



**ASSOCIATION OF
INDEPENDENT MUSIC**

An AIM Guide on Taking Your Label to the Next Level

**A guide for small independent record labels wanting to transform
their business**

AIM, October 2014

Introduction

The purpose of this AIM Guide on Taking Your Label to the Next Label is not to act as a step-by-step guide. Instead, this guide should act as a reference point for those of you that want to build on your label's initial success and grow your company into one that can compete with the larger UK independent record labels. Whilst there is no direct path that record labels can follow to build on their success, this guide will provide assistance in giving your label the best chance of becoming the next Domino or XL.

It has been said that there are only three important parts of a successful record label – A&R, A&R and A&R. If you have access to some good tunes you are halfway to success.

This should be in the back of your mind throughout the course of this guide – a label's overall success is only as good as the quality of the artists' material they release. If you believe you produce great music, then all that stands between you and music mogul status is a little bit of business strategy, and a good helping of luck.

Rethink Your Business Plan

In all businesses, the key to success is in the planning. Rethinking your original business plan at this stage is a sensible place to start ensuring your company is well set-up and organised.

Your newly reformed business plan should focus on at least the next three years of trading and should include details on bank accounts, cash flow, office location, business insurance, employers liability insurance, rates, overheads, tax and national insurance. Give particular attention to the areas of your business you would like to grow (e.g. taking on more artists, hiring staff, upsizing your offices, etc.). Rethinking and redesigning your business plan will be the new blueprint for your business, so it is worth spending time on it and seeking advice when making it. AIM recommends getting an accountant on board to give you some guidance.

Accountant

Get yourself an accountant who is a specialist in the music industry. Don't just settle for the first accountant you meet – it is essential that you are comfortable with your professional advisors and feel that you can communicate with them so make sure you look around. Feel free to ask AIM if you would like us to recommend an accountant for you.

Music Lawyer

Alongside an accountant, you will need to get yourself a specialist music lawyer who is experienced in the field. Music lawyers are certainly not cheap but many law firms will offer discounted fees or even some limited free advice to smaller independent record labels. Ask AIM for some recommendations and advice on this area. We have a very good contact base, and as solicitors ourselves, are very well placed to give practical guidance on how to use lawyers, and get the best from their services.

Personnel

Has the time come to think about hiring extra staff to cope with the increasing demands of your record label? Most new independent record labels will be starting out as either one or two people, but most established labels have people working on legal and business affairs, accounts, A&R, Sales and Marketing, Promotions & International. For more information on adding to your workforce, read the AIM Guide to Employing Staff [here](#).

Set up as a Limited Company

It is important to set up a limited company for your label. Your stock in trade is intellectual property and your assets will consist mainly of copyrights. If one of your artists slips an un-cleared sample into a record, you as the label might find yourself being sued for large sums of money. If you are sued as a limited company your liability is limited to the assets of the company. However, if you are simply Joe Bloggs trading as XYZ Records there is no limit to your liability and you could potentially lose everything. Companies can be bought 'off the shelf' for less than £200. Get your accountant to guide you.

Shareholders Agreement

If there are several owners of the label you should record your legal and financial relationship in a shareholders agreement. This is a document that sets out who owns what shares, when they can sell them and for how much.

VAT

Bear in mind that if your turnover is in excess of £81,000 you are required by law to charge and pay VAT on certain goods and services. Customs and Excise are powerful, and they are not patient in collecting their dues. Unpaid VAT bills are one of the most common causes of bankruptcy in small labels. This is something that your accountant will be able to talk you through.

Trademark Your Record Label

If you have been trading as a record company for a while you should know whether your name and brand is unique within the industry. Whilst your name will have some legal protection, it is recommended that you trademark it, along with any logos your label may have. More information can be found here: <https://www.gov.uk/how-to-register-a-trade-mark/register-a-trade-mark>

Funding

Once you have re-organised your record label and established a new business plan, you will need to start thinking about money. It might be that your label is doing well financially and you feel you do not need extra help. However, as your business grows, you will start to take on more artists and your overhead costs will increase. It is always worth knowing where the next source of funding could come from. Below are some options:

Bank loan

Now that your label is up and running you will be looking to secure medium to long-term or even permanent investment in your new business. In this scenario you would be looking to borrow money from anywhere between 5 and 25 years. A commercial mortgage and long-term loan agreement from any one of the main clearing banks are examples of this type of long-term finance but be warned, in recent years, banks have become extremely reluctant to offer loans of this kind.

Your label will stand more chance securing a bank loan if you can show a respectable turnover and a capability to pay back the money loaned. It will also help if your artists have already had some commercial success in the industry, as your company will be on a more secure footing than, for example, a start-up independent record label.

Private Investment

Venture capital companies, often represented by fund managers, can receive high media profile in the media with respect to tech and digital start-up companies, and while there seems to be plenty of interest in music-related technology investments, ironically there has been less interest in investing in companies producing and recording the music itself. Generally, venture capital companies invest in start-up companies looking to raise £250,000 or more.

The important thing to remember is that any potential investors will be looking to ensure their bets are safe and that their investment will see a return. A good business plan should answer any questions potential investors may have – they'll be looking for pitfalls and flaws in your figures. You will need to display that their investment will either repay their loan or generate the agreed profit shares for them. The less the investor knows you, the more information you will need to provide for them to assess the risk of investing in you.

If your records have real commercial potential then the possibility of finding investors within the industry will be higher. More information on investment can be found here: <https://www.gov.uk/business-finance-explained/investment-finance>.

Label Deal

One option sometimes available to smaller independent record labels is a record industry investor (the label deal). A big advantage of looking for a major record company or established independent label to invest in your record label is that you do not have to deal with the big learning curve of explaining how the industry works to the potential investor. If you have a track record of success in the industry then your quest for investment within the industry will, of course, be that much easier. However, be warned that some larger companies (and even distributors) impose onerous terms on labels they have invested in, and it can be very hard to extract yourself from these with your rights intact.

Performance Rights Revenue

With ever-decreasing record sales in the music industry today, performance rights

based revenue is increasingly becoming a rich source of income for many record labels.

We hope that, by now, your label is registered with the relevant producers' collecting societies, and that you have a strategy in place to manage this internationally (see further below). In the UK, this is PPL. You must be registered in order to receive performance rights royalties. If you need more information on what your options are as a UK label looking to ensure you are being paid your ex-UK performance royalties, please ask AIM. We have a batch of up to date resources on this area which are free for members.

It is vital that you provide the collecting society with full repertoire information for your recordings – every piece of data attaching to every recording is used/useful in the matching process, and potentially helps make sure you get paid when your recordings are used. In the UK, this data is input and updated through the myPPL online system.

Manage your repertoire data consistently, and put adequate, experienced resource into this, with proper management support. Attention to detail is crucial, so you need to ensure that the people managing this have adequate time and space factored in to do the job properly.

You should keep track of airplay of your recordings, as well as public performance usage in e.g. clubs and festivals, if possible and review your royalty statements to make sure that sums received are in line with what you would expect from the usage you know about.

International Performance Rights

Performance Rights now exist in over 65 countries worldwide. If your music has achieved commercial success and airplay then there is a high chance that it will have been broadcast and played in public outside of the UK. This is additional performance rights revenue that needs to be collected. Without actively managing this, you could be leaving money on the table.

You can go through PPL's network of reciprocal agreements with international collecting societies, to access any distributions of royalties you may be due from overseas broadcast and public performance of your repertoire. However, this network does not cover all countries where your recordings might have earned performance revenues. Speak to AIM about how to fill these gaps, particularly in countries where you have had airplay.

AIM works closely with PPL and all international societies to ensure that the independent sector is represented at main board level. Please therefore speak to AIM about any issues or questions you have regarding performance rights payments, or any wider questions on performance rights in general, particularly regarding international queries.

For further information, please refer to AIM's Indie Label's Guide to Performance Rights which can be found [here](#).

Marketing

As with all the creative industries, marketing is an essential part of running a successful business. Without exposure, you simply won't sell any records. If you have an artist with great material, then you need to be doing all you can to get their music in the public eye. Below is a list of areas you should be looking at to increase artist exposure:

The Press – offline and online

If your music has enjoyed some commercial success thus far, you should be looking to get your artist(s) featured in the wider press. You could do this yourself, use an in-house person, or use an independent press company to act on your behalf. It is essential to have good artist biographies, press releases, press photos, and real drive and determination to get your artist featured and records reviewed in the appropriate press.

The press in almost all areas of music, and in respect of most age groups, can be a considerable influence in helping your artist succeed in the market – be it from a review in Metro, Q Magazine, Wired or Drowned in Sound.

The costs of engaging an independent press company can vary from a few hundred pounds a month to several thousand, depending on who you are looking to engage and who the artist(s) is/are. It's a matter for you to negotiate.

Radio

Pluggers generally promote records and service them to radio. For most independents these pluggers tend to be from independent promotion companies. Some of them specialise in certain areas of music whilst others have a broader approach. The cost of engaging promotion companies will vary considerably, again from a few hundred pounds for a single (often with bonuses for chart success) to several thousand pounds for a commitment for an album project, including all the singles. Whatever your aspirations you will need to accommodate your demands with the right person and at the right price.

It is often the case that one plugger covers the London and national radio stations, e.g., Radio 1, Capital and XFM etc., whilst another plugger specialises in regional radio stations. Because of the amalgamation of a number of music radio networks, a playlist on one station may mean you are automatically on several stations around the country.

Television

Within cable, satellite and digital TV, there are limited opportunities to get a promotional video shown and to give it additional value within the marketing budget. Many videos are being made at great cost and with high production values. Outside any dedicated cable music stations and channels (now somewhat on the decline) you should be using the YouTube platform to give exposure to your artists' music videos. YouTube is now the Internet's most important outlet for music videos and it is essential that labels regularly upload and promote their artists' music videos online.

Depending on the artist, you also will be looking to secure live and promotional appearances on specific television programmes that cater for live performance, e.g. Jools Holland or other appearances on, say, comedy or talk shows with music slots. Again, you will for the most part be relying on plugging the television shows or production companies, to encourage them to feature your artist. This may be done by the same promotion company as handles your radio activity, or another person or company entirely.

Social Media

As well as focusing your marketing campaign in the above areas, you should back this up with a strong social media campaign. It is vital to keep on top of your artists'/label's social media pages such as Facebook, Twitter, YouTube, SoundCloud, Spotify etc. You should regularly update these platforms with interesting posts to keep your followers engaged, making the user stay on your page for as long as possible. So be creative: upload demo versions of songs; interview your artists; create playlists; embed links into your YouTube videos and so on.

You can also pay for advertising campaigns on Facebook and Twitter to promote your music on these platforms. These are an effective way of reaching out to more users and building on your artists' fanbase.

You should also factor in the cost of marketing in these additional areas:

- **Retail** – online and offline, including shop windows, points of sale, “record of the week” hype promotions, front of store promotions, price breaks and free music. Any form of retail promotion carries a cost depending on its type and size.
- **Marketing and online ads** – The kind of artist that you are advertising and the strategy of the campaign will determine the scale and the budget of any advertising.
- **Flyers, poster**ing – to raise the profile of a new artist, to announce the release date of an existing artist or to help place a record in the chart.
- **Databases** – Use of email lists to develop a database for an artist is invaluable. Mailing lists are an effective and inexpensive way to let fans know what's happening.

There is no magic button with marketing, unfortunately. Money has to be spent in order to gain exposure for your artist. However, marketing is essential to your artists' success so you must budget this reasonably into your overall costs. It is also important not just to focus on one or two of the areas above. The ever-growing presence of social media has rapidly decreased the attention span of today's society. Your marketing campaign should focus simultaneously on as many areas as possible, and come as part of a whole package so that consumers can interact with your artists' music on a number of different media.

Synchronisation

Synchronisation is a great way to gain exposure for your artists' music, as well as

being a lucrative source of income for your label. Getting your music used on adverts, promos, television programmes and films will expose your music to a whole new audience, which can lead on to all types of profile-raising opportunities for your artist.

In most cases, synchronisation rights are granted for a flat fee for a certain period. Each song to be synchronised will have its own price depending on its commercial success and the value and budget of the project in hand. Both the sound recording/master side, and publishing side will both need to be licensed in order for a piece of recorded music to be 'cleared' for sync usage.

Quite often the third party publisher is more experienced in the granting of a licence than a label and might be able to help you fix a value on the master side, but you need to be aware that some publishers will expect the lion's share of the fee. It is AIM's view that the publisher should receive no more for a synchronisation licence than the record company where the songwriter/artist are one and the same.

There will be occasions where the fee itself is "small" or "nominal". However, the usage may be such that the exposure of the recording and/or the music copyright is invaluable in terms of marketing opportunity and/or for the long-term career of the artist. The fee will then be weighed up and considered not only in pounds and pence, but also in terms of the commercial value of the exploitation. This may well persuade you to grant the licence in any event.

For more detailed information on sync, please refer to the AIM E-Guide to Synchronisation Licensing, which can be found [here](#).

Finally...

Following these guidelines will not bring your label overnight success, but it will increase your chances of overall success in the music business. As mentioned at the beginning of this guide, there is no direct path to success for record labels in the music industry – if there was, everybody would be on it. This guide acts as a reference point for labels that want to increase exposure for their artists, increase revenues, and grow their business into one that can compete with the larger independent record labels in the industry.

Here are 5 Signposts for where to go next:

1. **AIM Guide to Survival and Success in the Music Business** – AKA the Bible for any independent record label boss.
2. **AIM website** – check out forthcoming events, increase your label profile, and network!
3. **AIM Office** – feel free to call AIM for recommendations, PPL data analysis and general guidance.
4. **AIM E-Guide to Synchronisation Licensing** – a more detailed look into the world of sync.
5. **AIM Guide to Employing Staff** – an important reference if you are looking to add to your label's workforce.

This is a simplified and concise guide giving advice to labels wanting to take their business to the next level. For more information and details on achieving this, please refer to the [AIM Guide to Survival and Success in the Music Business](#).

Good Luck!

AIM
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