



Sources of Income for Independent Record Labels

Nestori Kumpunen

BACHELOR'S THESIS
May 2022

Media and Arts
Music Production

ABSTRACT

Tampereen ammattikorkeakoulu
Tampere University of Applied Sciences
Degree Programme in Media and Arts
Music Production

KUMPUNEN, NESTORI:
Sources of Income for Independent Record Labels

Bachelor's thesis 66 pages, of which appendices 2 pages
May 2022

The purpose of this thesis was to collect information on sources of income for independent record labels and to find out if it is possible to earn a living from that line of work. The study was done by using qualitative research approach utilizing secondary and preliminary data. Interviews were used to acquire preliminary data from employees of independent record labels to get insight on the sustainability of their businesses. The role of independent record labels is vital to the whole industry by providing an alternative to the mainstream produced by the major record labels. There are thousands of them battling over a third of the revenue made by the whole music industry.

According to the thesis' primary conclusions, the rise of streaming platforms has had a significant influence in the industry and is the most relevant source of income for artists and record labels. The content created by independent labels changed and the sources of income and revenue shifted. The biggest variable in the recent years has been the Covid-19 pandemic forcing some labels to find new sources of income such as grants and streaming live performances.

There is not a clear way or certainty that one could earn a living through an independent record label. The industry is at breaking point of finding new ways to provide content since the pandemic lockdowns destroyed the old. The findings suggested that more studies on the subject should be conducted to get more detailed information.

Key words: independent record label, indie labels, music business, music industry

CONTENTS

1	INTRODUCTION	6
2	LITERATURE REVIEW	8
2.1	The Music Industry	8
2.2	Indie vs. Major	12
2.2.1	Major Labels	13
2.2.2	Indie Labels.....	15
2.2.2.1.	The History of Indie Labels	16
2.2.2.2.	Advantages of Signing to an Indie	19
2.2.2.3.	Disadvantages of Signing to an Indie	20
2.3	Contracts and Deals	21
2.3.1	360 Deals	23
2.3.2	Advances	24
2.4	Sources of Income.....	24
2.4.1	Royalties	25
2.4.1.1.	Mechanical Royalties	26
2.4.1.2.	Performance Royalties	27
2.4.1.3.	Related Rights	28
2.4.1.4.	Royalty Deals.....	29
2.4.2	Streaming.....	30
2.4.2.1.	Streaming Pay Structure.....	33
2.4.2.2.	Video Streaming	34
2.4.3	Digital Sales	35
2.4.4	Physical Sales.....	36
2.4.5	Concerts, Ticket Sales and Touring	37
2.4.5.1.	Tour Support.....	38
2.4.6	Merchandise	38
3	METHODOLOGY	41
3.1	Research and Design	42
4	RESULTS	43
4.1	Background of the Labels	43
5	ANALYSIS	45
5.1	Current State of the Labels	45
5.2	Sources of Income.....	46
5.2.1	Streaming Royalties	47
5.2.2	Radio.....	48
5.2.3	Physical Sales.....	48

5.2.4 Sync Licencing	49
5.2.5 Touring	50
5.2.6 Grants	50
5.2.7 Label C's Productions	51
5.3 Balance Between the Sources.....	51
5.4 Viability	52
5.5 Internationality	53
5.6 Collaboration.....	54
5.7 Effects of the COVID-19 Pandemic	54
5.8 Future of Indies	55
6 DISCUSSION	57
REFERENCES	60
APPENDICES	65
Appendix 1. Interview questions.....	65
Appendix 2. Interview audio files link.....	66

ABBREVIATIONS AND TERMS

A&R	Artist and repertoire
Indie label	Independent record label
Indies	Independent record label
Independents	Independent record label
Independent label	Independent record label
DSP	Digital service provider

1 INTRODUCTION

The streaming services are filling up with enormous amounts of material every minute. New artists are advertising their releases on social media constantly. Being a published artist is easier now than ever but gaining viable income as one is getting harder. In today's struggle to get an audience for one's music it is important to have a network of professionals with the know how to help punch through. This points out the importance the record labels hold with their substantial networks.

This thesis seeks to find out how are the sources of income organized within independent record labels. Taking a deeper look on how they manage to come by monetarily and still promote great music efficiently without having to sacrifice their artistic freedom. The independent record labels are gaining more respect and appreciation from the consumers by offering an alternative to the mainstream. This alternative is gaining popularity rapidly due to social media channels promoting these alternatives. The theoretical standpoints of the independent record labels and their sources of income are researched in the literature review.

To get up to date data about the industries current situation five interviews were conducted with professionals. They currently work in recently founded record labels. The interviewees happily answered questions about the subject and thought it was an important area to research. Four of the labels interviewed were from Finland and one from the United States of America.

The information collected for the literature review is from international sources and from an international point of view. But details about deals and numbers are from the United States of America point of view. This is since it is one of the most significant countries that export popular culture and music. In the way that this thesis will analyse the data collected from the interviews the differences between countries do not differ significantly. The biggest difference is the lack of related rights in the United States of America. This affects the most the income gathered from radio plays. There are differences in the customs of working but the basic principle of the businesses stays the same worldwide.

This thesis aims to research the different possibilities of earning an income when working in an indie label. One of the thesis's purposes is to provide information for people who are interested in starting their own record label. Optimistically it can work as a handbook for gaining substantial knowledge to jump into the business. The main research questions are:

1. What are the sources of income for independent record labels?
2. How is it possible to earn a viable income from working in an independent record label?
3. What are the practical and theoretical standpoints of the hardness of the music industry?

The thesis has two main sections. The first part is a literature review goes through earlier materials about different income sources for independent labels and explains how each of them work. The second part consists of the data collected from the interviews. In this part the answers of the interviewees are analysed, and the main points brought out through comparison.

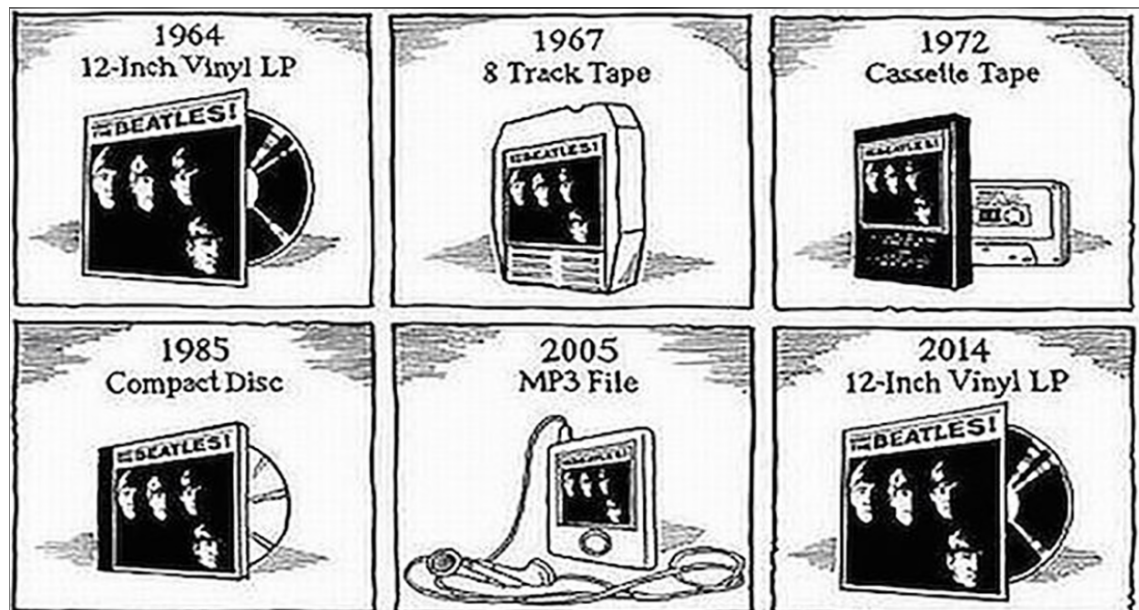
2 LITERATURE REVIEW

2.1 The Music Industry

The complexity of music business is often called the music industry. The industry consists of many businesses. These businesses, when combined, form the actual product from the idea of an artist to the loudspeakers of the consumer (Pastukhov 2019). This is the way music industry is described from the United States point of view. The industry is so versatile and there are a lot of areas to cover before jumping into it. It is advised to start working and learn later since there is so much to learn (Pastukhov 2019). The ever-changing industry which is impossible to predict makes sure that no one can be prepared or taught enough.

The music industry has gone through rough changes like any other business during the hard times of history. In the 1920s when the radio was popularized it dethroned the dominant phonograph business and caused difficult times for the performing artists. Instances like these have happened through the history and the business has managed to act on them in order to survive. (PopKing 2022.) In the 1920s there was the radio, in the 1960s first 8-track tape players were installed to cars and in the 1980s handheld portable C-cassette players have driven and shaped the industry. In other words, for at least a hundred years it has been in the hands of technological inventions. It is a business like any other and where there is demand for the new convenient ways to consume, the business will follow. The basic idea of the business has stayed the same, but the ways of distribution and consumption change radically and rapidly. (Pastukhov 2019.)

As PICTURE 1 illustrates, the technology of consuming music has changed many times since the 1960s. Starting with the pressing of 12" vinyl moving to 8 track tape players and through several phases ending up to digital MP3 files. After all those advancements and new ways of listening music it has cycled back to the 12" vinyl. This tells about the technological advancements as well as the trends.



PICTURE 1. Evolution of music formats (Morse 2014)

Before the launch of internet, artists had to get the attention of record labels for monetary help and to get access to their networks. The labels had the money and the contacts to get airtime in radio, articles and reviews written about them and assist the artists when they needed help in their career. Since those days the industry's biggest gate keepers have fallen because of the internet. (Pastukhov 2019.) In the 2020s the gate keepers of the industry are half human and half algorithmic based (Bonini & Gandini 2019). There is a human behind playlists of streaming platforms and there also is an algorithm suggesting new content constantly.

Fountain (2021) stated that the pay structure has shifted multiple times since piracy took over the internet. The consumers and artists were under the control of the record labels which acted as the gate keepers of the music industry. Internet opened more possibilities for the consumers and artists that were not held back by these gates. Labels were able to reach out for smaller audiences of specific genres and promote their releases easier and cost efficiently (Mewton 2010). For artist's releasing music is easier than ever and it does not require a lot of resources. Discovering new music is only up to the consumers fingertips deciding what to search from the almost infinite list of catalogues of genres and artists (Fountain 2021).

In 2008 95% of consumed music reached the consumers through piracy (Pastukhov 2019). Bootlegging businesses went down since the consumers started to download the music from the internet. Bootlegging is also another type of piracy when physical copies are made from the original and sold to the consumers. (Mewton 2010.) In opposite, the internet worked as a platform for unknown talent to rise. A lot of artists were discovered by labels just from uploaded videos of them performing. This was a huge steppingstone for artists like Justin Bieber who was discovered by a label executive from a YouTube video (Pastukhov 2019).

Even though internet destroyed the industry of the late 1990s, large technology corporations are investing in music because they believe it will be monetized better in the future (PopKing 2022). Despite the digital revolution, major and independent record labels have survived. As always, they still must find new ways to maintain a reasonable income, but they are not in economic decline (Fountain 2021).

In the first half of 2010s the music industry was at its lowest point. The launch of streaming services brought it to rise again. The number of subscriptions made between 2010 and 2015 was massive and changed the course of the industry. (Pastukhov 2019.) In the 2010's when social media platforms reached majority of the music consumers and artists it gave the opportunity to distribute, market and consume music like never before. All the channels of social media were and are filled with advertisements of independent artists marketing their music. The consumers could spread the works of artists they liked and work as promotional tools for the artists. This has been a huge development in the marketing side of the industry. (Fountain 2021.)

The streaming platforms made the rise of indie artists possible by offering close to nothing cost distribution to global market (Fountain 2021). By making it easy and almost cost-free for everyone, the streaming services and marketing channels are overflowing with new music. It is constantly getting harder and harder for starting artists to gain listeners and stand out.

FIGURE 1 shows how the music business was generating significantly more revenue when the CD sales were at their highest in 1999. After the year 2001 the

impact of piracy and internet is seen from the figure. The revenue drops continuously every year until the year 2015. Except for the year 2012. All the way from 25.2 billion of 1999 to 14.2 billion of 2014 the business was in decline. After 2014 the industry found new ways of monetizing the music in the digital markets like paid streaming services.

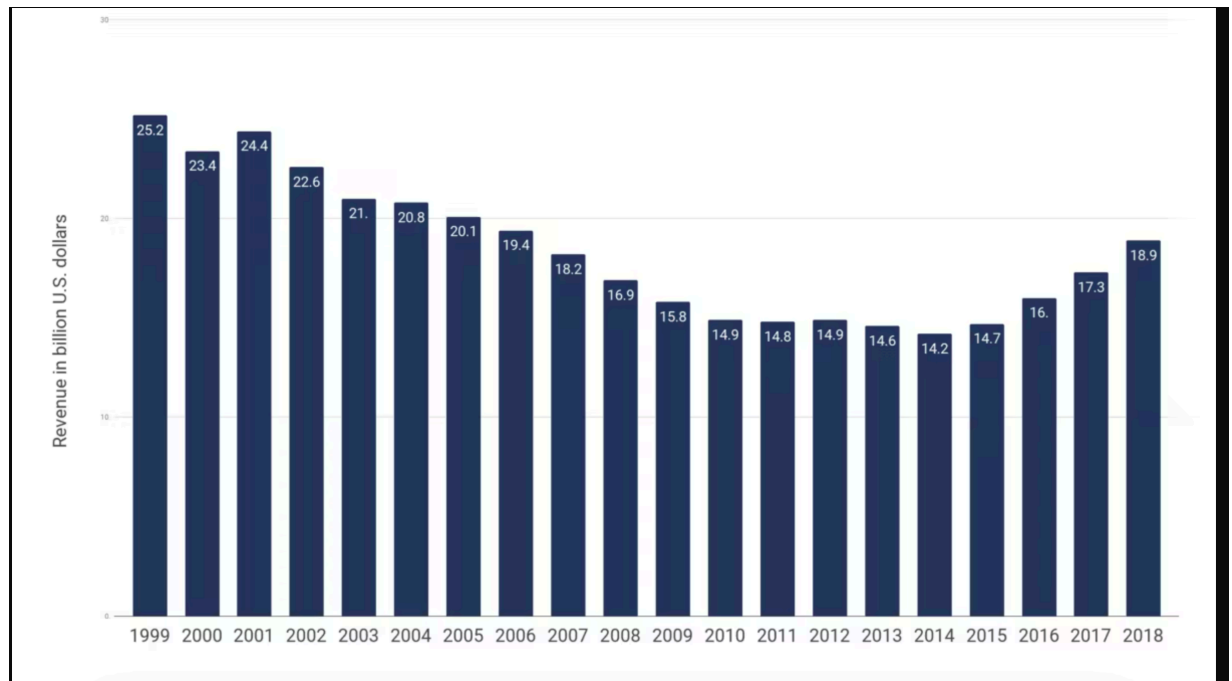


FIGURE 1. Global recorded music revenue 1999-2018, billion US dollars (MIDIA research 2018)

The music industry is a massive business that is estimated to be worth about 130 billion US dollars (PopKing 2022). The exact amount is impossible to map out because of the complexity of the business. Meaning the money streams are too multidimensional to keep up with. The global market of 2021 was worth 26 billion US dollars (Savage 2022).

In 2021 a record-breaking amount of 5.8 billion US dollars was spent on artist royalties and A&R, since the early days of CD (PopKing 2022). Also the CD sales went up 51% in the same year since 1999 (Savage 2022). 40 percent of recorded music revenue is currently derived from streaming services. The rest is a combination of countless amounts of physical and digital sources. Few of these sources are downloading outlets that have a revenue of 2 billion and CD's, vinyl and cassettes with revenue of 5 billion US dollars. (PopKing 2022.)

2.2 Indie vs. Major

The practical distinction between the major and independent labels is rather simple. The majors being Sony Music Entertainment, Universal Music, Warner Music Group and their subsidiaries and independents being the rest. (Soundplate 2021.) But the theoretical reasons between the two is not always obvious. The typical explanation is that the majors have their own distribution channels. Some of the more successful indie labels use the major's distribution channels as part of their marketing. Some of the indies make international licensing deals with majors to gain more income and visibility abroad. (Townsend 2011.)

As seen from FIGURE 2 major labels hold different percentages of revenue generated by individual countries. Spain having only 15 percent generated by the indies opposite to the neighbouring country of Italy in which the indies generate twice more, around 30 percent. Something that is good to keep in mind when seeing the global total difference between the indies and majors is that in Asia, they have their own big record companies which work like the majors but for the Asian markets.



FIGURE 2. MIDIA's research about the relation between the major and independent record labels from 2017 (MIDIA research 2018).

Independent labels which use majors' distribution channels are called Major-distributed independents. They have a deal with the major about distribution. The deals vary from label to label, some labels have different deal for each artist, and some have one deal to rule them all. The reason for these deals is the importance of serious distributors with experience in marketing. It makes a colossal difference on the sales and the volume that the distributed album is received. The other type of independent record labels is called true independents. Roughly speaking, business wise they do not have anything to do with the major labels. (Passman 2021, 82–83.) Many of the indie labels make deals with third party distributors to be able to focus on different matters and make sure that their releases are received in the right volume. It is important for the indie labels to make deals that will suite their needs before signing anything since a lot can be lost with a bad distribution deal (Mewton 2010).

2.2.1 Major Labels

The so-called major record labels are Sony Music Entertainment, Universal Music Group and Warner Music Group. These three labels have control of about 70 percent of the music industry. Meaning 70 percent of the revenue produced by the whole music industry goes through these three labels. (Grey 2021.) In FIGURE 2 the balance between the indies and majors is 60 percent. From this it can be concluded that the balance between the majors and indies is shifting from year to year.

The majors are parent companies to a lot of smaller labels which follow the orders and rules of the majors. The ownership of the rights for the records produced by the subsidiaries belong to the majors. The majors are often thought to hold power of deciding what is popular and what is not. (Grey 2021.) Even though the majors do much more than work as a regular record company they are seen as labels by the consumers (Pastukhov 2019).

Universal Music Group (UMG) is the biggest of the three major labels controlling around 32% of the music industry's revenue. That means a revenue of over 7.1 billion US dollars. It manages artists such as The Rolling Stones, Elton John, Taylor Swift, Queen, Soundgarden and Tom Petty & The Heartbreakers. UMG

has subsidiaries such as Interscope Records, Geffen Records, A&M Records, Aftermath Entertainment, Capitol Music Group and Republic Records. (Soundplate 2021.) It was founded as Branch of Decca records in 1996 (Recard 1996).

Sony Music Entertainment holds around 21% of the revenue of music industry. It was established in 1929 as American Record company and had several other names before being bought by Sony Corporations in 1988. Sony Music Entertainment manages artists such as George Michael, Michael Jackson and Bob Dylan. It also has a lot of subsidiaries such as Columbia Records, RCA records and arista records. (Soundplate 2021.) The majors own their distributors. Sony Music owns a distributor company called The Orchid which is used by many major distributed independent labels (Music Business Worldwide 2017).

Warner Music Group holds around 16 percent of the market's revenue. It was established in 1958 by Warner Brothers Records to acquire smaller labels. It has had a rough history as a company. It has managed artists such as The Doors, Pink Floyd, Led Zeppelin, Madonna and Wilco. Warner Music Group has subsidiaries such as Atlantic Records Group, Warner Records Group and Parlophone Label Group. (Soundplate 2021.) Warner music was the last of the three majors to agree on terms with Spotify to license their music for streaming (Sisario 2012).

There used to be six record companies that were considered to be major. EMI was one of the major record labels, but it got bought by Universal Music Group in 2012. It no longer holds the title. (Perpetua 2011.) Polygram, which was one, got also bought by Universal Music group in 1998. BMG was one of them as well and got bought by Sony in 2008. (Trauma 2012.)

FIGURE 3 illustrates the balance between the three major labels and all the independent record labels combined. This pie chart represents 100 percent of the global revenue generated by the music industry. It points out that the three major companies hold 69 percent of the total global revenue opposed to the independent labels slice of 31 percent. The independent labels consist of thousands of different companies.

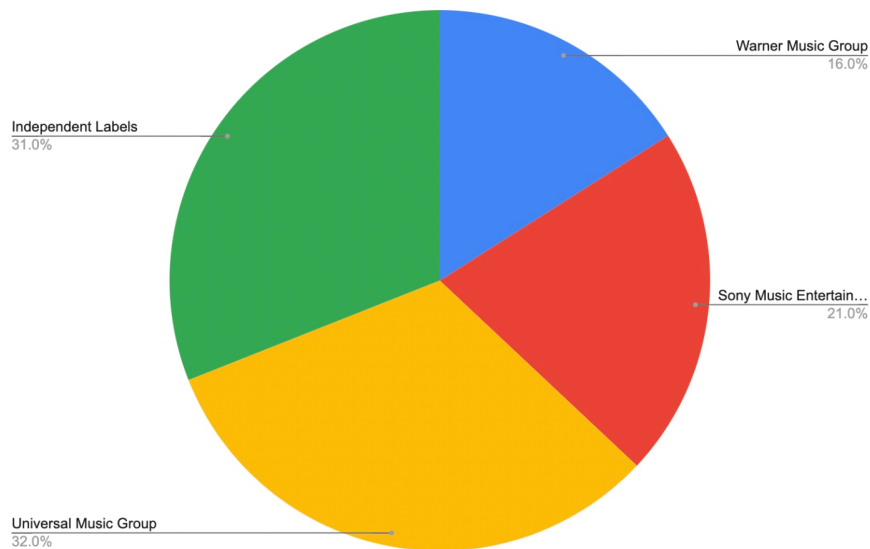


FIGURE 3. How the music industry's revenue is split between indies and majors globally (Smith 2021)

"I will never sign to a major record label again. If, by some mega fluke, a record of mine looked like it might break big, I'd try to do it via an indie or somehow license it. I'm not having my music owned by those corporate bastards again." (Winson 2010.)

2.2.2 Indie Labels

The independent record labels, also called indie labels, make up 31% of the revenue in the music industry. The indie labels include thousands of record labels that are not subsidiaries of any of the three majors. (Soundplate 2021.) Stated by Aaron Grey (2021) the indie labels are known for being more in the favour of the artist and appreciating integrity over profit. When working with an indie label one has more control over one's work.

Indie labels come in various shapes and sizes, ranging from little hobby labels to large, profitable enterprises. It is impossible to say the exact amount of independent record labels as the digital distribution is easily done with almost no budget or any bureaucratic matters which have led to the establishing of many new labels. The distinction between independent and major labels began to dissolve in the 1990s (Leni 2020). The number of labels is greater now than ever in history.

The reason for the uprising number of independent labels comes from the digitalization of music in the late 1990s and early 2000s. When employees of the major recording companies got kicked out due the decline of the revenue. They started their own businesses. They already had the experience and knowledge to make it work. Another reason for the increasing success of indie labels is the easiness of distribution and marketing trough social medias and digital service providers like streaming services and online stores. (Passman 2021, 82–83.)

2.2.2.1. The History of Indie Labels

In the early days of independent record labels, they were very genre focused (Barracco 2014, 14). This was the biggest distinction between the indies and the majors at the time. Majors released a variety of genres when independent labels were focused in only a few or strictly to one. The genres chosen by the majors were always the ones that sold the best at the time. In the 1970s some producers had the anti-capitalist inspiration to form independent labels that did not have anything to do with the major recording companies (Lebrun 2006). This started to create a bigger gap between the majors and independents.

The rise of indie labels started in the post-war period in the United States of America when artists started to disagree with the majors. A lot of new labels were established to release country, jazz, blues and rock and roll which were not fit to the catalogue of the majors because they did not sell so well. (Townsend 2011.) These small independent labels mainly targeted a limited but devoted audience with their releases. By not counting on the mass sales of records the artists had more freedom for experiment and expression. In Europe independent record labels started to gain popularity in the 1960s which is somewhat later than in the United States of America (Lebrun 2006).

The point of establishing an indie label was to fill the gaps in the markets that the majors overlooked (Barracco 2014, 16). Genres that did not sell at the time were handled by the indies. The position of indies in the music business, still in the 2020s, does not differ much from their original standpoint. Although the semantic value of artistic independence has somewhat lost its meaning and is being used

as a marketing tool to awake feelings of compassion for the smaller one (Mazierska, Gillon & Rigg 2019).

The indies encouraged the artists to develop their own material instead of recording the same hit songs which was popular at the time. The majors would make a version of an already exciting hit song and sell it as much as possible (Barracco 2014, 15). There was a clear market for originality that the majors did not produce. Townsend (2011) stated that the recording industry took off in the 1940s-1950s. Labels and recording studios popped up not just in major cities but also in smaller towns. The copyright laws were different back then. It did not matter who wrote the song but who released it. The label that released it got the royalties from each sold record. (Townsend 2011.)

When the independent record labels started blooming in the United States, Europe was still taking its baby steps in the indie side. There were not any significant indie labels before the end of 1930s. (Barracco 2014, 16.) The gap between indie and major labels might have not been so big at the time. Townsend (2011) stated that the majors employed a lot of people for different positions, each taking care of their own field. They owned big recording studios, orchestras and backup singers that were expensive to upkeep. (Townsend 2011.) The indie labels kept the costs to a minimum by not hiring more than one or two people to do all the fields necessary (Barracco 2014, 16).

The inevitable costs for independent record labels were rent and record pressing. Commonly the artists would agree a flat fee for the recording, giving the right to claim royalties to the label. Also, common for the time, payolas were paid for disk jockeys in radio stations to get some airtime for the records produced by the label. Payola became a big part of the success of indie labels before it was made illegal. (Townsend 2011.) Payola is when record labels used to pay radio stations to play their tracks without mentioning that it is promoted content (LII 1934).

The indie labels worked locally and focusing in areas that the majors were not interested in. Townsend (2011) stated that because of segregation and racism, the majors did not touch the black record market which gave the indies an opportunity to conquer a whole area of music business. The fact that the founders of

indie labels had more than monetary interest in the business gave them a chance to get in touch with a different kind of an audience than the majors. (Townsend 2011.) Kennedy and McNutt (1999) seem to agree that many labels were categorized by race (Kennedy & McNutt 1999). Many of the labels started out as subscription-based mail order business before they could afford to print copies to go into the record stores and other record selling markets (Roy 2014).

In the 1940s and 1950s the pressure of writing hit songs that would produce viable income was tough. Even if a hit song was released, gained popularity, and sold records it did not secure the business. Independent record labels had poor deals with the distributors which were often owned by the majors. They had to pay distributor payments, returning unsold records was accepted and the distributors did not keep the label informed on the amount of sold records forcing the label to keep pressing records for nothing. To cope with the monetary problems the labels had to make deals with the majors by selling their masters, rights or even the whole company. (Townsend 2011.) Kennedy & McNutt (1999) state that records were cheaper to press and distribute than other types of products at the time. When the great depression of 1920s hit the music industry many country and jazz musicians never recorded another record since the labels that had been producing the records and recordings went bankrupt. (Kennedy & McNutt 1999.)

In the 1950s indie labels started to build their identity not only based on the marketing value seen in the spots that the majors had left untouched. They started to brand themselves and take different approaches compared to the majors. This started to make the gap between indies and majors bigger and more distinctive. Having their own type of labelling, album cover artwork and a purpose gave the consumers something to grasp on. A stamp of an indie already told the audience that there is artistic value in the recording. This was a different kind of an approach to the business opposed to the majors. (Barracco 2014, 17.) Roy (2014) seems to agree that during the 1950s-1960s the independent record labels started to work separately from the commerciality of the majors. Focusing on exploring niche sounds and obscure compositions the indie businesses were not always viable. The ones gaining popularity and commercial success got bought by the majors eventually. (Roy 2014.)

Independent record labels took a stronger position in the music industry after it started to go down after the year 2000. They have always had a better sense of what is the new cool. Indie labels can react quicker to the trends because of smaller budgets and smaller risk taking. This means that they can act faster because they do not necessarily have to calculate all the outcomes for their investments. (Passman 2021, 84.) Through smaller network things happen faster. Local distribution will influence local trends. Mazierska, Gillion & Rigg (2019) state that with less bureaucracy and other complicated business steps it is easier to react and be on top of the current trends (Mazierska, Gillion & Rigg 2019).

2.2.2.2. Advantages of Signing to an Indie

A good aspect of what an indie label can offer to the artist is a community to work with which is often underrated and overlooked. Most of the smaller indie labels are not making profit but they are driven by dedicated people and a small income. (Duncan 2020.) The movement of indie cumulated in the days of punk and appreciation of anarchy (Bernardo 2013). It is very possible to find like-minded people form independent labels if one appreciates not so capitalistic values. Pastukhov (2020) states that in the situation of being fully independent artist it is good to remember monetary help is not the only help provided by a label. It can offer a community, network, and professionals with the know-how. (Pastukhov 2020.) The complexity of music industry is not easy to learn and manage alone. The benefit gained by the artist is not solely based on money. When artists are making deals with record labels it is good to consider the career as a whole and not just as help to record an album.

Because of the size of most indie labels, it is very common that the signed artist will get to know the whole staff well. Which might not be the case when working for a major label with much larger staff. Leni (2020) states that this more intimate relationship might be important for the artist to be comfortable sharing their works and creating more. The bureaucratic steps are less significant when it comes to smaller labels. Getting changes done in contracts or changing dates for a release might be faster and cause less trouble when working with an indie label opposed to the big complex majors. (Leni 2020.) Bernardo (2013) points out that this sort of personal connection with the staff of the label might affect personal life and

friendships. It might make some friendships more though to maintain since there are business and artistic opinions that need to be discussed. (Bernardo 2013.)

When major labels are concerned about the profit that artist should bring to the company, indie labels get interested in the sound and music rather than counting the statistics of how many records they should sell to cover the salaries and expenses. One will have greater artistic freedom and is less likely to be forced to change one's sound and music. (McDonald 2019.) The independent labels bring variety to the overall music culture as well as to the business (Passman 2021, 83).

2.2.2.3. Disadvantages of Signing to an Indie

Independent record labels tend not to have large amounts of money to invest in their artists. Major pay checks or large recording contracts should not be expected when signing to an indie. The resources might be small which forces them to make creative decisions about everything money related. (McDonald 2019.) There is a constant struggle of maintaining income and keeping the independence by not "selling-out" (Bernardo 2013). This can be exhausting and require mental strength.

Lack of formal contracts is common when it comes to indie labels (McDonald 2019). They are more often just oral contracts signed with a handshake which can lead to misunderstandings of details in the contracts. Especially if a label is lacking in budget and networking other industry relations are a necessity (McDonald 2019). This is the opposite of the easiness of less bureaucracy. It has a downside of people not trusting in each other and the nature of forgetting. These deals can mean someone saying let us make a record by the end of an alcohol infused night and the person it is said to takes it more seriously than the other (Bernardo 2019).

There is not always a need to sign to an indie label or a record label at all. Being an independent artist in the age of social media makes it easier and harder at the same time. PopKing (2022) states that being your own distributor is easy through platforms like CD Baby which will distribute your music to most of the internet

platforms for a small flat rate fee. If you make a hit song that will trend in some platform like TikTok, it will get you an audience quickly. (PopKing 2022.) Also, it will make it easy for other independent artists as well, creating a lot of competition. This affects the role of record labels and is forcing them to have new perspectives of signing artists (Mewton 2010).

Promotional tours are a vital part of succession for any starting artist. Indie label that is struggling to make income by might not be able to arrange one. Then it is on the shoulders of the artist to fund the tours since they are important to gain visibility. (McDonald 2019.) The label can help to build a live performance that will have better impact on the audience. It is always good to have an outside perspective to be able to know where to put focus. If the label has connections with promoters and venue owners, it can help arrange dates and reservations even with a little amount of money or none (Bernardo 2013).

2.3 Contracts and Deals

The typical contracts between the artist and label includes the rights to the music royalty payments and advances (Duncan 2022). The label will own the master rights to the music making them able to distribute the music and press physical copies as they see best. The advance is for the artist to make the recordings.

There are licensing and master right deals. The main difference between licensing and master right deals is time. Both deals mean that the artist or owner of the master rights will give them up for a certain amount of time for the label to exploit. Pastukhov (2020) states that in common licensing deals labels license the master recording rights to exploit for five to twenty years. In a regular master right deals the label will most likely own the master rights for 35 years. Master right deals are usually made if the label wants to invest in the recording process of the music also. If an artist comes to a label with already recorded music, the label might be interested in licensing it for a certain number of years to publish, market and distribute effectively. (Pastukhov 2020.) Exploitation of the rights might sound negative, but it is just used to describe the fact that the record label can decide what to do with the recorded material (Passman 2021, 96).

The amount of money invested in the artist depends on the size, resources and the will of risk taking of the record company. Passman (2021) states that bigger investment usually means smaller royalties for the artist and vice versa. This money is an advance which is recouped from the artists future royalties. The amount is the budget for the recording costs, producer costs, musician hires, mixing engineer, recording engineer and all the possible costs to make an album. The money that is left after the album is finished is the artist's advance. (Passman 2021, 97.) In some deals a minimum amount is set for investing in each release. It is an obligation for the label that they cannot invest less than agreed with the artist (Pastukhov 2020). This protects the artist and makes sure that every release is monetarily covered.

When an artist with some visibility signs to an independent record company the amount invested in the artist's album ranges from zero all the way to 100 000 US dollars. Typically, the amount is between 25 000 to 75 000 US dollars. When an artist in similar stage of their career signs to a major recording company the invested amount for an album is around 100 000 to 200 000 US dollars. If an artist who already has released successful albums and has a steady fanbase can be offered anything from 300 000 to 1 000 000 US dollars. These kinds of amounts are offered only when the record company knows it is not high-risk investment. (Passman 2021, 127.) In traditional deals the percentage rate of the master rights revenue between the artist and the label rarely exceeds 20% on the artist's side. Syncing rates are often 33% for the artist and 66% for the label. In addition, not all the invested money is recoupable by the artist. (Pastukhov 2020.)

There are also net profit deals which differ from the traditional ones and are often used by indie labels. In these types of deals all the invested money is recoupable. The artist will start seeing money as soon as all the invested money is recouped. The revenues of royalties and syncing are split 50/50 which means the artist will get significantly more profit after the label breaks even and everything is recouped. (Pastukhov 2020.) This sort of deals makes the investment less of a risk. The point of breaking even is lower than in a regular deal and the artist will get more after the money is recouped. The label will not gain as much money from the deal but since it is not often the point of indie labels to be profitable, they sign this sort of deals (Bernardo 2013).

If an artist without a label wants to have similar visibility for their music as they would have with a label backing them up, the artist must invest almost the same amount of resources as the label would. Or even more if the artist has no significant network. The point of getting back the invested money is obviously lower since the absence of the label taking its share. In this case the artist will keep 100% of the royalties but they might struggle to get funding to start the process (Pastukhov 2020). Being an independent artist is easy and cost efficient but standing out without the network is hard. The revolution of the internet has shaped the industry so that it changes how people create music (Mewton 2010).

2.3.1 360 Deals

360 deals are often made by the major record companies to have control over all the aspects of the artist. In the recent years indie labels have also made a lot of this sort of contracts. In the case of indies, it is seen as better since the monetary interest is not the priority. In that case the artist might benefit from the deal. (Cole 2010.) 360 deals are made by record companies, to own all the streams of income made by the artist. The exclusivity is extreme in these deals. Often in these deals the record company wants to have 10-20% of the artist's net income. Artists are recommended to be careful when signing these types of deals because they can easily end up paying more to the label than they feel right. (Passman 2021, 119.)

In 360 deals there are active and passive interests. Active interests mean that the artist signed to the label with 360 deal can be insisted to make contracts for things like merchandising, promotion, and publishing with companies that the label is a parent to. If the company has passive interests in the deal the artist is not bound to make deals only with the companies, the label suggests. In this case the artist can make a deal they like with whom they like but still must give a share from the net income they make. (Passman 2021, 120.) In 360 deals the artists are made sure that they can maximize their potentiality as an artist. The deals can exploit the artist, but it can be also seen as branding (Mewton 2010).

2.3.2 Advances

Labels usually pay the artist beforehand for them to fully be focused on writing music. If the label is unable to provide this, the artist must get creative with the financing of the art. Which is the case for many smaller independent record labels and independent artists. (PopKing 2022.) The advances are funding for album production, tours, merchandises and other costs that will have to be covered in order to deliver the artists projects (Bernardo 2013).

The advances are paid as loan from the royalties. Meaning the label will keep the loaned amount for the collected royalties. The label will handle all the money from the sold music and collected royalties and keep a percentage that is agreed in the recording contract. The royalties are often shared in half between the artist and the label in the case of independent record labels. In case of the record not making enough money to pay back the given advance, it is usually the risk of the label to consider. These advances usually go for the costs of recording and not for the living costs of the artist. In the case of small independent labels, they often do not have the money to give significant advances. (Ducan 2022.) The role of the label is still the same even without the advance. It will print the music, promote it, and nourish the artist. These advances are vital for the artists to be able to create their products. Significant advances liberate the artist from monetary pressure and their ideas do not have to be denied because of money (Bernardo 2013).

Funds are money that record companies invest to artists to make albums. Funds are the advances and recording costs together. The record company which has given funds to the artist has to negotiate the budget with the artist for the album. That way the artist cannot take most of the funds to use on personal interests. (Passman 2021, 150.) This sort of funding is the best-case scenario for some artists but is not the reality of many. Inde labels lack the monetary recourses to be able to fund the artists so that they are free from money related troubles (Bernardo 2013).

2.4 Sources of Income

The independent record labels share 40% annual revenue of the whole music industry (Ditto 2020). There are multiple sources that are involved. These sources differ from label to label and the significance of different sources of income are unique to each label. All the possible ways of making money should be investigated since generating enough revenue to run a business is not easy in the field. The labels must adopt to new technological advancements to survive (Bernardo 2013).

The sources are often scattered among multiple businesses like merchandizing, publishing, and licensing (Bernardo 2013). The revolution made by the internet gave birth to new sources and made a way for new indie labels to find their revenue (TotalNtertainment 2021). This part of the thesis will discuss the most relevant sources of income for independent record labels.

2.4.1 Royalties

Royalties are the single most important part of today's music business (Barracco 2014, 30). Streaming generates royalties paid by the subscribers of the streaming platforms (Bernardo 2013). To earn an income only from streaming royalties one must have an incredible number of streams. This is where the competition is. The concept of royalties is not easy to grasp on because of the complexity of copyrights. Countless deals made with distributors, publishers, digital and physical sales, performances and even sampling can be problematic considering royalties (Barracco 2014, 30). Everyone wants a share of them.

To simplify the difference between the two types of royalties, performance royalties license the music to be played and mechanical royalties license it to be sold. The actual distinction is not that simple. There are also related rights which protect the performers rights among other things, but it is not applicable in every country. In Finland performance rights organization is Teosto, NCB collects the mechanical royalties and the royalties generated from the related rights are handled by Gramex. These companies collect and pay out the royalties generated by the music. (Teosto.fi 2022; Gramex.fi 2022.)

In the United States of America interactive streaming platforms generate mechanical royalties when the user can listen whatever they want. Non-interactive streaming platforms such as AM, or FM radio and the internet radios generate performance royalties because the listener is not able to decide what song comes when. Because of the lack of control, they are considered as public performances. (Passman 2021, 108.) This brings us to the practical differences of mechanical and performance royalties and related rights. In the United States of America, the publisher collects the performance and mechanical royalties from the copyright organizations like ASCAP and Harry Fox Agency (Mewton 2010).

2.4.1.1. Mechanical Royalties

Songwriters and composers are owed a mechanical royalty whenever their works are copied to a medium such as CD, cassette, vinyl, digital download, ringtone, and interactive streaming services like Spotify or Deezer. There can be multiple songwriters and composers form one musical piece. The shared percentage of royalties paid to each of the songwriters or composers must be agreed between themselves. Mechanical royalties are often not handled by the artists themselves but are given to be sorted out between the copyright organizations and record companies. (Passman 2021, 178.) The amount of paid mechanical royalties has lowered in the past 20 years due to the dematerialization of music (Riley 2011).

In the United States of America, the rate of each printed physical or permanently downloaded digital recording mechanical royalty is 9.1 cents for a track that is maximum 5 minutes long. If the recording is longer 1.75 cents are paid for each extra minute. The amounts are decided by law. (Passman 2021, 160.) Physical records are coming back to markets mostly in the form of vinyl (Bernardo 2013). These amounts of money will again be important to monitor and shift with the inflation and other factors.

If a label wants to publish, for example, a vinyl with music that is mechanically copyrighted, they need to pay royalties for each printed album. The amount of money paid for the mechanical license per printed album depends on the amount and length of the songs. Then the number of copies printed is multiplied by the total price of the tracks combined. (Passman 2021, 160.) The royalty is paid to

the owner of the mechanical rights or a mechanical rights organization like Harry Fox agency in the United States of America or NCB in the Nordic countries (Harryfox.com). These organizations deliver the money to the rightful owners.

Harry Fox Agency works with mechanical licensing, collections, and distribution in the United States of America. One of its main purposes is to contribute to the music rights. It was established mainly to monitor the licensing of music in 1927. It has had a significant impact on the mechanical rights of music. It has the largest network of music publishers that it works with in the United States of America. (Harryfox.com 2019.) It was sold to a performance rights organization SESAC in the year 2015 for about 20 million US dollars (Christman 2015).

2.4.1.2. Performance Royalties

Performance royalties are paid to performing and recording artists. Being the owners of the copyrights to the master recordings they are owed performance royalties. Passman (2021) states that performance royalties are often given to be handled by a record company. These royalties are paid whenever a master recording is broadcasted or performed in public. (Passman 2021, 172.) To give an example of public places playing music they are such places as restaurants, shops and waiting rooms. Villasenor (2012) states that if the licensing music would be too expensive it would limit broadcasting and performing. If the royalty received by the artist would be too small, it would not be justifiable for the artists. (Villasenor 2012.)

The way it generates money is by companies licensing the music. They must buy the right to play that music in a public space. The price of the fees of the licenses has a lot of factors, the capacity of people being one. (Passman 2021, 173.) Performance rights organizations like Teosto collect these royalties and pays them to the composers, lyricists, and publishers (Teosto.fi 2022). Gramex is another organization in Finland that collects these royalties for the performing artists and the record labels (Gramex.fi 2022). Teosto being a Finnish performance rights organization collects the money only from Finland. It collaborates with other organizations from abroad so that the royalties are collected from every country that the music is played in. It has agreements with about 70 other organizations.

They also negotiate with international digital service providers such as YouTube, Facebook, Instagram and SoundCloud. (Teosto.fi 2022.)

2.4.1.3. Related Rights

Related rights or neighbouring rights are rights that are not attached to the author or authors of the work of art. These rights differ from country to country more than the authors rights. The Rome Convention for the protection of Performers held in Rome in 1961 secures protection in performances to the performers, in phonograms for producers of phonograms and in broadcasts for broadcasting organizations (wipo.int).

Performers rights are not the same as performing rights. Performing rights are royalties paid to the composer of the performed music. This is a license to publicly perform a musical piece from the author. Performers rights on the other hand protect the performer from being broadcasted or recorded against computations and if there was a recording it protects it from being reproduced (wipo.int).

The producers of phonograms are the people making the recording happen. This does not mean the engineer or music producer. It means the person who is funding and owns the rights to the recordings but not to the compositions. The producer of phonogram can be a person or a company like a record label. These rights allow the owner to decide about the distribution, rental, and publishing of the recordings. A license can be agreed with broadcasters to pay a certain sum of money per broadcast of a phonogram, or this sum can be decided by law. The practises differ from country to country. (wipo.int.) After a recording is published it cannot be prohibited from being broadcasted. In the Rome convention a certain type of formality must be applied to the phonogram to be applicable for these rights. An example of that is a capital P inside a circle and the name of the owner of the rights (wipo.int).

There are no laws called related rights in the United States of America. They did not sign to the Rome convention. Similar rights exist under the copyright law. The US has agreed on the TRIPS agreement which offers protection for the performer not to be recorded, broadcasted, or reproduced unwillingly. For licensing they

have guilds which work like unions providing agreements and help to cover issues normally covered by related rights. (Gervais 2018.) They have set federal laws to overlook these issues, but they are not as clear or defined as clearly as related rights. But in the end, performers or sound recording owners do not get paid or have a say in when the music is broadcasted or performed (Gervais 2018).

2.4.1.4. Royalty Deals

When an artist is signed to a label it usually means that they are giving up their master recording rights to the label to exploit (McDonald 2019). The label can then distribute, press physical copies, sell licensing and syncing for TV programs and films. Passman (2021) states that the amount of royalties the copyrights of the records generate are not owned completely by the record company in most cases. The artist gets a negotiated percentage of the royalties. (Passman 2021, 238.)

Usually in the contracts of major labels one gives the master and publishing rights to the label and their publisher (McDonald 2019). Meaning the rights to the musical composition, words, and the recorded master. The owner of these rights can decide where this musical piece is going to be used, for example, in a commercial, movie or television show. In the contrary when signing to an indie label, usually the master and publishing rights remain with the artist giving the freedom to choose where the musical work is played (McDonald 2019). The percentage of royalties offered to an artist by a record label is correlated to the influence of the artist. In the US it often varies from 15-20%. 15% is offered to starting artists with some amount of social media presence and 20% to someone who already has a steady fan base that is growing and a huge social media influence. Royalties offered from streaming are a few percent higher than from physical sales. (Passman 2021, 172.)

In some contracts there is a part for escalations (Passman 2021, 151; Callahan 2003, 20). By Passman escalations mean if the album sells enough the percentage of the royalty for the artist rises usually by 0,5 to 1%. This sort of escalation is applicable after the album has sold over a predetermined limit agreed in the contract. Often, this limit is based on the amount of sold physical albums. The

amount of sold digital albums must be greater than physical since the limit is often determined by certification of silver, gold, or platinum record. These certifications are given to an album based on physical sales, but digital sales and streaming can be calculated with a formula to add into it. (Passman 2021, 151.) Callahan states that in distribution deals there can be reverse escalations meaning the percentage taken by the distribution company is smaller and the label gets more money (Callahan 2003, 20).

2.4.2 Streaming

Digital service provider is a service like Spotify, Apple Music, or iTunes. It means that it is a digital platform that provides digital services such as streaming. In this section of the thesis DSPs are referring to the streaming platforms. (Songtrust 2021.) Streaming platforms are more than just a way of listening to music. They hold the biggest promotional tools in the industry. Since streaming became the main way of consuming music the DSPs have developed their applications and programs in a way that people can discover and consume new music effortlessly. (Pastukhov 2019.)

Getting one's music heard on a streaming platform features a random aspect to it as well. The algorithms that provide suggestions for the consumer are mathematical formulas based on the data collected from one's listening habits and comparing them to other people's music consumption (PopKing 2022; Bonini & Gandini 2019). This means that the algorithm will suggest music to you through small sub-categories like different moods of music that are labelled by the DSP (Bonini & Gandini 2019). The point of it is to keep the user streaming as much as possible by providing music that it thinks the user might enjoy.

Playlists and algorithms are tools used for promotion. The algorithms are based on the metadata and sub-categories and the formulas use them as the variable. (Pastukhov 2020.) They suggest new songs to the listener based on what they were listening to before. Since it is based on the listening habits of the listeners the suggestions are not completely random. A question arises, is it possible to affect these formulas in a way that certain artists are suggested more than others? The algorithms are the new gate keepers of the industry because of their

significance of affecting what gets popular over the streaming platforms (Bonini & Gandini 2019).

Playlists are another type of promotional tool used by the DSPs (Pastukhov 2019). Streaming services like Spotify offer playlists that are managed and monitored by the company itself (Spotify 2022). There are people who oversee those playlists and decide what songs there will be. This also brings up the question of how money affects the decisions made by the overseers of the playlists. (Pastukhov 2020.) Playlists are steppingstones for many artists. It is as important to have connections to the people in charge of the playlists owned by the streaming platforms as it was to the radio (PopKing 2022).

Streaming services such as Spotify are dissatisfying to musicians in terms of revenue. This leads to the fact that several stakeholders in the music industry have tremendous power compared to those who create music. In the early days of streaming, it was considered only as a possibility to divide labels sources of revenue and to prevent piracy. (PopKing 2022.) But since those days it has become the most significant money stream of independent record labels (Bonini & Gandini 2019).

YouTube pays significantly less to the most popular streaming service Spotify as can be seen from the FIGURE 4. Spotify is in the top 3 of worst paying streaming services even though it is the most popular globally. It also states the percentages of how big market share of the global streaming each of the companies hold. Spotify, being the biggest, holds almost half of the whole market share based on streams. The combined market share of other streaming services than the ones stated in the FIGURE 4 hold only 4.6 percent of the market share.

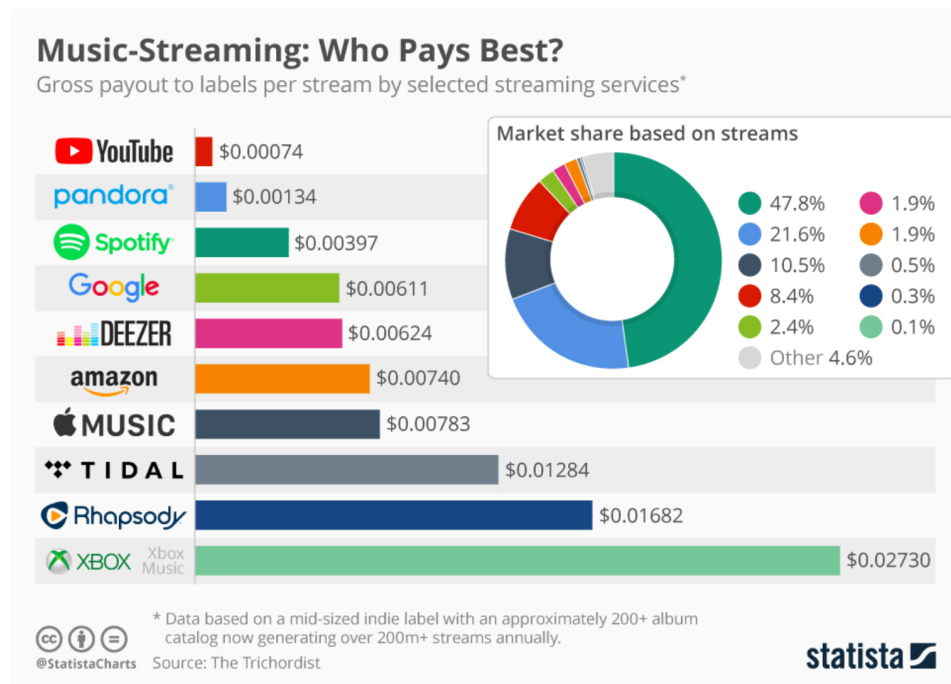


FIGURE 4. Music-streaming: Who pays best? (The Trichordist)

Publishing albums on streaming services can be only a marketing strategy for some labels and artists (PopKing 2022). It is a way to promote the music with only the income of advertisements and streaming royalties. This promotion is aiming to get the listeners to buy a physical copy of the album. The purchase usually provides more intimate feeling of supporting the artist than just streaming (Mewton 2010). In a lucky scenario streaming can make a viable revenue but most importantly it is a promotional tool. (PopKing 2022.)

The social media channels and streaming platforms enable a quick way to success. Getting a track to be viral on TikTok can be a breaking point for an artist's career. These sort of fast buck successions do not offer a steady career after the viral song is forgotten. Labels on the other hand tend to focus more on a long-term career and they think what the next move after the fuss is gone (Pastukhov 2020). Labels are not the gatekeepers of the business anymore, but they help artists to sustain and develop their career (Bernardo 2013).

The industry is heavily based on streaming because of its exponential growth (Pastukhov 2020). This means that there is still room and money for new ideas and new artists since the number of consumers is growing. The growth will eventually stop, and the focus cannot be about getting the new subscribers to generate

more streams (Pastukhov 2020). Even with today's battle to gain attention through digital releases it will get harder when the growth stops. But the music industry will find new ways as it always has (Sisario 2013).

2.4.2.1. Streaming Pay Structure

The amount of money paid by streaming services depends on many factors. Two of the main factors are subscriptions and advertisements. Subscription based streaming services can pay more per stream because subscriptions generate more money than advertisements per user. (Passman 2021, 173.) The reason why Spotify is paying less royalties than its competitors is that it has a popular free user option. By listening to advertisements and cutting back on some of its features it offers the same music for free. The advertisements generate far less money than a paid subscription. Even when the subscription price of 7 US dollars a month is the same as Apple Music has, Spotify must pay the royalties caused by the free users (Passman 2021, 266). As opposed to iTunes which sells individual tracks or albums with a fixed price the pay structure is based on completely different things (Sisario 2013).

ARPU which means average rate per user is a term used to describe this difference (Passman 2021, 267). Spotify has a smaller ARPU than Apple Music which we can also see from FIGURE 4. YouTube has the smallest average rate per user because it has been offering its services for free for a long time and just few years ago it introduced its subscription-based version (Passman 2021, 267).

Passman (2021) explains the DSP pay structure in the following way. The total revenue of the DSP is calculated by adding subscription and advertisement revenues together. Those are the main sources of revenue of a typical DSP. The share of each artists' streams is calculated from the total amount. This share is reported in percentages. If one label has distributed multiple artists to the DSP, the share of the label is all the streams of the artists combined. The combined share of the label is taken from the total revenue of the DSP. Depending on the contract between the label and the DSP, a percentage of this amount will be paid

to the label. (Passman 2021, 264.) In these deals between the label and the digital service provider the DSP often tries to keep around 30% from the revenue owed to the label (Cooke 2016, 8).

From the royalty received by the record label the artist gets their share. For instance, if a subscription based streaming service pays the record label 4500 US dollars per 1 million streams. The artist having 17% share of the royalties gets about 765 US dollars per 1 million streams. (Passman 2021, 265.) If the label is counting on generating enough revenue to work, it must have a tremendous number of streams. Therefore, most indie labels consider distribution to streaming services as a tool for promotion. Many artists have gotten attention because of streaming platforms and through that attention they have been able to sell a lot of physical records. (Barracco 2014, 31.)

When a DSP is founded, they must make deals with record companies and master rights holders to be able to use the licenses of the masters (Mewton 2010). Passman states that these master licenses are usually sold by making a contract for a few years. Because there is no guarantee about money in the beginning of any company, the freshly founded DSP pays advances for the licenses (Passman 2021, 172). If the advance was paid but the share of the record label was not as much as the advance in the period of the deal, the label does not have to pay it back (Passman 2021, 173). That is the risk the DSP must take. The money left is called breakage. The breakage is usually split with the artists and the record label. The way the money is split depends on the contracts of the label.

2.4.2.2. Video Streaming

Video streaming means when a video is uploaded to a video streaming website such as YouTube the user can select a video and watch it at any time they want. If copyrighted music is used in these streaming services royalties must be paid to the holder of the master rights. YouTube holds a great deal of streamable music via videos uploaded to the platform. IFPIs research estimated that during the year 2017 45 percent of streamed music was through YouTube (Antal 2020). The most watched genre of videos in YouTube is music (Liikkanen & Salovaara 2015, 1).

If music is used in video streaming the record label gets the same percentage as in normal streaming. There is a difference if the video is made by the label or if it is user generated content. Meaning content, a fan or whoever consumer of music makes a video and uses the master of a track owned by the label. The record label gets less royalties if they make the video themselves, since they own the masters and can exploit the music without paying for it (Passman 2021, 174). If a cover is made and uploaded to video streaming service, it does not pay any master rights royalties since it is not using any masters. The writer of the music gets the royalties if those rights have not been sold or licensed.

2.4.3 Digital Sales

Digital download is music digitally transferred to an end device such as a smartphone or computer for later consumption. Online stores and streaming services like iTunes and Spotify offer this sort of services. Digital download is different from streaming and does not pay royalties in the same manner. (Passman 2021, 162.) iTunes was one of the first successful online stores that provided these services, and it changed the course of music business at its time (Mazierska, Gillion & Rigg 2019).

There are two types of digital downloads. The two types are permanent downloads and tethered downloads (Passman 2021, 171). Permanent downloads are offered by online music services like iTunes when selling a track or full album. The user can listen to the music without any limitations with the exception that it cannot be commercially used. Tethered downloading is something that streaming services like Spotify offers to download music for listening without an active internet connection. But it can be listened only if the subscription is still valid. Passman (2021) states that usual deals with stores that provide permanent downloads split the retail price 70% to the label and 30% to the online store. The artist gets an agreed royalty rate from that 70% share of the label. From tethered downloads labels are paid the same way as if they were streams. (Passman 2021, 172.) Permanent digital sales are not a big part of any record labels business anymore. The importance of them has dropped significantly since streaming got popular. iTunes and other digital marketplaces for music helped the industry to get partly

rid of piracy and shifted the way towards paid streaming services (Mazierska, Gillion & Riggs 2019).

2.4.4 Physical Sales

Indie labels are responsible for selling more physical music in comparison with each of the majors (Leni 2020). The overall amount of sold physical recordings has risen in the recent years. Even the forgotten format of CD is being rediscovered. The physical music was one of the first ways to monetize music in the early days of the music business. (Davie 2021.)

The physical album sales had risen between the years 2020 and 2021 significantly as FIGURE 5 shows. The total global album sales had risen 12.6 percent compared to the year before. The digital album sales on the other hand are in hard decline. In only one year the sales of digital albums dropped by 26.8 percent. The sales of CD's which has been in decline since the digitalization have risen in the past years. From FIGURE 5 it can be seen that CD album sales have risen 2.2 percent in the year 2021 compared to the year 2020.

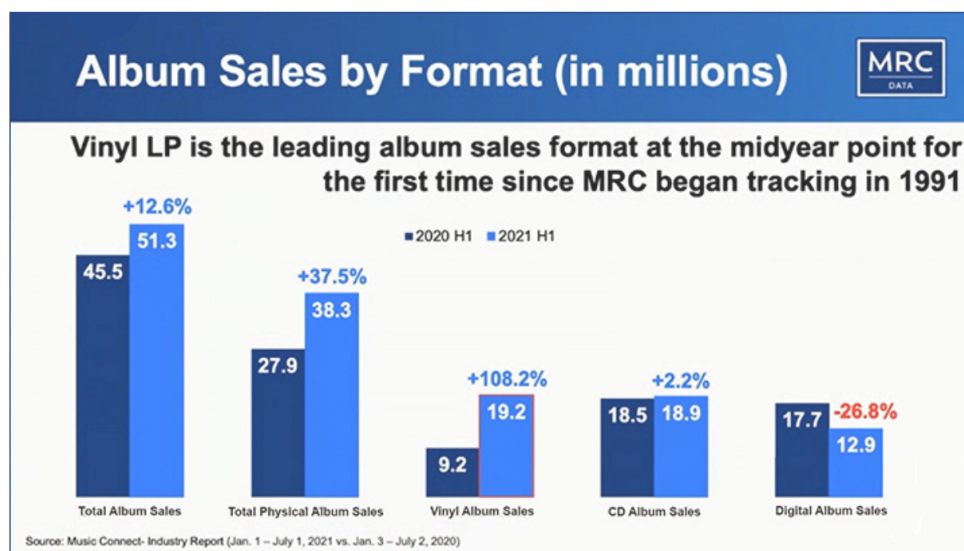


FIGURE 5. Album sales of 2020 compared to the sales of 2021 (Davie 2021)

Live concerts are important for the physical record sales and promotion especially for independent record labels. Due to Covid-19 pandemic the cancellations of concerts have brought the selling of physical records so much down that it makes

it an uncommon source of income for indie labels. Which has led to the importance of streaming music. The simplicity of streaming pumps up the throwaway society of the pop-music. It is harder to create something that will last longer than a hit song trending for a month. (PopKing 2022.) The rising vinyl sales keep up the concept of an album. Even major pop stars are releasing full albums on vinyl which. (Appiah, Dong & Sarpong 2016, 115.)

2.4.5 Concerts, Ticket Sales and Touring

The live side of the music business seems to be intact from the negative effects of the internet age. The business has grown to be bigger than it has ever been because of the increasing accuracy of online marketing. The turnover of live music business is predicted to almost double by the year 2030. Even when many labels went bankrupt because of piracy the sizes and prices of concerts and festivals went up. New festivals were introduced that got popular and gained audience quickly due the easiness of marketing to the younger generations through internet. These festivals saved that part of the business. Saving many indie labels from what seemed like an inevitable doom. (PopKing 2022.) For indie labels organizing evenings with a line-up that consists of its own artists is a great way of promotion. Live music is still considered the best way of promoting new music. (Ditto 2020.) Seeing a band play live is always an intimate way of listening to music.

Traditionally venues are booked by promoters who invest their money in the show. They pay the rent of the venue, market the concert and make all the bookings and payments. It has become more common for the venue owners to cut the middleman and start renting out the venue straight to the artists and labels (Passman 2021, 430). This way they can offer more money to the artist. This makes the label responsible for the work of the promotor, organizer, and marketer.

Instead of traditional music venues it is good to keep in mind that fairs and other public happenings pay decent money for artists to perform (Passman 2021, 430). Performing arts centres like auditoriums in smaller county's want occasionally to have musical acts. These events are likely to have some audience even if the artist is not well known due to the lack of concerts in smaller places. These sorts

of happenings are good especially for independent record labels to promote their artists because of very tiny risk is involved.

2.4.5.1. Tour Support

Starting bands that do not have a fanbase or a big audience do concert tours without having any profit. They might even lose money doing it. As stated before, touring is a massive tool to build visibility for a band. So, it works as an investment in hope for more streams and sold albums. (Goldstein 2016.) That loss can be covered by a record company. This money is called tour support. Passman (2021) states that major record companies can afford to pay 50 000 to 100 000 US dollars and independent labels anything between 0 to 15 000 US dollars. There might not be a predetermined amount in the contract between the artist and the record label. The specifics of tour support are often discussed and agreed during the artist's tour instead of agreeing about it beforehand. The record labels often are willing to give more tour support against a bigger share of future tour incomes. (Passman 2021, 203.)

The tour support is recouped by the artist (Goldstein 2016). Meaning they usually pay back the full amount of money from their royalties to the label. This varies from contract to contract and country to country. Passman (2021) States that contracts that offer tour support are often 360 deals. Tour support is given against accurate accountings. The label does not want to pay the new equipment purchases or any other purchases if they are not vital for the tour. When an artist signs to a label the possibility of tour support is mentioned but no details are discussed. It is based on the judgement of the label to say yes or no to any request considering tour support. (Passman 2021, 204.)

2.4.6 Merchandise

Merchandise means clothing, accessories and items associated with bands or labels. They are sold to fans and supporters to have a physical thing of one's favourite band or label. With the downfall of physical album sales and the rise of streaming, it has become a significant part of business (Passman 2021, 455). Merchandising is a good way of earning additional income for a label. Labels

have different sort of deals about merchandising. Some labels do not take part in their artists merchandising. It can be easy to manage with not much effort. If overseeing the merchandising takes too much time and resources but there is a clear demand for it, it is possible to outsource to a merchandiser (Ditto 2020). Labels can also create label focused merchandise. Items with the labels logo or name written on it can be a good way of raising awareness about it. Creating physical items about a label can create a good surface for the fanbase to grasp on (Ditto 2020).

PICTURE 2 shows how all types of merchandises were made of the band Beatles. Banners, shirts, miniature figures, lunchboxes and even trays were made with pictures and name of the band. Typically, fans would buy these products to show their friends that they like and support the band. Beatles was one of the first bands that showed how much revenue can be created through merchandising.

In his blog Gelinas (2020) states that the manager of Beatles Brian Epstein sold the rights for merchandising of Beatles only for 10 percent commission which has been later considered a mistake. The buyer of the rights then made subcontracts with manufacturers and other merchandisers and worked only as the middleman collecting profit and giving only that agreed 10 percent to the band and its management. (Gelinas 2020.) But of course, the business of merchandising was new at the time, and no one could predict its true potential.



PICTURE 2. The Beatles merchandise from the 1960s (Gelinas 2021)

If a band gets famous the listeners often feel the need to own something physical to express their support. The three main types of merchandising are tour merchandising, retail merchandising and direct to customer merchandising (Passman 2021, 455). Labels do not always take part in bands merchandising but it is a valid stream of income for some labels.

When using photographs or other types of visual art on the merchandise it is important to be aware of the copyrights. Usually, a flat rate fee is charged by the visual artist to have the right to exploit their art (Passman 2021, 463). But it is important to remember that some visual artists might want royalty from each press of the artwork. Some merchandisers will pay for the artwork as an advance (Passman 2021, 463).

3 METHODOLOGY

The purpose of this study was to gain information on the sources of income of different independent record labels. I chose to conduct qualitative research with five interviews. The research was conducted using semi-structured interviews. This indicates that the questions were the same for everyone, but not necessarily in the same sequence, and the replies were not confined to the questions asked. (Hirsjärvi & Hurme 2000, 47-48.) 15 questions were asked from the interviewees which are found in the APPENDIX 1. The interviewees stay anonymous, and therefore there is no interviews in the appendix in the public version of the thesis. In the sections 4 results and 5 analysis these interviews are the references for the writings.

The validity of a measuring technique reflects how efficiently it measures the property of the phenomenon under investigation (LoBiondo-Wood 2014, 289). The technique was to conduct interviews with the industry professionals. This method gives a great insight to the current situation of the industry. It provides information from people who are currently and actively working hands on in the researched field. The problem that occurred was that the sampling size was not as great as it could have been. Conducting 5 interviews is not enough to get a full picture of the situation. The fact that one of the interviewees was from a different country seemed like a problem to the validity of the research at first but after conducting the interview the answers gotten were completely applicable to the study.

The reliability of a meter reveals how consistently and reproducibly it measures a decided phenomenon (LoBiondo-Wood 2014, 289). The problem when interviewing human beings especially about their businesses is that they can withhold the truth and tell things that seem better for them. This is a risk that must be taken when conducting interviews. Even if the interviewees would vow to tell the truth they might alter it to make them, or their company look better. This is a problem in the method when considering the reliability of it.

3.1 Research and Design

My goal was to conduct ten interviews with independent record label employees from different countries. I ended up contacting around 40 labels from which seven answered agreeing to be interviewed. From these seven I interviewed five because two of them did not respond to any messages when the interview was supposed to be conducted. I would have preferred to conduct more interviews but unluckily I did not have the resources to contact more independent record labels.

The interviews were conducted between 18.03-24.03.2022. They were conducted via Google Meet sessions and phone calls. The audio of the interviews was recorded on my personal computer, and I promised anonymity to the interviewees and their companies. From each interview I wrote the relevant points to this study and compared the results to analyse to get reliable and usable data. The lengths of the interviews varied between 25-45 minutes.

4 RESULTS

To protect the respondents' identities, I will refer to them as label A, label B, label C, label D and label E. Since Finland is not a big country with a rather small music scene, I cannot state certain things which can make the text somewhat cryptic.

All labels shared the similar vision of helping their artists grow. Opposed to the major labels their priority was not to make money with the art created by the artist. Their priority was to produce and release music that they like and feel like deserves more attention. All the interviewees were happy to answer the questions asked and thought that it is an important subject to research.

The labels seemed to agree that one of their goals is to be self-sufficient and work as a steppingstone for the artists to build up their career. The main point of the labels is to promote talent instead of being a profit driven business. It is important to promote and get attention for good music instead of trying to give the artists pointless attention. Most of the interviewees told that they would not try to hold back an artist signed to them if a bigger label is interested in them. Of course, like any business they want to grow their revenue, catalogue of music and artists and released music. These goals seem to be common with most of the independent record companies.

4.1 Background of the Labels

Label A has two offices in two cities of Finland. It was founded in the latter half of 2000s. It has about 10 full time workers who are responsible for dealing with different tasks in the label. Label A has 20-40 published artists per year. During its years it has published works from more than two hundred artists. Label A is not focused on certain genre or style but considers itself to be a representor of alternative music. Label A described itself as a rather big independent record label.

Label B is located in the capital city of Finland. It was founded in the beginning of 2010s. There are two employees from which one oversees the productions, signing bands and the artistic side and the other handles promotion and marketing. They both work part-time for the label, and it is not their main source of income.

The label is focused on a specific genre and does not have a lot of listeners nationally, but it has gotten good international attention. It manages 10-15 artists simultaneously. Label B likes to keep the focus on the quality and not the quantity even though a lot of demos are sent by artists in need of representation. It described itself as a very small independent record label. But on the other hand, they have almost the monopoly over the genre they are releasing.

Label C recently moved their office from a smaller city to the capital. They moved because they felt like it is a better place to practise their business and it has more possible networks and opportunities to offer. It was founded in the latter half of 2010s, so it is rather a fresh label. Label C has three entrepreneurs who work tightly together from which none of them are officially on the payroll. Two of the entrepreneurs focus on the production of music and the third tries to handle all the bureaucratic tasks and networking. It manages 5 artists currently. Label C described itself as a starting label since it has goals of international succession, so they feel like they are just in the beginning.

Label D is located in the capital city of Finland. It was founded in the beginning of 2020s. There is only one part-time employee. It currently manages 5 artists. The label has released two full length albums, one ep and fourteen singles. Single releases are not to be underestimated since they take a lot of marketing and promotional resources. The label has a multipurpose record store that is an important part of the image. It works with genres that are more underground or artists that are considered to be so. Label D described itself as a small, efficient and controllable independent record label.

Label E works in the United States of America. It was founded in the latter half of 2010s. The label has five full-time employees to handle different sides of the business. Label E has 10 active artists at the moment. They have managed and released more but since the label has grown, it was not reasonable to keep some of them anymore. It does not focus on any specific genre, but it releases mainly alternative music. The label described itself as a decent sized independent record company.

5 ANALYSIS

5.1 Current State of the Labels

Four of the interviewed labels were from Finland and one from the United States of America. All the labels work internationally. Considering the answers there did not seem to be any major differences between the two countries. The basic principle of working as an independent record label stays the same. There might be differences in the customs of handling things. The differences do not interfere the analysis.

All the labels were founded in from the late 2000s to 2020s so all of them are rather relevant to the study. One of the labels' catalogues of music was greater compared to others which is a stream of income unavailable for the rest of the interviewed. All the labels have similar standing point in the business except for label A which is the biggest of the interviewed labels. They have more resources to invest in different kinds of businesses. The interviewees of label D and label E have ten to twenty years of former experience from working on other independent record labels.

The interviewees were either founders or co-founders of the label they worked in. They handled multiple areas of work in the label. Promotion, marketing, managing, accounting, domestic and international sales, signing new artists, artistic directing and visual appearance were some of the fields mentioned. Some of the labels did not have clear titles for the people working in them because most of the employees handle multiple sides of the business. This seems to be common for independent record labels.

Except for label B, all the other interviewees were not responsible for the music production. They mostly handled promotion, networking and other bureaucratic matters. As they handle those things, they also handle interviews like this one.

The main goals of all the labels were similar. They all wanted to take off the monetary and bureaucratic pressure from the artists they managed. So it would free

their mind from any business-related distractions to be able to focus on their creative work. Which is a benefit gained by the artist by working with a record label.

Label A was the biggest and oldest interviewed. The label has around 10 full-time employees plus a few part-time employees when help is needed. The second biggest was label E which had 5 full-time employees and the rest interviewed labels had 1-3 full or part time employees.

The core idea of hiring more people is that when one is working as much as possible until it is not sensible anymore. Then hiring someone to help with the areas that take the most of human resources or areas that seem like they could benefit from more attention. Trusting someone new to share an intimate business idea might be a challenge for starting labels.

Hiring a full-time employee to work at a label must be carefully thought. Hiring people for a small or starting label is not easy. The label usually cannot afford to offer a steady pay check in exchange for one's work. The people hired must have other than monetary interested because the industry often does not offer a steady pay, even for successful artists or labels. Therefore, instead of steady paychecks percentages of the profit are promised. This works as a motivational tool to try to grow the business and that way it provides a better pay for everyone.

Most of the interviewed labels outsourced some of their tasks to a third-party company depending on the project. If they did not have the time or needed another type of professional perspective to handle jobs like marketing, promotion, creating visuals for a release or distribution, they hired someone else to do it. Always, if possible, they all try to do as much as possible themselves to have control of decisions and to carry out their vision.

5.2 Sources of Income

The point of this study was to find out what are the different sources of income for independent record labels and how do they work. This section will first go through the findings what are the different sources found out from the interviews.

After that it will explain the importance of them from the perspective of the interviewees.

The sources found were royalties from radio and streaming, physical sales, sync licensing, grants and for one of the labels outsourced productions from major labels. Some of the labels saw more importance on areas that some of them did not. The interviewees were asked what their sources of income are.

There is no clear structure for a label to form their money flow. There is not just one business model. Many the founders of indie labels start the business in the hopes of promoting talent and culture. This sort of approach can be difficult to monetize. Of course, there are labels that have only monetary interests in the business but none of the labels interviewed were.

5.2.1 Streaming Royalties

Streaming royalties is one of the main sources of income during this age for everyone releasing music. The physical record sales have dropped because of the digitalization and the digital album sales due to piracy. Almost all the interviewed labels agreed that it is a very important stream of income apart from label B with its marginal music. It is not often consumed via streaming platforms. All their releases are distributed to DSPs, but they do not generate much revenue.

Getting on a popular playlist in major streaming services such as Spotify or Apple music can bring a huge load of streams for a certain track or artist. It is important to have good connections to the people managing those playlists. Even if a track ends up on a popular playlist does not mean the artists future is set. Songs are easy to skip and the streaming of one track does not mean a loyal fanbase or steady streams.

Streaming royalties is the steadiest source of income for the labels. It being the steadiest does not mean it is steady. The number of streams is dependent on successful marketing and promotion. It is a constant struggle to release songs

that will be streamed and generate enough income to be able to invest to future projects.

5.2.2 Radio

Three of the four Finnish record labels talked about the royalties earned through Gramex in Finland. Gramex is a copyrights organization that collects royalties every time a song is played on the radio (Gramex 2018). It is a significant part of the money flow to 3 of the interviewed labels. On its own it does not serve a big part of the incomes.

In Finland due to related rights licenses are paid by the radio. Gramex is the organization collecting the payments and distributing the money to the rightful owners meaning the artists. Getting a song on a Finnish radio's playlist can generate great money for a label. Getting on those playlists is rather tricky and the majors have an advantage compared to the independent record labels. Label E cannot get royalties from the radio since the related rights are not similar. There is no simple way to get money from radios or live performances through organizations like Gramex. The licensing of the music in that sense is often taken care by the record label itself.

5.2.3 Physical Sales

All the interviewed labels press physical records. The most used format of the physical releases is vinyl. Some releases are printed as CD's because it is predicted that the popularity of them is on the rise. The CD sales are not a significant part of the income of any label interviewed except for label B that has the distribution of one artist in Japan. The CD's sell there well.

Label B stated that most of the physical albums are sold during concerts and tours. The revenue is unpredictable because of the audience's response to the show. After a great show the sales might be great.

For label E the vinyl pressing is more like an art piece than a source of income. The label is happy if the physical record sales cover the costs of the pressing.

They stated that many of the artists like to have something physical pressed from their music.

This was the kind of approach common to some of the labels. It is not a great source of income, but it is an important part of the art of music releasing. The audience and fans like to have something physical from an artist they like. They are kind of a souvenir from the show with autographs of the artist.

One of the labels is sort of split in two. The first part being a regular record label which tries to make an income by signing new artists and selling physical and digital albums and much as possible. The second part is that it licenses master rights from already released music and makes a physical re-release in vinyl format. Selling these re-releases is the labels main source of income. There is a smaller risk in re-releasing an album that gained popularity already during its official release than releasing new music.

5.2.4 Sync Licencing

For most of the labels interviewed sync licensing seemed like an unpredictable source, but it can be a nice addition to the income. Now that the Covid-19 restrictions are dissolving, and the TV and movie productions are starting again there is more and more demand for sync licencing.

In the case of label B sync deals brought in the most income. The sync licensing of music requires the label to own both master and publishing rights. Licensing music to a big budget TV-show or film can be a major steppingstone for a smaller label. Music supervisors oversee music licensing in TV-shows, movies and videogames. They oversee the music selection of the production. Music supervisors work with labels and publishers to get all the licenses needed. (Masterclass.com 2021.) Label B works tightly with music supervisors around the world who are hunting for music to be synced with picture.

5.2.5 Touring

All the labels agreed that taking a part in their artist's touring income is not such a good idea. Some of the labels tried it and do not want to try again. Label E, if they see the potential, funds a tour of their artist if the band is missing resources to begin the tour. But otherwise, they do not take a part in the profits made.

Some labels tend to fund their artists tours more than others. The labels interviewed did not seem to be interested in funding the touring or taking a part on the ticket sales. Major recording companies have agencies under their company which help organize tours and book concerts for their artists. Many independent record labels do not have a booking agency that can organize tours and concerts due to the small size and only a hand full of artists. In the case of indie labels, it is easier to use a third-party booking agency.

Label D stated that when the covid-19 restrictions will allow events to be organized it tries to organize event with its label's artists. This is a great way to promote the label and its artists. It does not have to be profitable, but it would be great if it will cover the invested money. With the contacts of labels, it can be simple to organize small events like this which can turn out to be profitable but not only in monetary sense, but it can be effective promotion.

5.2.6 Grants

In Finland there are organizations such as Indieco, MES, Taike and Suomen musiikinkustantajat who help indie labels by giving them grants. Label B mentioned that they get grants from these organizations. It can help labels to start projects that seem like a big risk. The grant will reduce the risk of losing money.

Grants can be a great source of income especially for starting labels. Getting one can be though. There are a lot of applicants and a limited amount of money. The organizations giving the grants receive ten times more applications than they have resources to give. The amount of money depends on the grants and organizations. They can be work grants which means that they will pay a salary to the

employees. Other type of grant is a grant that is given for a purchase that needs to be done in order to complete a project or advance the business of the label.

Label B discussed the difference between giving grants to labels versus giving grants to independent artists. Grants are meant to improve the music and culture business of the country that the organizations are working in. If a grant is given to an artist that uses the money to make an album and then the artist will sign a publishing contract with a label from abroad, all the money goes to that foreign country. If the grant is given to a label the money is more likely to stay and generate money in the country that the label is working in.

5.2.7 Label C's Productions

If a major label is interested in the sound that a label is producing it can outsource the music production to a production team. In the case of label C, it is one way of financing their operations as a label. They charge a one-time payment for a production of a song from which they give all the rights to the major label. This provides significant resources for actions needed as a label.

This is a neat way of making extra income as a label to finance some risky ideas and releases. When the label is not dependent on its own releases success it can focus on the cultural and artistic perspective instead of the monetary success. It can be a great boost for the label since the sound they produce has grown interest in the major labels. It can bring commercial credibility to the label and confidence to make bolder actions.

5.3 Balance Between the Sources

For label A re-releasing music on vinyl, label B sync licensing, label C outsourced song production from majors and for labels D and E streaming royalties were the biggest sources of income. As one can analyse from these results, independent record labels have all the similar possibilities for income, but they all find their own way. Except for label A which has the resources to incest in licensing already released music for re-releases. A part of its business is also sharing the similar sources of income, but they generate less income.

There is not one right way to work as a label. There are countless of ways and the opposites for doing it. All but label A the labels share similar streams of income but the balance between them is different with each one. They all produce quality music that might not fit the mainstream, so they must find ways to keep the income stream steady enough to be able to produce more art.

5.4 Viability

One of the questions was about if they make a viable income from working in the label. The answers varied from label to label. It was dependent on a lot about the label's interests and goals.

Label A is built in the way that it can pay steady monthly salary for all its employees. Label B is a secondary job for the employees, but it would generate enough income to come by. Label C stated that they do not get salary from the label yet and it is not their priority. They go month by month and see if there is something left after re-investing some of the profits back to the label. In the case of label D, it is not the main goal to work full-time at the label. Though, if it would start producing a viable income, they would not mind working at the label their priority. Label E, after working with the label half a decade did not get a viable income until last year but now it can pay salary to its employees.

The business is a complicated puzzle. First, the artist must be interesting. Second, the songs must be good and well produced, Third, one must have a complete product with an interesting story. Fourth, Getting the attention requires smart and efficient promotion especially with limited resources. There is always an element of luck involved. Meaning one must be at the right place at the right time.

For making “actual” money one must have mindless number of streams. Harshly, one must get one’s music heard and sell enough records. The produced material must be interesting enough to attract attention. Albums and other types of products must be released all the time. Even just a month’s pause means that the company will be out of money in two months.

There is the perspective of producing only hit songs to make money. Opposed to that, these labels try to invest in the cultural aspect of creating music. That being the reason why many of the labels do not hold value over the monetary interests of the label. That also being the reason not to be able to pay a viable income from working in the label.

5.5 Internationality

All the interviewed labels work internationally. With the internet and overall globalization, distribution and marketing must be matching international standards. Marketing releases in social media is easily international because it can reach everyone with access to the internet. The key factor is how to find the right channel and how to reach out to another country's audience with another type of culture. The challenge of the international market is that it is so over flooded. Even with a great artist, promotion and marketing can pass easily unnoticed.

If the label has an international distributor, perhaps owned by a major label, it handles the distribution in other countries as well. If the label did not have an international distributor, they collaborate with either the local labels, promoters or distributors of the designated country to handle the market. The audiences of smaller alternative genres are scattered all over the world, so it is important to find them from every corner of the world.

If a label wants to work internationally it should have local partners in those countries. They should contact press agencies to expand their network to local markets. For instance, if a label sends email to a radio host for them to play a song, the song will most likely be overlooked. Having a local press agent with a valid network pumps up the chances of having one's song played on the local radios. Having press agents promoting for a label is not cheap. It requires a lot of monetary resources which most of the independent record labels struggle to have.

5.6 Collaboration

All the interviewed labels collaborate with other labels. 3 out of the 5 interviewed collaborate with major distributors that are owned by the majors. Outsourcing the distribution allows the labels to focus more into the produced material. The labels also use booking agencies to help with tour organizing.

Label D is making press releases for other labels and artists. Helping them out to pick out singles, promotional pictures and creating a story for releases. This helps to keep and expand the network and generate some income. Indie labels in Finland collaborate tightly together by buying services and helping each other's.

Label C collaborates with major record labels. The collaboration is practically getting financial support from the majors and splitting the profit 50/50. The advance gained from this sort of deal comes from the connections that the majors have, and the indie label can keep their artistic freedom. The connections make sure that the person one is trying to reach out takes them seriously and gives the needed attention.

5.7 Effects of the COVID-19 Pandemic

The purpose of this study is not to research the impact of the covid-19 pandemic and its effects on the independent record labels. After conduction the interviews, it seemed like a good idea to reveal what opinions the interviewees had about it. This study will not go in depths in this subject, but it feels too relevant to be left out.

In the case of label B, it has given opportunities to meet people and get more attention through web seminars and online meetings. The focus and perspective of those meetings is different and less of a hassle than regular showcase festival. It has not affected to the releasing of music even tough release shows have not been able to happen. Some releases have had more attention through radio plays and reviews since people have had more time to listen to radio, review music and read articles. Artists have had more time to finish their works and are sending them to labels in larger numbers than before.

Label A stated that due the pandemic consumers of music have had more money to spend on ordering physical releases and time to listen to streaming services. In their case, it has been good since they are focused on vinyl sales. It has been harder for the newly signed artists, but the re-releases are doing great.

Covid-19 pandemic had the biggest impact on touring. If artists were counting on getting attention by playing concerts they were most likely ignored by the consumers. It needed creativity and hard work to make it happen online. The artists that managed to build a big online audience are now the ones getting the best touring spots. It also took the engagement of indie bands to a new era. The ways of making an online presence developed rapidly since there was almost no possibilities to physically interact.

5.8 Future of Indies

In the 2002 the market was tougher due to piracy. The internet era has given the indies a lot more opportunities. Artists can do a lot more on their own now. The industry used to be more traditional with a lot of gate keepers holding artists and labels back. The importance of the record labels is seen in the network they can provide for the artists. Without the network to promote their music it can be completely ignored even if it would be original, artistic and great sounding music.

The extinction of albums has been predicted for a long time and it has partly happened in the genre of pop music. Most of today's mainstream pop music is released as singles. These singles can be marketed as much as an album release. If an album is released most of the songs will be left with fewer streams than the singles since singles are marketed more and not so liked tracks are easy to skip. But in the heavy and alternative music the concept of an album is very much alive. In that scene of music physical albums are bought and listened as a whole.

Now that the vinyl pressing takes from six to nine months and CD printing only 2 weeks, labels start to print and sell CDs in their shows. The majors have started to press massive amounts of vinyl which makes it difficult for the indies to press

any. The vinyl comeback is a great example of the power of indie labels. The majors stopped pressing and made it more difficult for the indies, but they kept on going. Now the majors are back at it and the focus of the indies must turn to something else. The major record labels are printing so much vinyl that it causes long waiting times for the customers.

There are multiple ways of consuming music. Different generations tend to have similar style of consuming. People who lived their youth in the vinyl era tend to consume music via vinyl. Millennials who grew up with mobile phones in their hands with the access to the internet stream music constantly. Even cassettes came back in some genres and scenes. They are all right ways of consuming it. The market is shifting to unknown directions which are impossible to predict. The channels of social media that are popular and good places to market and promote music change rapidly. Trends tend to shift from extreme to another and the majors follow. Indie labels follow their vision and react by instinct.

6 DISCUSSION

In this thesis I have presented common sources of income for independent record labels. It shows that the sources change with technological advancements. Digitalization making the biggest impact on the industry in the recent years. The industry is still recovering from the losses caused by piracy and trying to find new ways of consuming music that would not be unprofitable for the artists and labels.

There are plenty of ways and their opposites to make an income as a record label. By the looks of it, none of them is easy. The 40% of the music industries revenue is teared to pieces by independent labels and artists trying to come by. There are no clear answers for questions like should an artist sign to a major or indie or should the artist stay independent. Music business is a business like any other. Businesses want to grow, and everyone wants their share of it.

Further research of this subject should be done in greater depths. The length and requirements of the bachelor's thesis are not sufficient to cover the subject. The futures technological advancements will bring new challenges and perspectives for further research. This research will get old very quickly due to the fast development of monetizing music and technological advancements.

Practical research should be done from this subject to get further reliable information. A plan should be made based on materials such as this. This plan should be tried out and documented. It should involve monetary resources and content to market, promote and release. This sort of research is hard to conduct with the risk of losing the invested money even if it is planned well. It would need an investor who is interested in the subject and ready to take the risk. This risk is the risk for everyone investing in music. The reliability and validity should be carefully thought out.

The important sources of income for independent labels based on the information gathered from the research are royalties from streaming and radio, physical album sales, digital album sales, sync licensing and grants. The importance of them

is the order mentioned in the earlier sentence. The significance, priority and differences are dependent from label to label since they all have their own ways of working.

These sources of income in this order are tied to time and technology. New technological advancements will change the business as it has for the past at least 100 years. New ways of consuming music will determine the value of it given by the consumers. These changes apply to the whole industry. Major and independent record labels will have to improvise, adapt and overcome new challenges as they arise.

Getting a steady viable income from working in the music industry can be hard. Maintaining an income and keeping great artistic freedom might be opposites of each other in some cases. There are factors like creating content that is currently trending and monetizing all of it with the maximum force which can generate income more easily. This means giving up the artistic freedom, following the current trends and following statistics. Maintaining a business and not prioritizing on generating revenue is a hard combination.

In some cases, the artistic freedom can bring new and exciting trends that will generate revenue enough to experiment with new artistic choices. Finding the right balance of business and art is important to discover to maintain creating content. As it is impossible to predict the future, a little luck is needed in creating and releasing music that does not fit the current ones. This sort of luck can be pushed forward by knowing the right people and being at the right place at the right time.

Splitting the resources of the label to different sources of revenue is needed to be done in order to gain a steady and viable income. The complexity of the business makes it almost impossible to be dependent on one certain source. If a label is dependent on one, it is vulnerable to bankruptcy if something happens to that source. Generating some money from a few sources will add up to be bigger in the end rather than focusing on one.

If this thesis would try to give an answer to the question, is it possible to earn a viable income from working in an independent record label, the short answer would be no. The long answer would involve more research, but it can be said that with the right tools and a bit of luck it is possible to make music that has cultural and artistic value and make a living out of it.

The industry is suffering from over flooding upload of content. All the streaming platforms are constantly getting new music, the vinyl pressing factories are jammed with orders and new labels are popping up daily. The most recent form of marketing is promoting content over social media channels. These channels are filled to the top with advertisements of labels and independent artists to listen and check out their newest releases. Most of them are ignored by the consumers since there are so many of them. If, by any chance the music is listened by the consumer it most likely will be skipped after the first 7 seconds. If it does not intrigue the listener enough the music is forgotten, and it is as easy to find new.

The biggest challenge of today's music industry is not creating artistic, original and great music but it is to get the listeners interested. First the release must gain attention and second there must be a way to monetize it in order to compensate the invested money. When it comes to indie labels creating original content is the number one priority and money comes second. That is what makes the industry hard to work with.

REFERENCES

- Antal, D. 2020. Music streaming: Is it a level playing field? Released on 11.01.2020. Read on 07.05.2022. https://ueaeprints.uea.ac.uk/id/eprint/79531/1/Accepted_Manuscript.pdf
- Appia, G, Dong, S, Sarpong, D. 2016. Vinyl never say die. Released on 2016. Read on 16.05.2022. <https://bura.brunel.ac.uk/bitstream/2438/14250/1/FullText.pdf>
- Barracco, F. 2014. The indie revolution – past present and future prospects of independent recording companies. Released on 14.02.2014. Read on 17.04.2022. [https://www.academia.edu/6721121/The Indie Revolution - Past present and future prospects of independent recording companies](https://www.academia.edu/6721121/The_Indie_Revolution_-_Past_present_and_future_prospects_of_independent_recording_companies)
- Bernardo, J. 2013. Doctoral dissertation. The impact of disintermediation on independent music business models. Released on 2013. Read on 13.05.2022. [https://repositorio.ucp.pt/bitstream/10400.14/22185/1/FranciscoBernardo_Dissert MGIC 2013.pdf](https://repositorio.ucp.pt/bitstream/10400.14/22185/1/FranciscoBernardo_Dissert_MGIC_2013.pdf)
- Bonini, T. & Gandini, A. 2019. Platform gatekeepers and the platformization of music curation. Released on 21.11.2019. Read on 2022. <https://journals.sagepub.com/doi/full/10.1177/2056305119880006>
- Buskirk, E. 2010. Music revolution forces major label EMI to evolve. Released on 18.06.2010. Read on 17.04.2022. <https://www.wired.com/2010/06/music-revolution-forces-major-label-emi-to-evolve/>
- Callahan, L. 2003. Master thesis. Creating an independent record label. Released on 21.11.2003. Read on 15.05.2022. <https://digitalcommons.fiu.edu/cgi/viewcontent.cgi?article=3185&context=etd>
- Christman, E. 2015. SESAC buys Harry Fox Agency. Released on 07.07.2015. Read on 10.05.2022. <https://www.billboard.com/music/music-news/sesac-buys-the-harry-fox-agency-6620210/>
- Cole, T. 2010. What exactly is a 360 deal. Released 24.11.2020. Read on 18.04.2022. <https://www.npr.org/sections/therecord/2010/11/24/131574836/you-ask-we-answer-what-exactly-is-a-360-deal?t=1650279435162>
- Cooke, C. 2016. Report. Dissecting digital dollar. Released on 2016. Read on 12.03.2022. https://themmaf.net/site/wp-content/uploads/2015/09/MMF_DDD-Part-Two_Full-Report_Web.pdf.pdf
- Davie, O. 2021. Physical music sales actually went up in 2021. Released on 08.09.2021. Read on 18.04.2022. <https://www.hypebot.com/hypebot/2021/09/physical-music-sales-actually-went-up-in-2021.html>

Ditto. 2020. Blog: how independent record labels make money. Released on 15.01.2020. Read on 18.04.2020. <https://dittomusic.com/en/blog/how-independent-record-labels-make-money/>

Duncan, L. 2020. How do record labels make money. Released on 29.12.2020. Read on 06.02.2022. <https://www.musicindustryhowto.com/how-do-record-labels-make-money-we-reveal-all/>

Fountain, T. 2021. The evolution of the music industry. Released on 13.09.2021. Read on 14.04.2022. <https://www.forbes.com/sites/forbesbusinesscouncil/2021/09/13/the-evolution-of-the-music-industry---and-what-it-means-for-marketing-yourself-as-a-musician/?sh=69e7b409297a>

Gelinas, J. Blog: Merchandising the beatles. Released on 17.12.2020. Read on 06.05.2022. <https://msmokemusic.com/blogs/mind-smoke-blog/posts/merchandising-the-beatles-updated>

Gervais, D. 2018. Related rights in the United States Law. Released 06.2018. Read on 10.05.2022. https://www.ivir.nl/publicaties/download/AMI_2018_6-2.pdf

Goldstein, J. 2016. How to get tour support from your record label. Released on 10.07.2016. Read on 16.05.2022. <https://performingbiz.com/get-tour-support-record-label/>

Gramex. 2022. Released on 2022. Read on 17.04.2022. <https://www.gramex.fi/taiteilijatjatuottajat/>

Gramex. 2018. Released on 19.10.2018. Read on 13.04.2022. <https://www.gramex.fi/portfolio-items/gramex-palvelee/>

Grey, A. 2021. History of independent record labels. Released on 18.05.2021. Read on 26.02.2022. <https://playalonerecords.com/blogs/news/independent-record-labels>

Harryfox.com. 2019. History of Harry Fox agency. Released on 2019. Read on 10.05.2022. <https://www.harryfox.com/history>

Hirsjärvi S. & Hurme H. 2000. 4th edition. Tutkimushaastattelu. Teemahaastattelun teoria ja käytäntö. Helsinki: Helsinki University Press.

Kennedy, R. & McNutt, R. 1999. Little Labels – Big Sound: Smaller record companies and the rise of American music. Indiana university press. Released on 1999. Read on 13.05.2022. https://books.google.fi/books?hl=fi&lr=&id=CIKqb1VxmUkC&oi=fnd&pg=PR7&dq=History+of+independent+record+labels+1940&ots=s2LzzRKEJc&sig=2p_wBmSTwPQy7OgXlq6V9QmEv4g&redir_esc=y#v=onepage&q=History%20of%20independent%20record%20labels%201940&f=false

Lebrun, B. 2006. Major and independent record labels: France and Great Britain 1960-2000. Released on 2006. Read on 12.05.2022. <https://www.cairn->

int.info/article-E_VING_092_0033--major-and-independent-record-labels.htm?contenu=resume

Leni. 2020. Owning your masters. Released on 15.10.2020. Read on 29.01.2022. <https://www.amuse.io/content/owning-your-masters>

LII. 1934. Law. Visited on 26.02.2022. <https://www.law.cornell.edu/us-code/text/47/317>

Liikkanen, L & Salovaara A. Journal: Music on YouTube: User engagement with traditional, user-appropriated, and derivative videos. Released on 17.04.2015. Read on 16.05.2022. <https://www.cs.helsinki.fi/u/aksalova/publications/liikkanen2015-Music-on-YouTube%E2%80%93User-engagement-with-traditional-user-appropriated-and-derivative-videos.pdf>

LoBiondo-Wood, G. 8th edition. Nursing research: Methods and critical appraisal for evidence. Released on 2014. Read on 07.05.2022. https://books.google.fi/books?hl=fi&lr=&id=3tTsAwAAQBAJ&oi=fnd&pg=PA289&dq=reliability+and+validity&ots=JGiSEiJpXX&sig=equVD-N4JUdvoiyZKng2iD-NLmlA&redir_esc=y#v=onepage&q=reliability%20and%20validity&f=false

Mazierska, E. Gillion, L. Riggs, T. 2019. Popular music in the post digital age. Released on 2019. Read on 12.05.2022. https://books.google.fi/books?hl=fi&lr=&id=8998DwAAQBAJ&oi=fnd&pg=PA33&dq=difference+between+major+and+independent+record+label&ots=Uf-NTclzGCy&sig=edJZZo83qGMmVaK64GYbJduSLFU&redir_esc=y#v=onepage&q=difference%20between%20major%20and%20independent%20record%20label&f=false

Masterclass.com. 2021. What is a music supervisor. Released on 05.08.2021. Read on 12.04.2022. <https://www.masterclass.com/articles/what-is-a-music-supervisor#what-are-the-responsibilities-of-a-music-supervisor>

McDonald, H. 2019. Signing with an indie. Released on 27.01.2019. Read on 29.01.2022. <https://www.thebalancecareers.com/signing-with-an-indie-label-2460744>

Mewton, C. 2010. All you need to know about music & the internet revolution. Released on 2010. Read on 12.05.2022. https://books.google.fi/books?hl=fi&lr=&id=rjzHDgAAQBAJ&oi=fnd&pg=PT11&dq=Internet+music+release&ots=g611YwXMX&sig=ZN4i2bNT_PbsZSfLJcqNZQNmw4s&redir_esc=y#v=onepage&q=Internet%20music%20release&f=false

Music Business Worldwide. 2017. Sony merges The Orchard and Red Essential in the UK market. Released on 01.06.2017. Read on 12.05.2022. <https://www.musicbusinessworldwide.com/sony-merges-orchard-red-essential-uk-market/>

Passman, D., 2021. All You Need to Know About the Music Business. 10th ed. New York: Simon & Schister, pp.69-500.

Pastukhov, D. 2020. Blog: Splits and profits, record deals analysis. Released on 10.03.2020. Read on 16.04.2022. <https://soundcharts.com/blog/splits-and-profits-record-deals-analysis>

Pastukhov, D. 2019. Blog: mechanics of the music industry. Released on 07.01.2019. Read on 14.04.2022. <https://soundcharts.com/blog/mechanics-of-the-music-industry>

Perpetua, M. Universal Music Group Purchases EMI. Released on 11.11.2011. Read on 06.05.2022. <https://www.rollingstone.com/music/music-news/universal-music-group-purchases-emi-music-233091/>

PopKing. 2022. Music industry trends in 2021. Released on 01.02.2022. Read on 01.02.2022. <https://www.xclusivepop.com/music-industry-trends-in-2021/>

Reckard, E. 1996. MCA changes name to universal studios inc. Orlando business journal. Archived from the original on 15.02.2017. Retrieved 31.3.2018.

Riley, D. 2011. Bachelor thesis. Incentives for Creating Hits: Mechanical Royalties and Other Streams of Income for Popular Musicians. Released on 05/2011. Read on 14.05.2022. https://www.stern.nyu.edu/sites/default/files/assets/documents/con_042997.pdf

Roy, E. A. 2014. PhD thesis. British Independent Record Labels Memory and Mediation: Situating Music Objects in Physical and Digital Contexts. Released on 2014. Read on 13.05.2022. <https://core.ac.uk/download/pdf/153779276.pdf>

Savage, M. 2022. The global music market was worth 26 billion in 2021. Released on 22.03.2022. Read on 12.05.2022. <https://www.bbc.com/news/entertainment-arts-60837880>

Sisario, B. 2012. Google signs deal with Warner. Released on 29.10.2012. Read on 12.05.2022. <https://mediadecoder.blogs.nytimes.com/2012/10/29/google-signs-deal-with-warner-music-group/>

Sisario, B. 2013. New York Times article. As music streaming grows royalties slow to tickle. Released on 28.01.2022. Read on 16.05.2022. [https://condor.depaul.edu/~dmakagon/student/music industries and culture/Sisario As-MusicStreamingGrows.pdf](https://condor.depaul.edu/~dmakagon/student/music%20industries%20and%20culture/Sisario%20As-MusicStreamingGrows.pdf)

Songtrust.com. 2021 Music publishing glossary. Read on 16.04.2022. <https://www.songtrust.com/music-publishing-glossary/glossary-digital-service-provider>

Soundplate. 2021. The major labels – everything you need to know about major record labels. Released on 15.08.2021. Read on 26.02.2022. <https://soundplate.com/major-record-labels/>

Spotify. 2022. Read on 16.04.2022. <https://open.spotify.com/>

Teosto. 2022. Released on 2022. Read on 17.04.2022. <https://www.teosto.fi/usein-kysyttya/>

Townsend, D. 2011. History of rock. Released on 01.0.1 2012. Read on 29.01.2022. <https://www.history-of-rock.com/independent.htm>

Trauma, M. The rise and fall of major labels. Released on 2021. Read on 06.05.2022. <https://www.arkatechbeatz.com/the-rise-and-fall-of-major-record-labels/>

Villasenor, J. 2012. Issues in technology innovation, Digital music broadcast royalties: A case for a level playing field. Released on 09/2012. Read on 14.05.2022. https://www.brookings.edu/wp-content/uploads/2016/06/CTI_19_Villasenor.pdf

Winson, M. 2010. Quote. Released on 23.11.2017. Visited on 05.03.2022. <https://www.allgreatquotes.com/quote-321673/>

Wipo.int. World intellectual property organization, Summary of the Rome Convention of 1961. Read on 10.05.2022. <https://www.wipo.int/treaties/en/ip/rome/index.html>

APPENDICES

Appendix 1. Interview questions

Background:

1. What is your country of residence?
2. When was the label founded?
3. What is your position at your current label?
4. How many people is your company employing?
5. How many artists your label manages currently?
6. How would you describe the size of your company?

Sources of income:

7. What are the sources for income for your company? (Streaming, royalties, merch, concert tickets, physical and digital sales, syncing)
8. How is the balance between these sources?
9. Do you work nationally or internationally?
10. Do you or have you had a viable income from working in an indie label?
11. (If YES, what does it require?) What would it take?
12. Do you collaborate with other labels? (Distribution abroad?)

Future of indie:

13. What kind of changes have you noticed in the music industry during your career?
14. During the covid-19 pandemic, what kind of changes pandemic has your company gone through?
15. What challenges are indie labels going to face in the near future?

Appendix 2. Interview audio files link.

https://tuni-my.sharepoint.com/:f/g/personal/nestori_kumpunen_tuni_fi/Eje2z-xFOI9MvWrLgrdi8ZoBAju56fCrmnnlarjA0Xo3ug?e=HWfLaZ