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## Guest Column



### "Are Record Labels Greedy?"

**Special Guest Commentary  
By Miles Copeland**

The amount of accusations of greed and ineptness leveled at record companies recently is only half as shocking as the record industry's meekness at defending itself. The public has been led to believe that CDs are highly overpriced by greedy companies who are also stealing from the artist in their thirst for profit. Therefore it is quite okay for everyone to download freely on Napster or some other vehicle to redress this "evil." It is also argued that the industry's slowness to respond to the opportunities of the internet opened the door to the likes of Napster. Unfortunately, some naive artists have supported and fueled these ideas.

#### Highly Profitable?

In search of the greedy companies, I assumed their disproportionate profits would show up in the annual reports. They don't. From my own experience I know investors look at record companies unfavorably **BECAUSE THEY DON'T MAKE ATTRACTIVE RETURNS ON INVESTMENT.** Basically, it's a high-risk, low-return business, which is why companies are shrinking in quantity and staff. Many of my friends who were *gainfully employed five years ago, are out of the business altogether.* Many household names, A&M, Geffen, Chrysalis, IRS, etc., have been shuttered. Hardly the product of a highly profitable industry.

#### Are CDs Overpriced?

So where does the public get the idea CDs are overpriced? Don't they realize 19 out of 20 CDs released fail to make their investment back? Somewhere along the line, somebody printed that it cost a dollar or so to press a CD. Therefore, any price above that was profit. It's not. As an example, when I add up the cost associated with signing, recording, manufacturing, releasing, marketing, and running a record company over the past three years, for 80 releases, my average CD cost me \$15 to make and the average sale price was \$10.00. Only in this, my fourth year has my CD price dropped slightly below the sale price for a profitable year. Traditionally, profits come largely from having a large catalog ticking over, generating income without the expenses attached to a new release. New companies don't have a catalog, so by definition they must rely solely on new records with all the costs. Hence years of loss before any profits are possible.

#### Artists Are Biting the Hand That Feeds Them

The world of rock & roll has always played on its anti-establishment origins. Rich rock stars are a somewhat "embarrassing" phenomena, so they want to retain their popular roots and revolutionary anti-

establishment ethic. In the public, therefore, they are quite willing to bite the hand that feeds them. In the past, we all accepted this part of the game. With the advent of Napster and other downloaded technology, we all - artist, record company and the public itself - have to take a step back and say "What does this all mean?" For the artists, biting the hand that feeds them will soon mean that the hand won't be there to bite anymore. For the public, there will always be music, but the music available will change its content and quantity. Live bands will survive, but those that are largely studio animals depending on record sales will become an endangered species. When sources of income diminish in variety, music variety will also diminish.

Napster is not a danger today-it may even act as a listening booth leading to increased record sales-it is tomorrow that is the problem. As technology (players, broadband) becomes commonplace, three to five years from now, Napster-like sites will spell the death of the record stores and a total rethink, if not disaster, for the record companies. Everyone will be affected, artists, record companies, publishing companies and the public themselves.

### **Internet "Geniuses"**

The accusation that record companies have been slow to respond to the Internet may be a valid one, but there is good reason for this. We can't figure out how to make a business out of it, pay royalties (honor the contracts we already have with the artists) and not lose our shirts. The funny thing is, NEITHER CAN ALL THE INTERNET GENIUSES. They are going bankrupt, left, right and center. Most Internet companies seem more like stock market scams than real businesses. I have a strong suspicion that the Internet revolution will turn out to be like the French Revolution. The revolutionaries will spend much energy and talk about overthrowing the "old regime," only to soon find themselves with their heads in the guillotine.

As Americans we have seen many industries and the jobs they create move off shore. We have so far managed to replace these jobs with new and better jobs, particularly in technology. We have moved from a society based on brawn power to brain power. To survive and prosper we must be able to make money from this brain power. If creativity is easily stolen and doesn't have to be paid for, our brain-based businesses will die and our society will go the way of the Romans. They were technology advanced and lost to the barbarian hordes. Don't think it can't happen again. Napster is only the tip of the iceberg. It's the mentality that sees nothing wrong with the theft of intellectual property that will sink many a Titanic.

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