

# CAN RECORD COMPANIES REINVENT THEMSELVES?

Most corporations prefer to hush up evidence of falling sales, if they can do it without their executives going to jail, because it has a negative effect on the stock price. Record companies, on the other hand, actually call press conferences to *announce* that their sales are headed for the dumper. Why?

In fact we're not sure. Perhaps it's as a warning that they could disappear if their (presumably former) customers don't stop downloading music from the Web. Perhaps we'll feel sorry for them. With our sympathy plus two dollars and a half, they can get a ride on a bus.

In actual fact, they're having trouble getting public sympathy. Their US lobby group, the RIAA, is not exactly following the Dale Carnegie handbook. Among its triumphs: a lawsuit against a 12 year old girl (her frightened mother settled out of court for \$2000). And its method of identifying evildoers appears to be less than bulletproof. It has sued a 65 year old grandmother who has never visited a download site, and a software engineer whose computer, a Mac, actually won't run the Kazaa download program he is suspected of having used.

While this last ditch legal maneuvering is going on, record companies have begun lowering prices on CDs by as much as 40%. Universal Music, which is between owners, began it, and record chains quickly negotiated price reductions with its other suppliers, and dropped the price of other CDs as well.

The fact that CDs have long been too expensive is evident. Check the price of a CD at your local record store, and then stride over to the cassette section — if there is still *is* one — and check the price on that. Last time we looked, the cassette of a typical pop-rock album was 40% cheaper. Since the same artists and promoters have to be paid, and since a cassette actually costs *more* to produce than a CD, one is tempted to conclude that CDs have long been 67% overpriced.

In the meantime, the up-front costs



have been dropping. Time was a band would rent a \$200/hour studio and stay there for months, sometimes recording actual notes and sometimes smoking stuff. No one gets to do that today. Indeed, a lot of pop recordings don't get made in studios at all. In both film and audio, the digital revolution has brought dividends. A digital recorder and a 64-track mixer that once would have blown a gaping hole in a million dollars can now be had in virtual form for a few hundred (the one shown here,

DigiDesign ProTools, has a price that begins in three digits). Add a fast laptop computer and perhaps \$3000 of microphones and preamps, and you're on your way to your next album.

Even classical and jazz albums are now seldom made in studios. A small concert hall or even a church is perfect.

Of course there are the costs of promotion.

That includes an open bar for reporters, of course, but that may not be all. It has been documented in some depth elsewhere that, in

many cases, the promotional budget *also* includes large amounts of money given to "indie" promoters, who in turn pay radio music directors to add new recordings to their playlists.

So notice. The record companies pay money so that you get to listen to their music for nothing on the radio (they pass the costs on to you if you buy the CD). But then if you try to get the music for nothing on the Net, they sue you.

Can record companies reinvent themselves? You tell us.

## "WE ARE NOT EVIL"

Here's a company that is trying to reinvent the model. Magnatune (Magnatune.com) says that "We are a record company but we are not evil." What it offers is "shareware" music. On its site are Net "radio stations," and files of their recordings in both MP3 and genuine CD quality. And they're free. Well, actually whether you pay is up to you, and *what* you pay is up to you as well. An album may cost you from \$5 to \$18...you decide.

Many of the artists (rock, electronica, metal, classics) are not household names, though we did notice, in the classical section, the excellent Canadian violinist Lara St. John, playing Bach concertos.

John Buckman explains why he started Magnatune.

*When my wife was signed to a British record label, we were really excited. In the*

*end, she sold 1000 CDs, lost all rights to her music for 10 years (even though the CD has been out of print for many years), and earned a total of \$45 in royalties.*

*The record label that signed her wasn't evil: they were one of the good guys, and gave her a 70/30 split of the profits (of which there were none). The label got screwed at every turn: distributors refused to carry their CDs unless they spent thousands on useless print ads, record stores demanded graft in order to stock the albums, and in general, all forces colluded to destroy this small, progressive label.*

Magnatune, by contrast, has no advertising beyond word of mouth, and the artist gets half the money.

There's something so refreshing, so non-RIAA, that it makes you want to rush out and tell everyone you know. Consider it done.