

The Independent Record Label.

By Allan Keen (J.A.M.E.S. Assessor), Owner, muse4media Ltd and KStudio Records

The world of the DIY musician is here.

It's now very easy to create and release music online through digital distributors, who, for varying fees or subscriptions will get the music to the majority of streaming platforms. This same world is open to Producers and even entrepreneurial non musicians who might want to expand their business into releasing the music of artists they like or work with.

I started my own label in 2015 after working with an artist for over a year, writing and producing her debut album. I already had setup my own limited company in video production and media creation in 2009 and as a musician myself, and former recording engineer, now turned Producer, it was logical for me to branch into being a label. But having a record label isn't just about releasing the music and sitting back and watching the money come in.

I recommend you treat it as a separate business from your creating/producing/day job. It is not necessary to have your own limited Company: you can still do this as a sole trader and as part of your freelance self-employment. However, it helps hugely if you set it up as a Limited Liability Company (LLC) or a Limited Company (LTD). There are several hurdles that can be jumped more easily if you take this route such as registering for VAT: you will pay a lot of VAT in the early stages so claim it back; dealing with Performing Rights Organisations (PROs); music licensing; royalty and streaming income collection; and of course, income/corporation tax.

What are your jobs as a record label?

1. A&R (Artist and Repertoire) – You are one who chooses, develops the music and guides the recording projects and any contributors (such as the musicians on sessions and the producer).
2. Recording the Masters – This is the intellectual property (IP) which the label owns. The 'copyright of the recordings'. Depending on the deals you make, you might own it all, (having paid for the sessions and recording fees), or in part, if the cost was shared with the artist or a third party. (Note: a label only owns the copyright on the physical/digital recordings, not the Songs or Songwriting which comes under Publishing).
3. Distribution – Plan and release the music products of the recordings (physical CDs/Vinyl, digital downloads and /or streaming).
4. Promotion & PR – Promote the releases via radio and television; press such as interviews, features, and reviews; and public appearances. You might need to employ a radio plugger to get the music on some national radio stations or a press agent to help get access to suitable publications.
5. Marketing – Develop and use marketing strategies to reach music fans: social media posts and advertising, approaching playlist creators, getting mentions or articles on 'influencer' blogs and websites.
6. Business & Legal – Negotiating and writing the initial contract deal with the artist; royalty splits; contracts for the musicians/producer/studio; registering the recordings, products and the contributors with Phonographic Performance Limited (PPL) in the UK; licensing of the

recordings to media, film and TV; managing and recording all streaming income; accounts, book keeping, VAT receipts and taxation. I highly recommend you get a good Chartered Accountant for the taxation part especially as LLC or LTD. They are expensive but will save you far more money than their fees over the long term.

Key things to do (and yes, some are mistakes I made early on):

Contracts!

Make sure they are in place. Make sure the musicians are contracted on a 'work for hire' basis and pay them proper Musician's Union (UK) rates. Same with the Producer, have a written contract. Some producers might want a small percentage too and if they have a proven track record, this is a fair request and is negotiable.

Negotiate a fair contract with the artist but it must be fair for you too. As the label you should have the controlling interest, 51% or more, even if the artist has split the initial costs with you. You have invested your money and time in them and also you will be doing the on-going development and admin work. You are entitled to have a larger share. For example: If the product is sub licensed to a major label as 'distribution only' they would ask for a 5-15% admin fee for that, do something similar.

Also the label should have a percentage of the artist's merchandising sales for the products it has created. The product would not exist without the label's investment. Related merchandising sales at gigs and promos are big business now.

If you employ a radio plugger/press agent or any third party to promote the product make sure their work and contribution is measurable with set, contracted targets. Make sure the fee they received is scaled on meeting those targets. Do not pay upfront. I employed a radio plugger once who did one or two week's initial work and then sent in the same slightly 'altered' report for the rest of the 6 week campaign.

Register with PRS/PPL.

PRS/PPL come under the one website these days but the PPL side is vital. This is how the label gets paid. It is your responsibility to register each recording, the product it is on, and all the performers on it. (They get paid too via their own performer number.)

Assign each recording its own unique ISRC number: embed this code in any WAV files or include it on any metadata for all other formats. PPL can assign you a unique 'registrant' code that identifies you or your company. The streaming platforms can assign a random one automatically that is linked to that one recording but with a registrant code you are building a body of work that might become valuable and may be sold on at a later date if the catalogue is successful. The ISRC registers on any streaming platform, radio or TV show it is used on and the royalty is paid to PPL who then pay it to you.

Film, media and advertising licensing are negotiated separately and can be highly lucrative for a big budget project. Your digital distributor should collect any social media usage and royalties from sites such as YouTube, Tik-Tok etc.

MCPS and Physical recordings.

MCPS is the Mechanical Copyright Protection Society, which collects small royalties for works that are released by a record company that are downloaded or reproduced onto a CD, DVD or LP. You may need to consider joining MCPS but definitely register the products.

As a small label you will have paid for the recording and also the pressing of it. A major label might have only signed a distribution deal and paid for the pressings of CD's or vinyl. The MCPS collect the 'mechanical' royalty on those pressings when they are sold or downloaded (not streamed). Labels pay an upfront fee based on the amount of the pressings made and then recoup that from the royalty paid. This can be waived for smaller independent companies as the fee for pressing, the 'mechanical', may be more than the sales for a smaller artist. (Especially if you press too many. Yes I did that, not once but twice.)

Final note:

Running a label can be busy work at release and accounting times so make sure you are working with artists you believe in and get on with. Remember, as a label or a DIY Musician, you need to keep up with the business aspects of the music industry.

It is a priority so you can be properly compensated for the art you create.