manager, Phil Waldorf, "which this summer will release the second album from New York-based buzz band Bishop Allen...in partnership with Secretly Canadian and Jagjaguwar, giving Waldorf access to a boutique distributor with its own manufacturing, sales and promotion staff."

As Martens writes "it's also a way for indie labels with minimal sales to stay afloat in a tough retail climate and spend less money"

I'm constantly suggesting to my clients how they can stay mean and lean. I've developed many ways for them to increase income while keeping costs under control, always tailored to their specific operating style and function.

Let me help you as I've helped so

many other labels "manage for success." Email me at keith@holzmansolutions.com so we can discuss how I can improve your business.

Should you be thinking of starting your own label, I suggest you get my book "The Complete Guide To Starting A Record Company" which can be ordered as a downloadable eBook in PDF form, or as a printed, spiral-bound volume. Download the Introduction and read the complete Table of Contents at <http://www.recordcompanystartup.com/>.

My UCLA students and readers of my book, "The Complete Guide To Starting A Record Company" -- incidentally now in its fourth printing, know that I'm a great believer in running "mean and lean." By this I mean operating as efficient an operation as possible, but with a very small and dedicated staff. There are numerous costs in addition to salary attendant to each employee, for not only are there such items as FICA taxes, workers compensation, and health insurance when company-provided, but also the need for a desk, a chair, a computer, and the space in which the employee works.

I believe in having only the most essential functions handled by staff employees, but hiring outside professionals as needed. For example when I ran my own ROM Records, and also for the first few years at Discovery, all CD cover and merchandising art was created by outside designers and art directors on an as-needed basis. The same approach can be used for publicity and promotion -- hire the most appropriate pro-

professionals as required by the nature of the talent and their recordings.

It's possible that routine functions such as bookkeeping can be done by a part-time professional. And other necessary and common responsibilities such as for administering royalties or publishing can be turned over to companies that specialize in those functions.

Of course all of this needs to be closely monitored by label heads, but keeping a watchful eye is less time-consuming and much cheaper than performing many functions in-house, and is a great way of staying alive.

Copyright 2007 by Keith Holzman, Solutions Unlimited. All rights reserved.

Reprinted from: "Manage for Success" a free monthly newsletter for record label executives who want to operate their companies efficiently and successfully. It's published by Keith Holzman of Solutions Unlimited, a management consultant, troubleshooter, and trusted advisor, and is based on his many years as a senior executive in the music industry.

<http://www.holzmansolutions.com>