

Change The Game!

*The Independent Hip Hop Label
Guide to Success in
the NEW Music Industry*
Platinum Edition

by Walt F.J. Goodridge

Advanced Copy

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PLUS:

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What People Are Saying About Change The Game:

"Carry this around with you and treat it like your Bible!"

-- Chuck D, PUBLIC ENEMY & Rapstation.com

*"Your book **Change The Game** is great!*

It helped me sell my first 5000 units."--Fred Jarmon

"As the Hip Hop world gets more crowded, it's more difficult for you to make your project stand out. "This Game..." is an invaluable guide to the inner workings of the Rap industry. To succeed, you must know the rules of the game, and this book tells it all like it is!" -- **Jon Shecter, Editor-in-Chief, SOURCE MAGAZINE**

"A must-have for anyone who wants to know the business of Rap Music!" --**Sheena Lester, Editor, RAPPAGES MAGAZINE**

" I would be happy to include a link to your site...I'll even include it in my banner section... When I first began my independent label it was after reading the inaugural version of your book...remember, the spiral bound copies? I've still got it...The Ultimate Hip Hop Directory

" *Change The Game* is the most comprehensive Hip Hop publication to date. It defines every aspect necessary in the business!" -- **Meshaq Blaq, Editor, NO SELLOUT MAGAZINE**

"...packs a lot of information...everything...!" -- **Havelock Nelson, BILLBOARD MAGAZINE**

"*The Change The Game* is the definite source for those aspiring to get into the music industry.. and not get jerked!" -- **Gabriel Tolliver, Associate Producer, YO! MTV RAPS**

"Walt Goodridge's step-by-step guides are fundamental for all Rap entrepreneurs.clearly illustrates the basics for starting your own record label. comprehensive reading, and an ideal roadmap for success in the music industry!" --**Kathy Danniels, UPSCALE MAGAZINE**

"To the point, easy to read. If you're putting a business together in the music industry, you must have this book!" -- **Wildman Steve, WBAU-FM, NY**

"On Point! It's truly one stop shopping for info on the Rap Industry!" -- **Wendy Day, RAP COALITION**

".... shows great caring and depth and foresight.....a great instrument for anyone, young or old interested in the music industry!" -- **Rev. Mariah Britton, Riverside Church, RAP WRITERS & PERFORMANCE WORKSHOP**

"...this is really giving a lot of love for Hip Hop!" -- **N. Robinson, CUSTOMER (WA)**

Dedication

This book is dedicated to Isolene Rebecca Golding
1907-1988

Acknowledgments

Special thanks to the true few who have supported, guided or joined me on my passion to profit journey: My mother Thelma Rose Goodridge, Christine St. Hilaire, Reina Joa, Courtney Munroe, Wayne Wright, Gurdeep Singh, Kenneth McRae, Courtney & April Gibson, Nicole Drew, Diamond Davis, Ernest Capers, Erroll Paden, Carlton Gambrell II, Tony Cordoza, Nava Parker, Gary Ervin, Dawn Greenidge, Marilyn DeFreitas, Stacey Spencer-Willoughby, Aaron Willoughby, Anika Moore, Zelda Owens-Waters, Andrew Morrison, Kim McNeil, Odette Flemming, Maasai Kush, the ACN family, and TagTeam Marketing!

What's New in Change The Game:

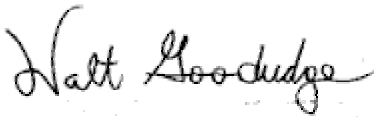
This updated Platinum Edition of *Change The Game* will attempt to make sense of and help you keep pace with recent changes in the music industry. You'll get:

- Answers to 10 years' worth of Frequently Asked Questions
- A beginner's introduction to the Internet
- Updated chapters with even more details and step-by-step guidance
- How to launch your label online for the least expense!
- Expanded contact information including website URLs and email addresses
- An updated chapter on choosing the right business structure (with LLC)
- My new philosophy on which business structure to choose
- A sample producer contract
- New tax forms and tips for the new business structures
- Success Stories of other Hip Hop Entrepreneurs
- Information on our new Associate/Affiliate Program
- An updated Comprehensive Game Plan and Task Checklist
- A Record Label Trouble Shooting Guide

I'm going to help you start your own record label and release your own music. I'll take you through the entire process giving you tips and suggestions for doing things efficiently and at the **lowest possible cost**. And, even though the landscape will continue to change, this new edition will hopefully be useful in guiding another generation of Hip Hop Entrepreneurs for the next 10 years!

Thanks for your support, and remember:

Success is a journey, not a destination!



Walt F.J. Goodridge
"The Passion Prophet"
"I share what I know,
so that others may grow!"

HipHopBiz.com Founder and CEO of
The Passion Profit Company

PART ONE: PRE-GAME WARMUP

*“Walt F.J. Goodridge, in his books *Change The Game*,
and *This Game of Artist Management* names all the areas that
need to be covered in the music business. He not only names all 25 areas,
but he also tells you what keeps you in business if you’re in one of those areas.
If you don’t build anything, then you have nothing. If you don’t build anything,
you always have to be a part of somebody else’s s—t. To be a part of white people’s
structures is whack especially when it comes to Rap,
because they’re not fully down with it!”*

—Chuck D.

Public Enemy,

RapStation.com

[excerpt from *Fight The Power*]

The Game Plan:

To successfully start, run, succeed and change the game of being an independent record label, you will need to:

Monitor your OPERATIONS

Find, sign and develop talented ARTISTS

Create your PRODUCT on CD or other media

MARKET, Promote & Advertise it...

SELL IT to stores, distributors and to the public

Maximize additional streams of INCOME

RECOUP your expenses

PAY the players

Make a PROFIT

GROW your business

Everything that we'll cover in the over 300 pages that follow is intended to help you successfully accomplish each of the steps above.



CHAPTER 1

“Preparing For The Game”

Welcome to the New Game!

If this is your first time reading *Change The Game* (the book formerly known as *Rap! This Game of Exposure*), welcome! If, on the other hand, you’re reading this revised edition after having read the original, then welcome back! Since the original publication of *Rap! This Game of Exposure* in 1992, quite a lot has happened in the world of business, in the music industry, and in my own life. However, before we get to the new stuff, here’s a recap of how it all started to bring you newcomers up to speed.

It was the summer of 1992. I was actively running an independent record label in New York City. I was also employed as a civil engineer, earning a living designing roads, tunnels and bridges. While running my label, I would often find myself sharing my experiences, knowledge, tips and advice with other Hip Hop Entrepreneurs who would call me up, requesting advice on how to start and succeed with their own labels. They may have seen my artists’ videos playing on BET (Black Entertainment Television), or they may have come across the product in stores around the country. These were the days before the advent of the Internet, so while the avenues of exposure were not as abundant as they are today, we did a pretty good job with what we had.

One day, Arlington E., a recent associate whom I had met at the *New Music Seminar* a few months earlier, called with “Joe”, a partner of his, on the line. Joe was based in Texas, and after having just launched his own indie label, was interested in getting distribution for his releases. I was happy to help, and after we’d been talking for close to an hour, with me sharing distribution tips, marketing dos and don’ts, and answering his questions, he said, “Thank you, for all that information, Mr. Goodridge. I really appreciate it. I would have been willing to pay you for it, y’know, if you had asked me.”

I paused for a moment. Intrigued, I asked him, “How much would you have been willing to pay?” He replied with a very arbitrary figure, “Oh, I don’t know \$179!” I remember that phone call as if it were yesterday. It was then that a light bulb went on over my head, and I had an epiphany that took my life on a significant detour at that exact moment. It didn’t take me long to recognize the opportunity that had been presented to me. At that time, no book existed that showed young, Hip Hop entrepreneurs how to start their own record label and promote their own record. I had that knowledge! The timing was perfect. I had been looking for a new idea to pursue since, though fairly successful, my label wasn’t giving me the fulfillment and satisfaction I really wanted.

At that moment I made a decision to embark on a project that would change my life forever!

While juggling the demands of a full-time job and running my independent label, I set about creating, compiling, typing, cutting and pasting all the information I had in my head and heart that I had been sharing with others for the past year. I was rushing to complete the book in time for a major event that was coming up: The *Jack the Rapper Music Convention* in Atlanta. It would be the perfect venue. Thousands of music industry upstarts, hopefuls, veterans, tastemakers, reporters and onlookers would be there at the annual event. I planned to debut it at that event, distribute fliers, and see what sort of interest I could generate.

It took me four weeks of non-stop writing to do it, but, working at a feverish pace up until the very last hour, I completed the 250-page first draft of my book at about 4:00AM on the morning of the event. I hopped into my Corolla and drove the silent and deserted roadways from the Bronx to Manhattan to find a 24-hour copy center. And, at about 5:00 AM on a summer morning in 1992, the spiral-bound edition of *Change The Game* was born. Exhausted, excited, I returned home, packed for the trip, got an hour's sleep and was then off to catch a flight to Atlanta for the convention.

So, amid all the excitement, schmoozing, auditioning, griping, partying, deal-making, and milling about that happens at such industry gatherings, I distributed fliers, practiced my pitch to anyone who would listen, and even made an announcement about my "new groundbreaking publication" during one of the workshops. When the workshop ended, I was mobbed in the back of the room by people interested in taking the book home with them right then. (OK, maybe 3 people wasn't exactly a mob, but it was enough to demonstrate a real interest in what I was selling.)

It was at that event that I met Sheena Lester, then editor of the now defunct *RapPages Magazine*. We met at a coffee shop near the convention. I showed her the book, she liked it, and true to her promise, a few weeks later, when I sent her a copy, RapPages became the first major media publication to review *Change The Game*, exposing it to a national audience.

To top it off, by the time I got back to New York three days later, there was a check in my mailbox from someone who had received a flier at the event! I was on my way!

Wow! I now had my first real, legitimate order for my first book! There was only one little "situation" I had to deal with: THE BOOK DIDN'T EXIST! I only had that one spiral-bound master copy I had created for the convention. In order to fill the customer orders, I had to take the master in to work with me early in the morning, photocopy all 250 pages, take it home, spiral bind it, and send it off. Many of you reading this are probably among the first hundred or so customers whose copy of *Change The Game* is that same spiral bound, blue cardstock cover version--what I like to think of as a "collector's first edition.

And that's how it all started! My adventure into the world of publishing, mail order selling, information brokering, and niche marketing began in the Summer of 1992. With ads placed in the Source, the now defunct Rappages, and RapSheet Magazine, more orders soon started pouring in!

Since then, I've received an overwhelming amount of support from people all over the world who appreciated the book and the work I was doing. I have filing cabinets full of correspondence, several 1000-page computer files of saved emails from fans around the world. As a result of the book, I met and formed an unofficial alliance with Chuck D. He provided the powerful quote that we still use to this day. He, along with Yusuf Jah mentioned me and my books in the book *Fight The Power*. I met and bonded with Wendy Day, founder of Rap Coalition, and, most gratifyingly met and networked with thousands of customers who bought *Change The Game* and used it to launch their labels.

Soon, due to popular demand, I created several more books like *This Game of Artist Management* featuring Chuck D., and then incorporated other authors' books and videos to create a catalog of "success tools for Hip Hop entrepreneurs". I had become a resource for Hip Hop entrepreneurs. Within a few months, I was making the same amount of money in mail order as I was as a civil engineer! So, I put the record label on hold, and continued down that path creating more unique products based on my business experiences and my desire to help others succeed. I had found a niche! In 1995, three years after writing my first book, I walked away from my engineering job to be a fulltime entrepreneur.

In any event, back to my original point. Some of the specific changes that directly affect the music industry and your success are:

A new business structure, the LLC has gained popularity

The Internet is upon us!

MP3 is the "next big thing"

Napster came and went

Hip Hop Entrepreneurs make the Forbes 400

Major label video budgets are ridiculously high!

Technology has progressed to bring film-making/video into the hands of just about anyone

These developments, and more, represent, in some way shape or form, paths to follow, roadblocks to avoid, directions to heed, alternate routes to consider, examples to emulate, roads less traveled or vehicles to utilize in your own journey from passion to profit as you start and grow your independent label.

Why I Wrote This Manual

As the former president of an independent Rap Label, I've been approached over the years by many artists, producers and fans who want to know simply, "How did you do it?" and "How can I do it, too?" Many of these men and women are potential entrepreneurs, who simply lack the access to the information, or the finances to re-invent the wheel. Others may have already started labels, and have come upon some obstacles in keeping the promotion pressure on and focused. It is for both these groups of people that I wrote this manual.

The sale of recorded music in the U.S. generates approximately \$14.3 Billion* annually. At estimated sales of \$1.63 Billion*, Rap accounts for approximately 11.4% of this figure, making it the third most popular genre. Consequently Rap has gained more respectability as a viable music form. Many larger labels have jumped in to take advantage of this profit potential. In some cases, the executives of these labels have little or no "feel", basic understanding, or even respect for the art form. As a result, many of those closest to the source worry about Rap maintaining its credibility within the very culture it came from. It is for the individuals who want to keep the music alive, help it grow, while keeping it pure; those individuals who wish to be more actively involved in the control of Rap's direction for whom I wrote this manual. Control starts with awareness and information.

If you've always thought that starting a business or promoting a record was a Herculean task requiring a lot of money, prime office space, and a huge staff, this manual might begin to dispel some of the myths. Just for the record, in 1984, Rick Rubin (later in collaboration with Russell Simmons) started and ran Def Jam Records from his college dorm room. It's also worth mentioning that Sylvia Robinson's Sugarhill Records, an independent label, was responsible for releasing THE milestone in the record industry's contact with Rap music, Rapper's Delight by The Sugarhill Gang. Admittedly, times have changed the rules of the game since then. Now you have to be a bit more sophisticated and business conscious in your approach in order to take advantage of today's opportunities. But the opportunities for success are there! So, whether your label grows to greatness from humble beginnings like Russell's, or it becomes a stepping stone towards other ventures, like Sylvia's, the basics of business startup and the experience gained in operating your company can be useful in any venture. The information I've included is also a great business primer with tons of explanations of business concepts for anyone who is considering launching their own business. So, whether artist or non-artist, *Change The Game* has vital information that you can use to get the most of your career in business in general and in the Rap music industry specifically. I wrote this manual for those individuals who might be a little intimidated by the whole idea of being an entrepreneur, and who need that extra push to jump right in!

**Source: Recording Industry Association of America*

“Can this book REALLY help YOU??” This book does several important things...

....First it answers some very important questions

In creating this book, I asked myself a very important question. If I were reading it, what information would make my investment worthwhile to me? What would I need to come away with after reading such a book? What would it need to teach me? Here are the answers I came up with.

- It would first help me get a realistic picture of what I'm about to embark on.
- It would answer ALL of my questions about the industry, or tell me where to go to find the answers.
- It would explain music industry concepts from the independent label's perspective.
- It would show me how to start a label in ANY state in the US, Canada and other countries.
- It would help me decide on what structure to choose for my company and provide the paperwork to do it.
- It would provide a sample contract for me to use to sign my artist.
- It would show me how to get my record in the stores.
- It would show me how get radio play.
- It would give me options for selling my product with or without a distributor.
- It would explain the day-to-day operation of my label (how much time to devote and to what and whom).
- It should provide real-live contacts I can call to take things out of theory and into practice.
- It would provide information I can go back and reference as certain challenges arise.
- It would help me play the game on a professional level.
- It would help me create a viable business entity with long term potential and resale value.
- It would help me sign my label to a deal with a major or a larger independent.
- It would help me turn my passion for Hip Hop and Rap music into profit!

“Most industry books are written from the artist’s perspective. This is a good thing as too often artists get the short end of the stick, the bad of the deal. **Change The Game** is written from the label owner’s perspective. At the very least, it will help to explain what options exist for you in starting and operating your own label, so you don’t duplicate and perpetuate the same exploitation. I believe there is room for equitable agreements, fair practices that respect and honor the creativity and humanity of the artist. If you believe that too, then this book can definitely help you.”--Walt

Next, it fulfills my commitment to you

The best help that I can offer you is the ability to know how to think. The next best thing is for me to teach you what to do. But, teaching you how to think will lead to you knowing what to do in most situations. From the moment that you say you want to start a record label, there are certain things that you have to know. Many of these things have nothing to do with the music industry, per se. They have to do with concepts of success, commitment, perseverance, critical thinking, and passion. They have to do with issues of personal growth which, in truth, are the real keys to success. This game is won or lost long before you ever sign your first artist. It is won or lost long before you experience the thrill of hearing your record played on the radio. It is won or lost years before your artist makes a name for himself in industry magazines. It is won on the first day you set a goal for yourself and fully believe and expect that you'll be successful. In truth, the game is won first in your mind. Then on the charts, on the radio, on video programs or in magazines. Once you understand and accept that, then the fact that you chose a record label as the means to express that, success is really secondary.

And, it answers YOUR Questions

Well, you'll be glad to know that I wrote *Change The Game* to be the answer to those personal expectations. But, I also wanted to make sure that I had input from the people who would actually be purchasing, reading and using it. So, in January of 2003, before I sat down to add the finishing touches to this revision, I posed the following questions to the two thousand members of the Hip Hop Entrepreneur Network.

1. *What specific topic(s) and questions would you want to see covered in detail?*
2. *What issues have you PERSONALLY encountered in starting your own label.*
3. *How can I best help YOU succeed at your own record label or other hip hop related business?*
4. *What other "This Game of" book topics would you be interested in purchasing?*

What I found was that whether you're in South Africa or South Central, or the South Bronx, many of the questions and concerns of Hip Hop entrepreneurs remain the same.

Question: How do I get the right funding without a loan?

Question: How do I get the right training to be a business owner in the music industry?

Question: What does a recording contract look like?

Question: How can I get my artist's music on a movie soundtrack, TV show, etc.?

Question: Can you explain how to go about licensing music?

Question: How little money do you need to start a label?

Question: Can you be successful without airplay, i.e. as a strictly underground label?

Question: Where can I find examples of women working behind the scenes?

Question: Can you give me a good explanation of publishing, contracts, touring, college radio airplay?

Question: Can you tell me how I can find out about appropriate conferences for those starting a label?

Question: What can I do if deejays don't want to listen to my music; if geographically I'm in a bad location for Hip Hop; if there's no local support of my artist and his music?

Question: Provide up-to-date contact information as well as techniques on how to develop relationships with music business people.

Question: How can I get attention from the majors if I want to go that route?

...It even answers "Frequently Asked Questions" from the Answerman Files

[from the Answerman Files at www.HipHopBiz.com]

From: Tommy B. Barbell Records, LLC

Question: What up Walt,

I have a question referring to royalties. Do you know usually how the royalties are separated between the record label, producer, writer, artist, and publishing company? Because when I sign my first act I want to know everything that's going into the contract. If the producer is signed to a different label and he gives me a track to use how does his royalty rate usually work. One more question, I will be starting my own production company a long with my label. Do the producers on my production company get paid a salary, or just depending if I use one of their tracks. I know Puffy and all of the big labels that started out small have their own production labels, But why does he call it Hltmen Management if it is a production label? Thanks for your advice.

Email From: Brenda N-B

Question: Hello Walt, I'm trying to help my husband put together his own label and make up some kind of contract, but we are not sure what we should tell the people we are currently working with about getting paid if we do end up making some money. First of all he is the only one who will be paying for the equipment and studio time how much in percentage are they (rappers/vocalist) entitled to? Also I was wondering if they are free to go to other labels and be featured on some other person CD and will we make any money off that?

From Tony G.,

Question: 1) What are the steps that I need to take into making my rap lyrics?
2) How do I find beats to the songs that I am making?

From: L.P. Blaque Lyght Entertainment, Inc.

Question: I am very interested in purchasing the "start your own record label", but I have a couple of questions. Does it provide any information about royalties? for example, How do you pay out royalties? When do you pay out royalties? How do points on a album work? Also if I'm seeking a distribution deal would this help prepare myself to go motivate and convinced major labels to give me a deal, considering it's not a guarantee but is the information helpful and offers proper knowledge and covers the ins and outs of getting that distribution deal? Is there a specific length of time that needs to past before you're certified gold or platinum?

From: From: silkylim2001 (Wade Simuel)

What's Happening,

I think that your book should really get into detail a lot about how a person can start their own independent distribution company and also how some one can start their own publishing company without writing their own music, I am not talking about co- publishing I am talking about starting a publishing company straight up. Artist development is a very important part of this industry, explain what it is, what can a person do to really get involved with development how to get experience, how much experience do you need? Also I would like to talk about how people can find employment within the industry whether its through internships or getting a regular job. Some people want to get into becoming a booking agent or really get into artist management. Who can a person contact for advice and mentoring, this is important because a lot of people are not willing to give up this advice because they fear that someone is going to blow up bigger than themselves. Also explain to people that the music industry is not only for people who are in their teens and early twenties, there is room for people of all ages. The reason that I say this is because life experience a lot of times is the best experience. People during these times are looking for career changes whether they are in their late twenties or up, we need more older people involved. Talk to you later. Peace!

Finally, it offers 3 parts of the Formula for Music Industry Success

What you now have in your hands is part of the formula for success: INFORMATION. However, information without the will to succeed is practically useless. Information without a product that the public wants is equally useless. The lists and contacts you now have come from time spent on the telephone, in the library and on the streets. The advice comes from real time spent out "in the field" learning things the hard way. Whether you are an artist looking to market and sell your music, or a music-minded entrepreneur seeking to market and sell other people's music, this manual gives you the information to help you in 3 important ways.

First, you now have the means to set up a legitimate structure around your music. Since you've already made the decision to take control of your music and your future, you should also make the decision to do so interacting and communicating with the industry and the public in the language of America: Business. Business is the language by which success in America is defined. Before you can expect to take control of your creation and compete with others who are doing the same, you have to know the basics of how the game is played. Once you're in the game you stay in it by keeping up with the rules and strategies others are playing by. You probably have many questions as to what needs to get done, when it should be done, and how it should be done. Many of these answers, as well as the "MindChecks" (suggested ways of thinking), can be applied to the start and maintenance of any business. Learn these concepts well. They are of extreme value in ANY business you start. Once you establish the tools to construct your house, you can build any type you wish. You'll learn how to get your record company up and running. You'll get facts and

forms, suggested courses of action, advice as to direction and a step by step timetable for setting up your company and releasing your record.

Second, you now have the means to target your promotion efforts more effectively. *Change The Game* provides a more complete "who to" list for promoting Rap than you'll find anywhere. The wealth of information you now have will save you the task of reinventing the promotion wheel. You won't have to send your record to 100 radio stations, for instance, to find out that only 20 of them play rap. You'll know which are the key stores to target in your promotion. If you do a video, you now have a list of over 120 video programs across the country which play rap.

**Industry Rule No. 4080 subsection 7; paragraph 1a:
"Things don't HAVE to be as shady as you might have been led to
believe. You don't have to become evil to succeed in the music industry!"--Walt**

In the first several sections, I'll be painting a picture of what the music industry currently looks like. The information was gleaned from several sources including Rap Coalition, The Recording Industry Association of America, and my own research. It includes excerpts from articles and industry reports. Some of the articles excerpted, as well as the books and source referenced paint a dismal story of the financial situations of artists who have signed to major labels. They contain horror stories of the deceptive practices of many major labels. Now, it doesn't mean that entire industry is "bad" or "evil". It simply means it's currently structured in such a way that is not always the most lucrative for the artist who's not in control. But, don't be discouraged. It doesn't mean that YOU have to be equally deceptive in order to succeed as a label. It is specifically for this reason that I have always advocated starting your own label, and why I wrote *Change The Game* to be a remedy, treatment and antidote for this malady. And the first thing that has to change is the concept of being "discovered" "hooked up", or "put on" by someone as the ticket to success. This manual is designed to help you do one thing only: start your record label and release your own music...on your own!

Thirdly, remember always that this is a "How To" book. It's not a "Look What Happened To" book, a "When Will Things Change", or an "Isn't it a Shame" book. This book will not go too deeply into an analysis of why things are the way they are, who the culprits are, or what needs to be done to change things. In fact, we might even be accused of being too naïve and optimistic in our assumptions. This book will help you deal with reality and create something DESPITE what others see as obstacles.

A PERSONAL NOTE: This book will equip you with the steps required to succeed based on the proven belief that in life you pretty much get what you expect. Let me explain specifically what I'm referring to. One of the often-expressed concerns that aspiring artists as well as label owners have is the fear that they won't have the financial means to make things happen the way they should. Specifically, they've heard that everyone from radio DJs, promotion companies, A&R people, and mailroom attendants are "on the take", (ie. interested in taking bribe money in order to promote, support, play, sign and boost label's product and artist's career) and that such bribery and "payola" is such an accepted part of doing business that you can't get your record played without bribing several people...constantly. There are those who will dispute what I'm about to say. And I'm not naïve enough to believe that such "mutual back washing" doesn't occur. However, what I'm here to tell you is that you most absolutely CAN get your record played on the radio, in clubs, and advance your label and artists' careers WITHOUT having to resort to bribery. In fact, one of my coaching/consulting clients just recently scored a half-hour interview on one of the major stations here in NY just on the strength of his music, and the relationships he's forged.

So, can this book help you? Yes, I believe it can; provided you also use it the right way!!

How to Use This Book

Content

This is no ordinary book. It was divinely inspired, hastily conceived. Rushed through its gestation. Prematurely birthed. And has been kept alive despite my own neglect marketing it effectively these past years as I venture off in new directions and embark on new projects. Even with all its imperfections, typographical errors, it had an energy which has kept it my most consistent best seller. In revising it for the new millennium, I've made sure not to tamper with success. I've added to, rather than taken from the content. You may see certain references that seem a bit outdated. Rather than take out references to Latifah and Russell Simmons and replace them with Lauryn Hill or Master-P, I've left the older references in, and in some cases simply added to them.

“If you find yourself thinking I'm taking too long to make my point, you're probably missing the point I'm making.”

I like to think of myself as an efficient person. My mother tells me that as a toddler, I didn't speak much. I've told her it's because until I felt I had something meaningful to say, I wasn't going to waste any words! And though, even now in fact, you might think that I have a lot to share in these 200 plus pages, very few are wasted. You'll get much more out of this book if you read it knowing that every word can represent or result in a lead, I'm guided by Spirit to say the things I say. And, I'm not always sure for whom they're meant. I always know, however, that every thought, every choice of word has the potential to inspire someone else. Heck, even the very fact that the original publication of this book exists and was written in four weeks over 10 years ago can serve to inspire budding writers and poets who are considering publishing their own work. So, as you read, know that every personal accomplishment of mine exists as a roadmap for you to follow. Every statistic I quote represents a trend you can spot and capitalize on. Every personal belief I express represents an alternate reality you can choose from. Every challenge the industry presents represents an opportunity for you to solve and make money doing so. Every mention of another person's success represents what's possible for you. Everything you learn becomes that which you yourself can now teach. Even my self-authored “Friday Inspirations*” force a shift in your brain from left-brain to right brain thinking in the middle of what might otherwise be a strictly technical exercise.

This book also teaches on many different levels. Not only will you learn things from what I say, you can learn techniques from how I say it. For example, even the techniques of persuasion and marketing that form the basis of my work are yours to copy, use and master as you build your dream. My goal is to get you to believe in, aspire towards, and create your success in business as a record label. I want you to take action doing the things that I outline in the book. I know from my own years in Network Marketing that in order for someone to be moved to action outside of their comfort zone, that they must make three statements to themselves in their minds as they evaluate the information they're presented with.

1. Me too
2. This makes sense
3. I can do this!

If you can relate to the client (share an interest, speak on a common background or experience so that they're subconsciously saying, for instance, “I like golf, too!”), you've accomplished step one. If you can present your argument asking for agreement in such a way that gets them in the habit of saying “yes, I agree” or “yes, this makes sense”, then you've accomplished step two. And finally, if you can physically demonstrate, or verbally paint a picture of their involvement, participation or performance of the desired activity, so that they see or feel themselves engaged in the way you wish them to be, then you've

accomplished step three. And in many ways, that 's what I do in my books and workshops. In other words, I teach not just to educate. I teach so you can emulate.

Here's the perfect example of the previous two points I made about reading between the lines of this book.

Gold in Words

*Everything you see me do
exists as possible for you*

*Every choice you see me make
becomes a path you too can take*

*In every thought and every rhyme
Its value is revealed in time*

*So listen well, now that you've heard
there's gold within each written word*

Format of the book

Have you ever read a book packed with information, and gotten overwhelmed by the sidebars, colored text boxes, and other information on the page. Well, I have. When I'm reading, and I see a sidebar, I just don't feel like stopping in mid sentence and going off on a tangent. So, I frequently make a mental note to myself to return to the sidebar when I'm finished with a section. Of course, I get so caught up in finishing the idea I'm reading, and getting more, that I rarely remember. The result is that I continue reading from one section to the next with this nagging feeling that I've missed something that I need to go back and get.

Therefore, unlike many great books with sidebars and anecdotes, my sidebars, called "Mindchecks", are placed and formatted in such a way as to be read right when and where they appear in the flow of the page. That way, you never feel like have to make a choice as to what to read and when, and your reading experience is more satisfying, with nothing you have to "go back and get". Having said that, here is our first, timely and appropriately, placed Mindcheck.

MINDCHECK

How to Read a Book

One of the more significant ideas I picked up from my Scientology experience was the following advice, which is repeated in all their literature:

"In reading this book, be very certain you NEVER go past a word you do not understand.

The only reason a person gives up a study or becomes confused or unable to learn is because he or she has gone past a word that was not understood.

...If the material becomes confusing or you can't seem to grasp it, there will be a word just earlier that you have not understood. Don't go any further, but go back to before you get into trouble, find the misunderstood word and get it defined."

This advice might be of great importance when faced with any conveyance requiring your endorsement.

The Record Label Trouble Shooting Guide

I wanted to make *Change The Game* an indispensable tool for repeated use and reference rather than simply a one-time read. But, the question was, how could I do that effectively? Sure, I knew I already had the timetable and master checklist, and the tax forms are always a great reason to open up the book every few months. But I wanted something else.

Now, one of my strengths as a coach/consultant that helps me achieve success for my clients is that I'm able to extrapolate successful ideas from one setting for use and application in another. I thought to myself, "what types of books have value such that people keep them around and reference them for years and years?" "Of course," I thought, "owners manuals!" Think about it. When you buy a new electronic gadget, computer, or automobile, for example, you usually find a special place to store the owner's manual. Why? Because you know that it has valuable information you'll need if something goes wrong. You know that in the back of the manual, is a troubleshooting guide that can help you diagnose what's wrong with the darn thing so you can fix it yourself or take it in for professional help. It occurred to me that one thing that makes a manual worthwhile is the Trouble Shooting Guide. Why not create a trouble-shooting guide for a record label?

We've even said before that your record label business is a "vehicle." So, taking that analogy a bit further, your label is a money-making machine that's supposed to get you where you want to go. It has a purpose to fulfill and a certain way it should be operating. And either it's working right, or it isn't. If it's not, then you'd better find out why and fix it, because it'll only get worse or may even break down when you really need it most!

Admittedly, there are many things that can go wrong with a business that could never be anticipated in a book. The best diagnosis and treatment for any ailing business is done in real time, with a real person who can analyze the impact economy, inflation, the national mood, current events, industry standards, and even the weather may be having on consumer spending or marketing effectiveness.

The Record Label Trouble Shooting Guide is my best attempt to give you a global perspective to address why things may not be working right with your business at any given moment, and offer you solutions or directions to head in order to fix it!

A Quick Test

By the way, what do the following words "conveyance", "extrapolate" and "predilection" mean? If you don't know, then you must have read past them and didn't follow the advice in Mindcheck #1 (Remember? "In reading this book, be very certain you NEVER go past a word you do not understand...") If you DID stop and look them up online or with a handy dictionary, congratulations! You follow directions and are coachable. You've passed the first test to determine if you're qualified for the success you seek.

SUMMARY of Chapter 1: “The Game Plan”

Did you pass the test?

Let me ask you something. Did you read this chapter, or did you skip it to come here to the summary page? Did you read the testimonials page? If you did, did you notice that some websites, organizations and programs were listed after the names of those quoted? Did you take the time to note them as avenues of possible exposure for your label? I suggest to you that if you're not patient enough to read these introductory sections including the “Why I wrote this manual”, and “Can this book really help you?” sections that don't appear to be directly related to your success in the music industry, that perhaps you're not quite ready to devote the similar pre-game time to understanding the game, improving yourself, your mind, your body, your spirit, understanding and grooming your artists. Remember, everything is a test.

In elementary school, all the way through to college, before you can proceed to the next grade level, you're required to pass the tests for the level you are currently. Life is the same way. Everything that you will ever experience that seems to challenge your forward motion is merely a test to see if you're ready to move forward. Be very careful, therefore, how you respond and react to the things that happen to you. How can you be ready for level 3 life and its tests if you let a level 2 test stop you? How can you even think of playing the game on the pro level, if you can't win at the amateur level. How can you even think that you're ready for world of fame, and financial success, along with the scrutiny, rejection and the pressures that go with it, if you allow one rejection from a local club DJ or a magazine or distributor to throw you off balance? I remember reading the story of one entrepreneur's challenge of taking his company public. He described it as the most intense, nerve racking, pressurized, time consuming, labor-intensive, detail oriented process he'd ever been through, a process in which any one of a thousand little details could derail the entire venture at any time. He described the late night meetings, the teams of lawyers, the SEC (Securities and Exchange Commission) and government scrutiny, the public attention, the traveling to pitch the company to investors and investment companies, the bank involvement, the mounds and mounds of paperwork, and the waiting. Just from that one description, I realized that anything else I was doing was an amateur's game compared to life on the pro circuit.

The Real SUMMARY of Chapter 1: “The Game Plan”

☞ The RECORD LABEL GAME PLAN includes the following 10 steps:

- Monitor your operations**
- Find, sign and develop talented artists**
- Create your product**
- Market, Promote & Advertise it**
- Sell to stores, distributors and to the public**
- Maximize additional streams of income**
- Recoup your expenses**
- Pay the players**
- Make a profit**
- Grow your business**

☞ The Music Industry has gone through some significant changes in the 10 years since the initial publication of this book! In order to address how these changes affect the Hip Hop artist & label, *Change The Game* is back! Bigger! More thorough! And ready to provide step-by-step guidance to another generation of Hip Hop Entrepreneurs for the next 10 years! It has been painstakingly re-created to address the frequently asked questions of new and experienced record label owners! This manual was written to answer questions, provide guidance and offer the tools and techniques required to conceptualize, launch, operate, profit from, grow and eventually sell your record label! Written by someone who owned and operated an independent label, it is written from the label owner's perspective. It's the combined result of over ten years of research, the answers to thousands of questions posed over the years, and the archives of the HipHopBiz.com website's "Answer man" feature.

☞ Understanding is the key to getting the most out of *Change The Game*. As you read through it, make sure you do not go past any word or concept you do not understand.

☞ Enroll others in your vision. Whenever anyone can say "Me Too", "This Makes Sense", and "I can do this" in relation to embarking on a new venture or way of thinking, their participation is almost guaranteed. Use this valuable information in your own efforts to build and grow your company/

☞ There's value in the both the content and format of *Change The Game*. Pay attention. The Mindchecks, Trouble Shooting Guide, Chapter Summary, Resources, and Right Questions all provide invaluable information and techniques for getting your record label to succeed.

☞ There's a certain amount of preparation and groundwork that is necessary for your success. This groundwork requires patience; the patience to read the right books, ask and answer the right questions in the right order; the patience to read this chapter thoroughly rather than simply jump here to the summary page. the patience to prepare your mind and your life for the wealth that you seek

☞ This book, like the very life you lead, will give you tests to determine if you're ready to proceed to the next level.

Chapter 1 RESOURCES: "The Game Plan "

BOOKS, AUDIO PROGRAMS, MAGAZINES, ORGANIZATIONS & WEBSITES

To learn more about Walt, his books, websites, and Passion Profit philosophy

- ☞ *Turn Your Passion Into Profit* by Walt F.J. Goodridge
- ☞ *The Tao of Wow: Ancient wisdom. Modern Success* by Walt Goodridge
- ☞ *Lessons In Success* by Walt Goodridge-
- ☞ Request a copy of the Passion Profit Catalog at www.passionprofit.com, or by calling the
- ☞ number in the front of this book.

For inspiration from other Hip Hop Entrepreneurs

- ☞ *Fight the Power* by Chuck D. with Yusuf Jah
- ☞ *Life and Def: Sex, Drugs Money and God.* by Russell Simmons; Nelson George
- ☞ *The Men Behind Def Jam: The Radical Rise of Russell Simmons and Rick Rubin* by Alex Ogg
- ☞ *Bad Boy: The Influence of Sean ""Puffy"" Combs on the Music Industry* by Ronin Ro

The right questions to ask to create a task list to get the most out of this chapter

- ☞ What are my 20 frequently asked questions about starting and operating a record label?
- ☞ What do successful people know that I need to learn?
- ☞ How did Russell, Puffy, Master P succeed?
- ☞ Whose success can I model?

More

- ☞ Read the stories of people whom you admire for pursuing their passions. Their stories will have the common element of the triumph over adversity and will inspire you to greatness. People like Snoop Dogg Michael Jordan, Russell Simmons, Oprah Winfrey, Tony Robbins, Sylvester Stallone, Ray Croc, or even local heroes profiled in newspapers, magazines or online exist as examples of the courage you need to create the world of your desires.



CHAPTER 2

What Game Are You Playing?

“Meet me down at the label..!”

What does a record label look like? What does it smell like? Where is it located? How many people work there? When you think about owning your own record label, what images and feelings come to mind? Perhaps, in your mind’s eye you see a physical office space; with marble walls; in a building downtown amid the hustle and bustle of a big city; there’s receptionist at the front desk greeting visitors and instructing the wide-eyed rappers from Cleveland to “Please have a seat, someone will be with you in a moment”; maybe there’s a television tuned to a national video program for the distraction of the receptionist and visitors; or maybe there are gold and platinum records on the wall commemorating past successes; the sound of demo-tapes playing in the background; messengers darting through the hallways delivering tapes, posters and t-shirts for the new album promotion. music; the sound of laughter and merriment comes from a back office as groups of A&R, assistant celebrate a jump in chart position; As you’re escorted down the hallway to meet the A&R rep, you pass an office and from within, you hear someone of authority screaming, “...absolutely not!! We can’t wait that long, we’ve gotta have it on the streets and playing on the radio at the same time!”

Or maybe you’ll run a home-based record label, so, if you ever did utter the words “meet me at the label,” it would mean “meet me at my crib” Maybe your record label will never really exist anywhere but in the minds of those associated with it. And so therefore, as the owner, it will be located wherever you are at any given moment. So, sometimes “the label” will be at the artist’s house this week, and in the producer’s basement the next. Exist nowhere and everywhere at once. Never actually occupying any space in the real world except a few lines on a document, a mention in a magazine, a few spaces next to the name of the single rising up the charts, on the back and spine of the CD sitting on the shelf in a record store in Detroit.

Or maybe your label is nothing more than your intention to make money with your music however you can. Maybe your concept of a label hasn’t really taken shape in your mind other than in the form of the freedom, the fame, the toys that you associate with the success you envision for yourself and/or your artists. Maybe your label is a feeling you get when you look at your corporate checking account, your logo, your letterhead, your business cards, or that feeling of responsibility that arises based on your artists’ trust, and their expectations of you.

Well, exactly what the term “my record label” means to you is unimportant. What matters, however, is that you have some sort of clear picture, at least at the start, that you are striving towards. As you prepare to play the game, that picture of success will be what drives you. To help you develop that picture in your mind, let’s ask a very important question.....

Why Do You Want To Start A Record Label?

Whoa! Now where did THAT question come from???? Bet you never thought you'd be asked that one, did you? Well, having the answer to that question may be the single most important thing you do as you embark on this journey, and may be the most critical factor in your future success. So, go ahead, give yourself an answer. Why do you want to start an independent record label? Is it for the money? Is it for the fame? Is it because music and/or the culture of Hip Hop specifically is your passion? Is it simply to free yourself from the restrictions of working for someone else? Or, perhaps, is it simply as a strategic step on a journey towards other goals? Having the answer to this question clear in your mind BEFORE you begin this journey is essential to your success. So, I'll give you a chance to think about it while I share some more information with you.

The REAL Game of Business

When I was younger, my brother and I lived with our grandparents for a while. One of the rules Grandpa had was that we should never leave the yard to go out walking on the street unless we had a specific purpose. As it relates to building and growing your record label, I'll borrow from his philosophy. Never even think about starting a business journey without knowing where you want the business to take you. I'll also add a very critical piece of information I learned from reading Michael Gerber's best-selling book, *The E-Myth*.

That concept—which still takes some getting used to—is worth elaborating on. According to Gerber, “The only reason to start any business is with the express purpose of SELLING IT!

I suggest you read his book while you build your business to save yourself countless of hours of misguided efforts. But, in the interim, I'll summarize it here.

According to Gerber, the mistake that many business owners make is that they create a business that tends to consume all of their mental, emotional and physical energies. They become the business. They make decisions that trap them into being the soul of the business, and that makes them too critical a factor in the day-to-day operations and maintenance of the business. In other words, they structure things in ways that make them indispensable, such that a common refrain from these business owners include, “it's overwhelming me” “If I don't do it, it won't get done”, “I can't find competent people” “No one does as good a job as me, so I end up doing everything!” It's a common mistake among entrepreneurs resulting in burnout, and the eventual failure and crash of the business.

Instead, Gerber advises that if you start your business with a different goal—i.e. the goal of selling it—you'll make different choices, and thus produce different outcomes. And, he shows in impressive and enlightening detail just how to do that. He uses the model of a successful franchise (i.e. McDonald's) to illustrate the type of business-building concepts and practices that make for a successful outcome. If you're building a business to sell to someone who wants to open and run their own version of your business (what franchisees do every day), or if you build your business knowing that someone will be required to take over from you one day, then you would build it in ways that differ significantly from someone who's not thinking that way. If you knew that in five to ten years you'd have to demonstrate to a potential buyer how your business will generate income for him or her, you'd make plans for that day from the day you launched. You'd set clear policy and procedure. You'd document the daily operations. You'd create accurate job descriptions. You'd hire competent people, rather than simply who's available. You'd create an organizational chart with clear delineation of roles and responsibilities as well as accountability. You'd work yourself into and then out of each position so that you understood the skills required, and were better able to fill them with the right people after you leave. In other words, you wouldn't simply be creating a venture, but a vehicle that will take you where you wish to go. And, because you'd have built it in such a way to create that same result even in your absence, you'd have something you could sell to anyone else looking to duplicate your success. As a result of this sort of thinking, you'd BEGIN with a clear separation

of yourself and your business. You'd begin with different goals. And, you'll make different decisions. You'll see the business as something you're working ON, as opposed to something you're working IN.

When it comes time to sell such a vehicle. You'd be able to say proudly, "This is my vehicle. Here's how it works. This is what it can do. This is what it did for me. This is what it can do for you, too. Here's its potential. And, if you want it to do the same thing for you, then this is my asking price."

In this game of business, your goal should be to create an entity which not only makes money and turns a profit, but which can then free you to do the things you enjoy doing, even if what you enjoy doing is...running the business. In other words, it should be seen as a vehicle, a means to an end, a tool that can help you build something greater for yourself. It should be a machine, if you will, an invention, a separate, well-functioning, self-sustaining entity that either works or it doesn't. And, if it doesn't, it needs to be fixed so that it can do what it's supposed to: make you money, set you free and fulfill whatever mission you've set for yourself in life.

Think of all the great business success stories of people who've grown great companies from their ideas. People like Robert Johnson of BET, Russell Simmons of DefJam and Berry Gordy of Motown, understood this concept. As you may know, these individuals no longer own their respective companies. However much they had a passionate commitment to the values, dreams and significance of their ventures, they didn't let those emotional considerations cloud their decisions to "sell to the highest bidder" when it was economically advisable. Of course, they can and should exercise their best judgments in deciding whom to sell to, choosing some individual or some company that will maintain their companies' visions and operating cultures. But, at the end of the day, the winners in the game called Big Business are those with the financial freedom—operative word, freedom—to do the things they dream of.

Which Game Are YOU Playing?

Now, there's no reason why you have to accept ANY of what I'm saying. You are free to play whatever game you wish. After all, it's your company. You don't have to play the game called "Big Business." You can play the game called "This Business is my Life," or you can play "Keep this Business in the Family," or the "Keep it Black-Owned" game. It's your choice. Keep in mind, however, that with each game comes a different set of rules, obstacles, freedoms and goals. Think about it. If Russell Simmons had been playing the "This Music Business is my Life" game, he'd still be running DefJam, and may not have branched out into film, clothing and other ventures that are now part of the Rush empire. If Robert Johnson had been playing the "Keep it Black-Owned" business game, he wouldn't have sold to Viacom.

I'll readily admit that I've just recently started playing the "Big Business" game. I started out playing the "This is What I Know so it Might As Well be the Music Business" game, having been a radio DJ with relationships in that industry. In my efforts to redefine myself from being a civil engineer, I played the "This Business is My Life Game." That game ended when the relationships in that first label took a turn that had me question my involvement with my partners at the time. I had to go my own way, but I couldn't take the company name—a name I had been using to define myself. It was then, when forced to detach from a label I had helped build from scratch, that I was also forced to reinvent myself, or, more accurately, rethink my invention of myself. I realized that I wasn't my business name, or its identity. I realized that I was separate from the things I created, and that I could create again another separate entity called a record label to accomplish the same goal I had expected to achieve with the first label.

So after many ups and downs, I settled into the "Me Against the World One-Man Business" Game. And that story was never challenged until my cousin confronted me on it. But that's another story.



CHAPTER 3: ‘The Industry’

MINDCHECK

There's Enough! Always Remember “Bollywood”

As you read this section, you should develop a sense for just how much money and opportunity the music industry generates. There are millions of dollars being spent every day by eager consumers. Many entrepreneurs, however, believe that success in business means grabbing it from people who are already successful. They, as well as our society perpetuate the belief that in order to win, someone has to lose. True, the average consumer doesn't have an infinite amount of money. But, here's why you should never worry about sufficiency. Remember, as you enter the industry, any industry, you make it bigger. You bring additional value that wasn't there before. You'll bring choices of music that didn't exist. Therefore, your very presence in this industry will result in new customers and additional money being spent. Therefore, you never have to worry that there won't be enough for you, or that in order for you to win, that someone has to lose. Think abundance. Remember, there's enough for everyone!

Whenever I think that people won't spend additional money for what I bring to the market, I always remember a fact I heard about life in India. Even though for many average people, life in India represents hardships, insufficiency, deprivation, inflation, and a low standard of living, one of the most prosperous and financially thriving industries is the Indian film Industry. With over 800 new releases each year, “BollyWood” (a word which is a conflation of “Bombay” and “Hollywood” and which many South Asian filmmakers have taken exception to citing it implies that theirs is a cheap imitation of Hollywood's) allows Indians to spend more on entertainment and movie-going especially, per capita, than in many western nations! And you think there's not enough wealth for you???

Music Industry Overview

Here are some statistics designed to give you a clear picture of what's going in the music industry:
 [Source: http://www.riaa.com/PR_story.cfm?id=512]

Worldwide Music Industry Sales (Incl US)	\$40 Billion
Domestic Music Industry sales (i.e. US only) :	\$13.7 Billion (2001 year-end figure)
Major Labels' Market Share for 2000	84%
Individual Labels' market share for 2000	Universal Music Group (28%) BMG Entertainment (19.4%) Sony Music (15.4%), Warner Music Group (13.5%) EMI (8.7%).
Gold and Platinum SoundScan Stats	202 albums sold 500,000 units or more. (Gold) 88 album releases sold at least 1 million units (Platinum)
Internet Sales	For 2000, 1.6% of total album sales came via the Web
The top 10-selling albums of 2000 were	'N Sync's "No Strings Attached" (9.9 million), Eminem's "The Marshall Mathers LP" (7.9 million), Britney Spears' "Oops! ... I Did It Again" (7.89 million), Creed's "Human Clay" (6.58 million), Santana's "Supernatural" (5.85 million), the Beatles' "Beatles 1" (5 million), Nelly's "Country Grammar" (5 million), Backstreet Boys' "Black & Blue" (4.2 million), Dr. Dre's "Dr. Dre 2001" (4 million) and Destiny's Child's "Writing's on the Wall" (3.8 million).
% of music consumers who list Rap/Hip Hop as their favorite genre	29%

Sales Breakdown by Genre (2001 figures)

Rock Sales	24.0% (i.e. 24% of all records sold were in the Rock category)
Pop	12.1%
Rap/Hip Hop	11.2%
R&B/Urban	10.6%
Country	10.5%
Jazz	3.4%
Classical	3.2%

Sales by Format (Singles and Cassettes)

Full-length cassettes decreased in popularity, dropping from 4.9 percent of the market in 2000 to 3.4 percent in 2001. Music singles continued to decrease as they did in 2000. Of those surveyed, only 2.4 percent of music purchased were music singles in 2001, whereas just two years earlier 5.4 percent were singles.

Sales by Age

Age Purchases in 2001 showed that music is enjoyed at any age. There was a very small change among music consumers of all ages from 2000 to 2001. Rather than growing, music purchasing among consumers between the ages of 15 and 30 remained flat. Since 1990, the 45-and-older segment has steadily increased its proportion of the marketplace, continuing to be strong in 2001 at 23.7 percent.

Sales by Gender

Women now account for 51 percent of music purchasers in 2001,

**according to the Recording Industry Association of America's (RIAA) 2001 Consumer Profile, an annual demographic survey of 3,153 music consumers in the United States.*

Hip Hop By Comparison

Worldwide sales	\$40 Billion
US Sales	\$13 Billion
Rap Sales	\$1 Billion

Note: According to the Recording Industry Association of America (RIAA), young white audiences purchase 66% of rap music. As I said in "How to Use This Book", "every statistic represents a trend you can spot and capitalize on."

What's Standard In The Industry?

(aka: "Why you need to do it yourself!")

As record label, you'll be forging relationships with virtually every other entity and individual concern within the industry. You'll be entering the field in a game that's been going on for many decades now. As a result, there are many standard practices, trends, beliefs and terms that you should be familiar with. There are many good books that cover the range of standard practices in the industry. My goal is not to repeat them here. There's enough value that I can offer without repeating them here. Remember, this is a how to book. relationships with the artist and his/her team. Here, then, is an overview of the monies typically received, spent, accrued within the music industry. Here's some valuable information on how income is divided up between label, artist, and everyone else.

**[2000 statistic from the Recording Industry Association of America]*



What An Artist Gets Paid On A “Gold” Record (“Simply shocking!”)

	\$480,000	500,000 units sold at a royalty rate of \$0.96 per unit
1.	-\$100,000	recoupable stuff (NOT the advance)
2.	= \$380,000	New Subtotal
3.	- \$190,000 (placed in reserves)	Still sounds OK? Watch... Now, half of the \$380,000 stays "in reserve" (accounting for returned items from retail stores) for 2 to 4 years depending on the length specified in the recording contract.
4.	= \$190,000	New Subtotal
5.	- \$70,000 (advance; recording costs)	Next, the \$70,000 advance is actually subtracted from \$190,000 (the other \$190,000 is in reserves for 2 years).
6.	= \$120,000	New Subtotal
7.	- \$62,000 (manager)	Now, there's also the artist's manager, who is entitled to 20% of all of the entertainment income which would be 20% of \$310,000, or \$62,000. Remember, the artist is the last to get paid, so even the manager gets paid before the artist.
8.	= \$58,000	New Subtotal (What's left for the 3-member group to split)
9.	(divided by 3) = \$19,000 Each	What each member of the 3-member group receives.

So the artists actually receive \$19,333 each for their gold album, and in two years when the reserves are liquidated, IF they've recouped, they will each receive another \$63,000.

IF they've recouped. Guess who keeps track of all of this accounting? The label. Most contracts are "cross-collateralized," which means if the artist does not recoup on the first album, the money will be paid back out of the second album. Also, if the money is not recouped on the second album, repayment can come out of the "in reserve" funds from the first album, if the funds have not already been liquidated.

Even after the reserves are paid, each artist only actually made 50 cents per unit based on this example. The label made about \$2.68 per unit. This example also doesn't include any additional production costs for an outside producer to come in and do a re-mix, and you know how often that happens.

So each artist in this group has received a total of about \$82,000. After legal expenses and costs of new clothing to wear on stage while touring, etc, each artist has probably made a total of \$75,000 before paying taxes (which the artist is responsible for-- remember Kool Moe Dee?). Let's look at the time line now. Let's assume the artists had no jobs when they started this. They spent 4 months putting their demo tape together and getting the tracks just right. They spent another 6 months to a year getting to know who all of the players are in the rap music industry and shopping their demo tape. After signing to a label, it took another 8 months to make an album and to get through all of the label's bureaucracy. When the first single dropped, the group went into promotion mode and traveled all over promoting the single at radio, retail, concerts, and publications. This was another six months. The record label decided to push three singles off the album so it was another year before they got back into the studio to make album number two. This scenario has been a total of 36 months. Each member of the group made \$75,000 for a three year investment of time, which averages out to \$25,000 per year. In corporate America, that works out to be \$12 per hour (before taxes).

And the artist doesn't actually get paid until the record label recoups the \$500,000 they gave the artist as an advance. Therefore, "the artist" doesn't actually get their \$1.51 on the first 326,797 CDs sold.

From-ARTISTS DON'T MAKE MONEY FROM RECORD DEALS By Wendy Day from Rap Coalition

Now, if you're the label, then the above scenario isn't so bad. You want your artists to go "Gold" because you stand to reap the rewards of your as well as their hard work. If, on the other hand, you're the artist, then the above picture might not appear so rosy! \$19,000 in my pocket after generating close to eight and a half-million dollars in retail sales! (500,000 x \$17 retail price=\$8,500,000)

What EXACTLY is “Publishing”??????

The Ultimate “Publishing” explanation

MINDCHECK

How to Learn

The best way to learn something is to teach it. After you’ve read the following, call up a friend and attempt to explain it to them so they understand AND can explain it back to you. It is in explaining concepts to others that we learn best. If you REALLY understand the concept of publishing, you must be able to answer their questions to THEIR satisfaction! If you have ANY questions, visit the www.hiphopbiz.com website, or, if you’re reading this 10 years from the date of publication, find me on whatever the latest mode of communication is in our world, and I’ll explain it even further to you! – Walt F.J. Goodridge

Perhaps the most confusing topic in the music industry is the concept of “publishing.” Technically, when someone says “publishing” they may be referring to publishing RIGHTS and/or publishing INCOME. The two are related in that whoever owns the publishing RIGHTS will be earning the publishing INCOME. In our Ultimate Publishing Explanation, however, I’ll make sure that I explain things in such a way that there’s no longer any confusion about this extremely important subject.

This section is by no means intended as a comprehensive, thorough explanation of the entire range of details concerning publishing. It is, however, intended to explain things in such a way that you understand the underlying concepts that drive industry, and might clarify WHY things are structured the way they are from both the artist and label perspective. With this knowledge, you’ll be better equipped to protect yourself as an artist, or to secure your viability and success as a record label owner.

So let’s take this idea by idea, and remember what I said in the very first “Mindcheck” about not going past a word you don’t understand!

Idea 1. Ownership

When you create a piece of musical work which we’ll call a work or a composition, you AUTOMATICALLY own something called the “Publishing RIGHTS.” Remember, this composition is YOURS! You made it, you created it, you own ALL the rights! Period. No one can take these rights away from you without your consent. And, you don’t have to beg, borrow or buy these rights from ANYONE in order to exercise them and make money from them. When you create a piece of musical work, YOU are the original “publisher,” so you own all the Publishing Rights. Got it? Good. But you haven’t really published it, yet, so that’s going to be your next step if you want to get it out there and make money with it.

Idea 2. Publishing Defined

“to publish” The act of disseminating intellectual and other material to its intended audience.

In other words, your composition is considered “published” when it is made available to the public, or some specific audience. You can publish your work in the form(s) of a record, in the soundtrack for a film, as background music for a television program, as music for a commercial, or maybe a within the soundtrack of a video game.

Idea 3. Anyone can be a publisher

In the same way that you automatically became the original publisher just by creating the work, ANYONE can be a publisher.

Record labels can be publishers. Artists can be publishers. People set up separate companies for the express purpose of “publishing” other people’s work. A publishing company, therefore, has the job

Idea 4. The Ownership Exchange!

You may well be asking, “So if the original creator owns all the rights, how is that so many talented artists and creators end up bankrupt after being in the music industry?”

ANSWER: Making money in the music industry is based on an “Ownership Exchange”

Think of it this way. You just baked a pie. This pie is all yours! It’s a delicious pie that you want to take with you on a journey across the country to sell at a state fair. So you start your journey on foot. Along the way, you meet someone who offers to drive you part of the way. But, in exchange, she asks for some of your pie (she noticed how delicious it smelled). You agree, cut her a slice of the pie, and she takes you part of the way. After a while, you may part company, wave goodbye, and continue on your journey. Your driving partner now has a piece of your pie that she can eat or sell. You have less of your original pie, but you’re a little further ahead in your journey than if you hadn’t sacrificed that piece. You’ll make a little less money at the fair, since you now have less to sell, but you should still do ok.

Soon, you meet a number of other individuals who, intrigued by the appeal of your pie, offer to do other such favors for you. One offers to drive you further. Another offers to protect your pie in case it rain. Still others even offer to sell it at other fairs promising that they can get you better prices. All seem like great offers, and at each meeting, you cut a slice of the pie in exchange for the help these people provide.

Or, things may have gone differently if the first person you met had said, “I’ll take you ALL THE WAY across the country, as long as you split any money you make along the way with me when you get to the fair. You might simply have met

Choose wisely because, if you’re not careful, you may end up giving away more than is in your best interest, and end up at the fair flat broke, and with no pie to sell!

When you sign an agreement with a record label, a publishing company, an agent, a producer, etc., in some way you are GIVING AWAY a piece of the pie—more accurately, its money earning potential--IN EXCHANGE FOR their help in getting it out to the public in ways that generate money. When money is made, they’ll be entitled to a percentage based on the percentage of ownership that you’ve given them.

Your “pie” is the total publishing rights that you have as original publisher. What you sign away are various percentages which entitle your new “part owners” to share in the income generated.

To anticipate and answer a question you may have at this point: YES, you can publish your work yourself. However, in making the decision of whether or not to self-publish, many artists realize two things about the industry. 1. Publishing is and can be a very time-consuming enterprise that would take time and energy away from the artist’s creative pursuits, and 2. Labels and publishing companies already have the financial resources, contacts, networks, staff, distribution channels and relationships in place to make publishing easier and pretty much more lucrative than most new artists could on their own.



Idea 5. Publishing Income!

So, let's say that you've signed an agreement with a record label. The money that's generated as a result of the different ways they publish your work is called publishing income. The share that you'll be entitled to (they've got more leverage, so they've put themselves in the position to monitor and distribute the income they make for you) per the same agreement are called publishing royalties.

There are four types of publishing royalties based on the ways that a song is exploited: performance royalties, mechanical royalties, synchronization fees, and print royalties (although sheet music is rare for rap music).

performance royalties: you can get paid when your song is performed on the radio, in a club, at an event, or other public venue.

Who writes the checks: PERFORMANCE RIGHTS ORGANIZATIONS

mechanical royalties: you can get paid when your song is published "mechanically." The term comes from the days when music recordings were sold as piano rolls which mechanically triggered a player piano, now represent royalties due to songwriters and their publishers for each copy of a record sold.

Who writes the checks: RECORD LABEL

Synchronization fees: you can get paid for the use of a song in a motion picture. This includes the right to distribute the film to network, local, syndicated, pay-per-view, pay, satellite, cable, and subscription television stations; the right to show the film in motion picture theaters in the United States; and the right to include the song as part of in-context trailers, previews, and advertisements of the motion picture

Who writes the checks: MOTION PICTURE PRODUCTION COMPANY OR PERFORMANCE RIGHTS ORGANIZATION

print royalties: you can earn money from the sale of sheet music of your songs. (although sheet music is rare for rap music).

Who writes the checks: THE PUBLISHING COMPANY

As an independent record label, or as an artist/label you may find yourself negotiating and arranging deals and fees in any number of these areas. However, to maintain our focus, let's spend a little time on the Record Label's mechanical royalties.

[Excerpt from **Songwriters & Publishers Beware: The Controlled Composition Clause**

By, *Wallace Collins, Esq. From rapcoalition.org*

However, for a simplified example of how it works, lets assume a typical clause which might say that the songwriter/artist will receive 3/4 of the minimum statutory mechanical rate payable on a maximum of 10 songs per LP.

The mechanical royalty on the artist's entire LP (based on the label contract the artist signed) has a cap of 52 cents (3/4 rate x 10 songs) so that, even if the songwriter/artist writes 12 songs for its own album, the artist's publishing which should be worth about 83 cents an album at the full rate is only allocated 52 cents under this clause.

1. To further illustrate, assume the 12 song album has 6 songs written by the artist and 6 songs from outside publishers. The outside publishers are not subject to the artist's 3/4 rate so the 6 outside songs get the full rate and are entitled to a total of about 41 cents. Since the mechanical royalty on the entire LP for the artist has a contractual cap of 52 cents, the recording artist's publisher is limited to applying the remaining 11 cents to the artist's 6 songs, so that the artist's publishing is worth less than 2 cents per song.

2. To take it another step further, imagine a case where 8 of the 12 songs on the LP were from outside publishers. The outside publishers would be entitled to about 55 cents in mechanical royalties. Since the artist's contractual cap is 52 cents, then for Each LP sold the songwriter/record artist would actually owe its record company 3 cents which would be deducted out of its recording royalties. In addition, the artist's own 4 songs receive no mechanical royalties at all.

Translation:

1. In other words, as far as the record label is concerned, regardless of who legally owns the publishing rights, they are only required to pay out a TOTAL of 52 cents as “mechanical publishing income.” Since they already paid out 41 cents to the outside publishers, --and these may also include people from whom the artist has “sampled.” --they are only required to pay out another 11 cents. This 11 cents is what the artist has to make due with, regardless of how many songs he/she has actually written for the album.

2. And, if they pay out more than the 52 cents stated in the contract--because the artist has used (or sampled) too many outside publishers--then the artist must reimburse the label for the extra costs.

Remember the Game Plan

Publishing income, mechanicals, soundtrack licensing will create additional streams of income for your label. -----

- Monitor your OPERATIONS
- Find, sign and develop talented ARTISTS
- Create your PRODUCT on CD or other media
- MARKET, Promote & Advertise it...
- SELL IT to stores, distributors and to the public
- Maximize additional streams of INCOME**
- RECOUP your expenses
- PAY the players
- Make a PROFIT
- GROW your business

Where's the Profit for the Label?

With all the information we've just acquired, we can now answer the question that's been on your mind ever since you started reading. The moment you've been waiting for: an overview of just how you make your money as a record label! First let's take a look at how a typical major label makes its money: In this example, we'll explore what would happen for a new artist whose debut release sells 200,000 copies.

Throughout this book, you'll be learning and gathering information designed to help you start your own record label, release your own music and gain exposure for your independent release. First let's review the game plan:

Remember the Game Plan

Knowing where all the money goes is the first step in making sure your label earns a profit-

Monitor your OPERATIONS
Find, sign and develop talented ARTISTS
Create your PRODUCT on CD or other media
MARKET, Promote & Advertise it...
SELL IT to stores, distributors and to the public
Maximize additional streams of INCOME
RECOUP your expenses
PAY the players
Make a PROFIT
GROW your business

Signing advance

"Rap acts are routinely signed for half the \$300,000 advance that the average new white alternative band can expect for their first album. Traditionally the performer gets an 8 to 12 percent royalty on the retail price of his record and the option to re-negotiate."--*From Newsweek July 18, 1994*

The following is adapted from-ARTISTS DON'T MAKE MONEY FROM RECORD DEALS By, Wendy Day from Rap Coalition (www.rapcoalition.org)

Record Deal Royalty Rate

We're going to assume that there are 3 artists in the group, and that they split everything equally. We're also going to assume that they produce their own tracks themselves.

ROYALTY RATE: 12%

Suggested retail list price (cassettes) \$10.98

less 15% packaging deduction (usually 20%) =\$ 9.33

Artist gets paid on 85% of records sold ("free goods") =\$7.93

So the artists' 12% is equal to about 96 cents per record sold. In most deals, the producer's 3% comes out of that 12%. But for the sake of brevity, we'll assume in this example that the group produced the whole album themselves, buying no tracks from outside producers, which is rare.

Let's assume that the group is a hit and their record goes Gold (although it is rare that a first record blows up like this). Let's also assume they were a priority at their record label and that their label

understood exactly how to market them. So they went Gold, selling 500,000 units according to SoundScan (and due to the inaccuracies in SoundScan tracking at the rap retail level, 500,000 scanned probably means more like 600,000 actually sold).

GOLD RECORD = 500,000 units sold x \$.96 = \$480,000. Looks like a nice chunk of loot, huh? Watch this. Now the label recoups what they've spent: independent promotion, 1/2 the video cost, some tour support, all those limo rides, all those out of town trips for the artist and their friends, etc.

And the artist doesn't actually get paid until the record label recoups the \$500,000 they gave the artist as an advance. Therefore, "the artist" doesn't actually get their \$1.51 on the first 326,797 CDs sold.

Break-Even Point

If the "average" rap record costs \$1,000,000 to create, market, and promote (and I could argue that this figure is low, but it's the average figure Craig Kallman, President of Atlantic Records gave me), then just to break even a label must sell 123,000 records.

Percentage for managers/accountant/lawyer

Everyone gets their cut first: the label, the manager (15%- 20% of all of the artist's entertainment income), the lawyer (by the hour or 5%-10% of the deal), the accountant (by the hour or 5% of all income), and, of course, the IRS (28% to 50% depending on the tax bracket).

So the artists' 12% is equal to about 96 cents per record sold. In most deals, the producer's 3% comes out of that 12%, but for the sake of brevity, in this example the group produced the whole album, buying no tracks from outside producers, which is rare.

Business manager

Never agree to pay a business manager more than 5% no matter how much money he says he can make you or save you.

Talent agent

A standard fee for a talent agent is 10%, but it may go as high as 20%.

So, where DOES the money go??

So, even though you probably won't be dealing in \$200,000 advances right away, we'll use this as a nice round figure as our standard budget. So, let's say we, as the label, advance the artist \$200,000.

Of that 200,000 advanced to "the artist"

\$30,000 (15%) goes to the manager

\$5,000 (2.5%) goes to the lawyer for negotiating the deal

\$10,000 (20%, though it varies) goes to the Producer as a fee, which leaves

\$155,000 to actually make the record and cover the artist's living expenses (assuming no other income)

Now, once the record is actually released and selling, for every CD sold, of a typical \$17.00 retail cost that's made, 12% goes to "the artist"

Of the 12% that goes to "the artist"

3% goes to the producer (\$0.51 cents)

9% goes to "the artist" (that's \$1.51)

88% goes to "the label" (this must cover our label expenses and result in a profit)

Now, let's say we're ready to do an accounting of the profit we made from our venture. Let's assume that we sell 200,000 albums. Here, then are the record company's expenses:

- Recording and recoupable marketing costs: \$300,000 (including the advance)
- Mechanicals: \$120,000
- Non-recoupable marketing costs: \$600,000
- Manufacturing and Distribution: \$330,000
- Total label expenses: \$1,350,000

So, what would the label make on the sale of these 200,000 albums? Retailers pay around \$10 an album, which amounts to a gross revenue for the label on those 200,000 CDs of \$2 million. No one knows exactly how much distribution and manufacturing costs. The big companies all have large overheads to provide these functions, often creating separate divisions to handle them. The record company presidents run their divisions with internal charges for manufacturing and distribution that add up to around \$2.65 a unit. There's obviously profit built into that but the per-unit amount varies, depending on the amount of overall record-group volume as well as unpredictable outside events such as retail bankruptcies. As a rule of thumb, I was always told to assume about \$1.00 a unit profit on these combined functions. For the purpose of this exercise I'm assuming a "real" cost of \$1.65 per unit for combined manufacturing and distribution.

This leaves \$650,000 in profit, right? Not necessarily. Out of that comes all of the salaries of the people who work at the record company. These include the people who do the color separations for CD covers, who create Web sites for artists, and who make hundreds of calls to radio stations, journalists, and retailers. Struggling divisions spend more, but a healthy U.S. record company with a decent catalog allots around 20 percent of their gross revenues to overhead, or, in this instance, \$400,000.

That still leaves the label with a profit of \$250,000, right? Yes, and the middle-level artist has reason to gripe, but not without coming to terms with a fundamental fact: big record companies weren't established to enable artists to sell 200,000 copies. Big record companies need big sales. Even the most astute A&R people are wrong two-thirds of the time. On average, even at a successful company the cost of promoting and marketing a label's "misses" eats up most of the profits, from not only the mid-level successes but even the gold-plus hits. Executives at major labels, then, are usually disappointed by sales of 200,000.

A major record company's profits come from the Shania Twains of the world, the very artists who have the least to complain about. Remember the \$600,000 allocated to marketing on 200,000 albums, this represents 30 percent of the total revenue. On an album that goes on to sell millions, the share of income spent on advertising and promotion drops to 10 percent, leaving an extra \$2 an album profit for the label.

The Future of the Industry: MP3, The Internet and You **(“Where’s it all going?”)**

In case you’ve been out of the loop for a while, here is a quick overview to bring you up to speed on what’s been going on in the industry.

- The Internet has wrought massive changes to the Music Industry
- It has enabled artists to establish and nurture direct links to their fans via email, websites.
- MP3s are digital audio files that allow music to be played online, via the web and in non-traditional formats.
- MP3 and Internet communication allow fans from all over the world to share music to a degree never before possible.
- This new consumer listening model threatens the business model of record labels who would like to charge customers a purchase price for products with music.

The debate that now arises and about which there is much division, disagreement, but also delight (depending on where you stand), is whether the Internet and MP3 are helping or hurting the music industry. Who is benefiting from the technology? Are they benefiting at someone else’s expense? Are artists ultimately losing money and income due to the new technology? Is the overall sale of music as a commodity increasing or decreasing as a result of the widespread availability and access to MP3? Is there an alternate business model that can be created that will keep everybody happy?

Does MP3 affect the artist’s livelihood? I know of many artists who are now more financially successful as a result of the new technology. I can only speculate as to the actual effects on artists who claim to be hurt by the new world order. Labels who make their money from the sale of vinyl, cassettes and CDs will undoubtedly feel their livelihood is threatened by a format over which they have no control, and for which no clear boundaries and standards have been established. A better question to ask (remembering our earlier advice), is “How can we use the new technology to improve our financial situation.

As far as the effect of the technology on consumer spending: Trust your own experience as a music consumer. The question is simple: Has the new technology increased or decreased your purchases of music? Has the Internet/MP3 exposed you to new artists? Has it allowed you to keep more money in your pocket? Have you been able to bootleg rather than buy? Whether the answer is yes or no, you can be sure you’re not alone.

On the other hand, has MP3 exposed you to new artists? Has it allowed you to be exposed to artists whom you wouldn’t have known of otherwise? Did you still go out and buy an artist’s CD even though you may have it on your computer’s hard drive? Again, whether the answer is yes or no, you can be sure you’re not alone. There are others like you who are going to be spending about the same, or more as they always did. Your mission is to use the technology to affect those consumers’ buying habits in your favor.

My best advice is this: Stay on top of the latest developments and don’t wait to be on the trailing edge of the adopters. If there IS going to be a new business model that compensates the artist, while satisfying the customer’s now expanded appetite and palate, then you, as an independent label should make sure you’re aware of it and using it before the masses.

We’re still in a market-driven, demand-based economy. For those of us in capitalistic societies, the nature of trade, competition, marketing and the exchange of money for goods and services—the basic formula of capitalism—isn’t changing anytime soon. In addition, the concept of music as such a good or service has been around for quite some time. Given that, though possible, it’s unlikely that those two factors are going to simply collapse any time soon. Therefore, knowing that we can’t stop the tide of change and evolution of technology, the right question is, “Given this. Now What?”

SUMMARY of Chapter 3: “The Industry”

- €# There's enough money for everyone to benefit. Your very arrival in the industry brings new value, new music and creates new possibilities for you and everyone else, consumer as well as creator.
- €# The Music industry is a \$40 Billion industry worldwide and a \$13 Billion industry in the United States. At \$1Billion, Rap accounts for 11% of this total.
- €# Understanding standard music industry practices like royalty rates, publishing, and how much an artist typically makes on a “gold” record will equip you with an understanding of how to really change the game for your benefit.
- €# While internet-enabled file sharing of MP3s is undoubtedly changing consumer buying habits in some way, the overall effect is still undetermined, and predictions of the industry’s demise have been greatly exaggerated. Keep in mind that the greatest outcry will usually come from those with the most to lose as a result of the new technology. The savvy independent label, with less overhead costs, may continue to do quite well in this new era provided it stays ahead of the latest trends and finds ways to move WITH the flow rather than against it.
- €# A good philosophy to have when you encounter challenges on your journey is to accept them as given, and focus your energies on dealing with the present reality rather than the past circumstances. Here is a sample of an Inspiration (my own rap, perhaps?) that underscores this point.

Given That It Is

Given that things right now in fact
are how they seem to be
how then should you respond
instead of saying woe is me?

Given that things around you
didn't quite work out as you planned
how best to turn these cards you're dealt
into a winning hand?

It's all in the response
so, you can focus on the flaws
or simply use events
to help you find your life's great cause

No answers come by saying
"My life's worse than hers or his..."
You find them when you start by saying
"Given that it is..."

RESOURCES for Chapter 3: “The Industry”

(BOOKS, AUDIO PROGRAMS, MAGAZINES, ORGANIZATIONS & WEBSITES)

For understanding the Music Industry Game

- ☞ *This Business of Music* by M. William Krasilovsky
- ☞ *Fight the Power* by Chuck D
- ☞ *Hit Men* by Frederic Dannen
- ☞ *Confessions of a Record Producer* by Moses Avalon

ORGANIZATIONS & WEBSITES (Music Industry)

- ☞ Recording Industry Association of America (www.riaa.org)
- ☞ Rap Coalition (www.rapcoalition.org)



CHAPTER 4:

“A Business Startup Primer for ANY Business”

In this, a very important part of this manual, we'll explore some basic, as well as advanced business concepts and practices. In Part 1, we'll explore the

1. Business Startup
2. Choosing the right structure
3. Basic Business Operational requirements, and finally
4. Internet Business—the new frontier.

In Part 2, we'll get into more specific detail and cover the business concepts that relate specifically to running a record label.

1. Daily Label Operations
2. Creating Your Products and Tools

Starting A Business

If you want to be taken seriously, you have to be organized, professional and committed. It helps also if you're intelligent, well-spoken and pleasing to look at, but these aren't pre-requisites since this is America. Anyone with a good idea and a way to sell it can make it. However, you have to have a clear and realistic idea of what you're doing, and why you're doing it. If you think of yourself as a guy or girl with a good record that, with one phone call, will magically put you in the same league as Ice Cube or Latifah, then close this manual, put it back in the envelope, send it to me, and I'll send your money back. To get on the same level as Ice or Latifah, or entrepreneurs like Russell or Luke, you have to think big! Think Control! Think office space! Think secretary! Think calls from all over the world for your record! Think Source Awards! Think checks from BMI or ASCAP! Think personal freedom! Think independence! If all of this sounds appealing. You need to start a company.

Document Everything!

You should keep track of everything related to your business. Create a file to record how, why, when and in what order you do the things you do. Keep records of who your suppliers are, key contacts, copies of local and national media coverage, your first sale, your millionth customer, even how you answer the phones. This information may come in handy if you ever write a book on how to start and operate your particular type of business. And it will help you to put together an operations manual--which you should do anyway--should you need to train new employees or sell your business.

In an upcoming chapter, you'll learn how all this information and documentation will help make doing your taxes a breeze!

A Handy Accounting Reminder

Keep this as a reminder of how often to complete the key business analyses

Tool	Purpose	Frequency	Key Terms/Formula
Balance Sheet	Snapshot of "Net Worth" ie Health of Business at any single moment	1ST of MONTH As often as desired, but I do once at beginning and once at end of month to chart my progress. END of MONTH	Assets – Liabilities = net worth What I own minus what I owe
Cash Flow	What I have to left over \$1 + \$1 -\$0.50 FLOW IS \$1.50	ONCE A /MONTH	Cash available to me to do business for the month minus what I spent to run the company = cash flow OR, thought of another way: the flow "in" combined with the flow "out" A dollar came in, fifty cents went out. That adds up to \$1.50 total flow
Profit & Loss <i>or "income" Statement</i>		END OF YEAR Usually needed for end-of-year taxes	Income – Expenses = Profit/Loss What I earned minus what I spent

SUMMARY for Chapter 5: “Basic Business Concepts & Tools”

Key Points

- €# Retail and wholesale costs are pretty standard within the industry; meaning you don't have the flexibility of setting your own prices. The market, the demand, the cost to you, and the perceived value of your product or service has pretty much already been established in the industry. However, you should master the concepts of profit margins, markup, break-even analysis to better understand where the profit in your venture exists.

- €# It's important to be organized, to protect your assets, to understand the importance of contracts to your business success, and to be able to wield key business concepts appropriately.

- €# Use the organizational chart to add structure and efficiency to your business. Used correctly, it can help you conceive of and operate your business in ways that ultimately make you more money! When deciding who will fill the positions in your “org chart”, experts suggest choosing based on personality. Ask yourself, “Who do I want reporting to me?” What talents, skills, mindsets do I want my core team to exemplify?” “Whom do I want to make money with?” “Who energizes me and is both productive as well as fun to work with on projects?”

- €# Growing your company is a function of how well you manage people and processes. Use the mantra, “Delegate, Automate, or Eliminate” to help you in streamlining your business operations to be more effective.

- €# Your business will fail or succeed based on your grasp and effective manipulation of such concepts as markup, break-even, profit margin, profit and loss and cash flow. Make it your business to understand them well. This is a task that may be delegated, but first must be understood thoroughly.

- €# Cutting costs and saving money is a vital component of succeeding in business. There are numerous principles and practices that can help you maximize profits by minimizing expenses.

The Right Questions

- €# How can I learn more about how to run my business?
- €# Whom can I approach to mentor me in running my business?
- €# How did Puffy, Master P, Russell, and other Hip Hop Entrepreneurs learn their business skills?

Chapter 5 RESOURCES: “Basic Business Concepts & Tools”

BOOKS, AUDIO PROGRAMS, MAGAZINES, ORGANIZATIONS & WEBSITES

For managing fast growth

- *Mastering the Rockefeller Habits* by Verne Harnish; www.gazelles.com

For mastering business concepts

- *Musicians Business & Legal Guide* by Mark Halloran

For managing your team

- *The One Minute Manager* by Kenneth Blanchard

For attracting and managing wealth

- *The One-Minute Millionaire* by Mark Victor Hansen; Robert G. Allen

Magazines (Available on newsstands or at your local library)

- Inc. Magazine
- Entrepreneur Magazine
- Business 2.0



Chapter 6: ***“Launching Your Label on the Internet”***

Making Money with Your Online Presence

This is a "how to" manual. So rather than waste time teaching you the history of the internet and the benefit of having a website, I'm going to assume you are either familiar with, already know, don't care, and are already convinced of the value of the internet and the need to have a web presence. That being the case, I'm going to offer you a process in the form of an FAQ and a checklist for getting up and running.

Your mission is to establish an internet presence on which people purchase copies of your products, t-shirts, merchandise, tickets to events, memberships in fan clubs, and anything else you're selling. Look at your online business as a virtual storefront and a place for people to congregate, not simply as a brochure. Your website is a place, not a thing. The more reasons people have for getting to know more about your artists, your site and what you have to offer, the more loyalty they develop and the more sales you'll eventually have. Here then are some tips to keep in mind when planning, creating and growing your record label's website:

- ☞ make the experience of visiting your site an informative and enjoyable one
- ☞ develop a sense of community (use chat rooms, bulletin boards, distribution lists)
- ☞ give people a reason to return to your site (update your content occasionally; contests, etc.)
- ☞ collect demographic information (your visitors' identity, likes and dislikes)
- ☞ commerce-enable your site (make it possible for customers to purchase online)
- ☞ keep in touch with customers with occasional emails from your artists or label staff
- ☞ provide a place for visitors to listen to your artists' music
- ☞ link with other Hip Hop sites
- ☞ register with search engines
- ☞ remind your artists to mention the site whenever performing, or whenever interviewed

Frequently Asked Questions And Answers About Setting Up A Web Presence:

Why do people abandon their shopping carts?

Here is some good information to have that will help you focus on the essential elements to increase sales.

41% The Web page was too slow

20% The Web page looked unprofessional

16% The site didn't take credit cards

14% Couldn't find the check out area

12% Couldn't find a return policy

Source: Esearch; from a survey of 1000 consumers

What can I do to increase my online sales?

Duplicate the winners. Check out what sites like Amazon.com, Dell and other music sites that you KNOW FOR SURE are making money, and see how they design their pages, as well as how they structure their checkout and ordering process. Notice where they place their guarantee statements, privacy statements, pictures, white space. Remember, sometimes the simplest thing like where you place your "click here to order" link, may have an effect on your sales. So pay attention and follow the leaders.

Any tips for choosing a domain name?

Make sure you own your label name, your artist's name and any other catch phrase, album title, or single title by which the public may come to identify you. Also, avoid ambiguity or confusion. Avoid words that may be misspelled. If your ideal .com does not exist, choose something else. Avoid going for a .net Tip: sometimes, names become available when the current owner fails to renew their ownership for the next year. Avoid letters that may not be heard clearly over the phone or when performing in front of a crowd. (is it "f" as in "frank" or "s" as in "sam" did she say "d" as in "david" or "t" as in tom?)

Can I have more than one domain name?

YES. You can always have more than one domain name "pointing" to the same site. For example, both my www.hiphopentrepreneur.com, and my www.hiphopbiz.com domain names take you to the same site. Having different domain names allows you to experiment to discover which one is easier for people to remember and which one may lend itself to unique marketing ideas.

If I have more than one domain name should I set up multiple pages?

That's not necessary, based on the answer to the previous question. However, if each page has a different content and different key word meta tags, it might prove helpful in securing multiple placement in search engines.

What if someone owns the domain name I want?

Find another one. If you brainstorm long enough, you can come up with something that suits you perfectly. But, here's a tip: just because someone currently owns your desire domain name, doesn't mean you can't have it soon. If someone owns your domain name, but hasn't put up a site yet, they may not really have plans to. Consequently, they may let their ownership lapse by not renewing their ownership with the registrar. When you check on the ownership using networksolutions.com's "WhoIs" Database, make note of the "record expires" date. If it's scheduled to expire in a few weeks or months, you might get lucky and be able to grab it if they don't renew. But, whatever you do, DO NOT, I repeat, DO NOT notify the current

owner that you're interested in the domain name, unless you DESPERATELY, REALLY want it and are willing to pay them for it now that they know it now has value to you!

Should I purchase email names off the Internet?

ABSOLUTELY NOT. Unless it's an "opt-in" list where the names of the list belong to people who've specifically requested to be on the list. Otherwise, you'll make many enemies, and may even have your website shut down for sending unsolicited email. (a crime known as "spamming")

Should I get a "toll free" number to make ordering easier for my customers?

These days, since long distance charges are as low as 4.9 cents/minute, offering a toll free number for your customers to reach you is not as much of an enticement as it once was. However, since it IS so cheap, you may wish to invest in one. It'll probably result in a few extra calls.

What things should I include on my site's order form and brochures?

Website info on upper section (with picture) and lower section (with order form)

Phone number on upper and lower sections

Visa/MC/Amex/Discover logo

The words "Order Now"

Where to send payment and how to make payable

Shipping and handling information

Sales Tax information

Order form should request

Name, Address, City, State, Zip, Email Address, Telephone, quantity desired

What's the community concept you refer to?

In Webonomics, Evan Shwartz talks about the new paradigm for selling on the net. Key in this equation is the ability to create a sense of community among your visitors....

What other ways can I keep people coming back to my site?

A) Make your site a portal of information. It encourages your visitors to return and stay. Hotsheet.com is one example of a one-page portal.

B) Add games to your site. You can get some here: www.uproar.co.uk or at www.pogo.com/affiliates.

C) Make your site interactive with a guest book, forum, tell-a-friend link, webring, customizable news, contests, polls, e-card, and free for all links. Bizland.com allows you to sign up for an account and place the code on your site.

D) Provide links to freebies, get-paid-to-surf sites, contests, incentives, jokes, quotes, mp3, and gnutella.

How often should I communicate with my mailing list?

I find once per week to be an acceptable frequency. Once every two weeks may also be good. Unless you have a daily news like and entertainment column, or a horoscope feature that people want to read each day, you might be wise to keep it to no more than once per week.