

How to do Business in Today's Music Industry ...

# BREAKING A BAND

## IN THE INTERNET AGE

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by **David B. Cooper**



Be sure to visit: [www.BreakingaBand.com](http://www.BreakingaBand.com)

# Foreword

David Cooper has been making the rules since the early 80s when we first met working together with Ozzy and Sharon Osbourne. David was handling the money, and I was handling the media. “Coop” (as known by his friends) has done it again by delivering the first great music business book for the new millennium. *Breaking a Band in the Internet Age* is not only an insightful look into the current state of the music industry; it is a companion guide for any young musician that is looking to forge a career in music or for a person rethinking the current paradigm of music marketing. This dissertation serves as a new textbook for music management and marketing as well as sparking the imagination and creative process. The knowledge communicated in this book promises to be a cornerstone in the future framework of success for anyone working in the music business.

*Michael Jensen*  
*CEO*  
*Jensen Communications*

## *Jensen Communications Inc.*

Founded in 1982 by Michael Jensen, Jensen Communications, Inc., (JCI) is an international media, marketing, and management firm specializing in public relations and serving a diverse range of clients in the entertainment industry, cause-related politics, and the arts. The company has created and managed media campaigns for more than 100 artists, companies, and projects and has played a key role in many significant events and achievements of our time.

JCI has been at the forefront of media management and public relations for close to two decades. The firm has received numerous awards, including five years of Reader's Poll Awards from Performance, more than forty platinum and gold record awards from the Recording Industry Association of America, and countless civic and charitable commendations.

# **BREAKING A BAND**

## **IN THE INTERNET AGE**

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# Introduction

Music is a BUSINESS. It is not easy, and it takes more work than most any other type of job. This how-to book of what techniques an individual artist or band can use to make it in today's Internet-driven marketplace. "Making it" defines success as profitability. This do-it-yourself method is hard work, but the payoff can be great.

You, the individual artist or band, are the true center of the music business; you are the people who write and/or play the songs, and this music is intellectual property (IP). To become successful in terms of business profitability, you must sell enough of your music (IP) to cover your expenses and this only happens if you are able to reach your fans. Artist-to-fan direct communications is the FUTURE of the MUSIC BUSINESS, and artist-to-fan direct communications may be the crucial factor that determines whether you are profitable and, hence, successful as a business.

Your music is sellable in four ways: it becomes recordings, which drives publishing, drives live appearances, and creates the possibility for merchandising image/logo-bearing products. Each of these cash flow streams can be charted, including all the players who take a cut before the artist sees anything. There are also other players whose help is required for an artist's success, but they aren't related directly to any particular cash flow stream as measured by profitability. This book assumes that you and your band are already up and running and doesn't cover that because plenty of those books have already been written. What this book WILL do is help you become MORE profitable by identifying the paths the cash follows, the players associated with each path and how to measure and evaluate these cash flows to create profitability. Since music is a business, we are going to teach you how to do business in the music industry. Here's one of the important bits of information we hope you take away from this book: profitability can be increased in three ways: by increasing income/revenue, by cutting expenses/costs, or by implementing a combo of both. A combo approach is best.

The four major cash flow streams for an artist are:

Royalties - from record sales

Publishing - for song writing and performances of those songs

Tickets - to live personal appearances

Merchandising - selling the products related to the artist's logo

Where does this all lead, how do you really "do" it. This book does not stop there; it is a road map to another way, a new way to do the music business successfully. The FoxMan Group also has a new set of tools to handle these cash flow streams and more importantly a new way for YOU to be paid, and for you to control your own costs all at the same time. It's a simple accounting technique called subscription. It's how YOUR fans get a "payment plan", a monthly fee for a "package" of products, including streaming, downloads, merchandise, AND tickets. It makes music affordable again, both to make and to sell. Affordable product (lowest price to your fans) and the most profitability DIRECT to you. Sounds like a win/win. It's not too good to be true, this tool set and methodology is called DIRECTtoFAN.com.



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## WARNING! THE DOWNSIDE

If you like music or think you have a great song or band, let me tell you now, right up front - QUIT NOW while you still enjoy music.

If you cannot imagine doing anything else with your life but being an artist and if you have friends or parents to feed you and help keep you warm and dry at night, even when it gets to the point of asking anybody and everybody you can “lean” on for something and if you are willing to drive hours to play gigs for ten people with no pay several times weekly, well, I can still probably suggest to you - QUIT NOW before you no longer enjoy music.

There will be no success as determined by profitability in this path. Most (99.98% pure) artists leave the music business at or before this point.

If your friends all think you’re crazy, but now you are willing to get in a van with nine guys for months at a time, share three hotel rooms and bathrooms, eat only “catered” pizza and burgers and like it, then you have the one in a million CHANCE of becoming financially steady enough to be able to buy a home, a car and pay taxes. Music is now a business to you, and now you are feeding everyone in the entire music business, and they all get paid before you. There will be limited success as determined by profitability in this path. A couple of hundred “new artists” make the jump to financial stability each year.

If you become one of these few financially steady artists, you stand a one in a million CHANCE of being a “big rock star.” Few make it to this point, but those who do, often don’t stay around long because it is hard work to stay in the limelight. True success is measured by profitability. It requires financial management of income over a period of years.

What do I mean by CHANCE? It’s almost a matter of luck. Do you feel lucky? Like the band whose bus broke down right in front of an open garage, and they made the gig on time. Timing and luck have as much to do with success in terms of financial profitability as talent and hard work do. Are you the beginning of a fad, or a one hit wonder, or a true career artist or band? Did you meet the right guy at the right time in your career, and did you meet that right guy at the right point in his career? Is someone else playing a gig in the same market around the same time? Many talented bands are not successful due to bad timing or bad luck.

If you don’t feel lucky - QUIT NOW! If you have bad timing or are always late - QUIT NOW! If you are unwilling to work hard and do things that you might not like to do - QUIT NOW!

## GOOD NEWS! THE UPSIDE

Music is a BUSINESS. It is not easy, and it takes more work than most any other type of job I know of. This “how to” book is my opinion of what techniques an individual artist or band can use to make it in today’s Internet-driven marketplace. Making it defines success as profitability. This do-it-yourself method is hard work, but the pay off can be great.

I used “breaking” in the title of this book because it has many meanings. It can have a downside meaning: the breaking up of a band. It is the doom that is felt if the band cannot continue on. It might be due to personal issues, but as in many marriages, the issues are often over money. If everyone in the band has the same BUSINESS expectations, it is easier to keep the wheels on the tracks when the money gets tight. Otherwise, the band may break.

This book will show you how to “break” in the good sense. To a record company, an artist/band breaks when they sign a recording contract, and in the world of radio, an artist/band breaks into a radio market or into the Top 40. To me, a band breaks when they achieve success in terms of long-term profitability.

Today’s technology, especially the Internet, is radically changing the music industry and allowing unbelievable reach for both artists and audiences. First, it is enabling the artist, or content creator, to maintain ownership of the music, instead of the record company controlling the intellectual property (IP) represented by the music. Now records (IP) can be created in basement studios for a fraction of what a record company used to pay a recording studio. Also, the Internet is changing how records are sold, the methods of distribution. Now distribution can be done over the Internet for a fraction of the cost of what the record companies used to pay to press and ship record inventory to many geographic locations. Finally, the Internet also allows the artist to communicate directly with the fans without the use of conventional radio airplay and interviews in small geographic areas within range of a station. Now, for very little investment of time and money, a band can share information on tours, recording, and merchandise with all of their fans in all geographic areas, national and international.

As more digital downloading policies and laws are being established, artists are able to retain more rights and more of the cash flow, but there is a price. Artists and bands must learn to be more self-sufficient as a business. You must understand the system of who wants to buy what, at what price, and when in order to be profitable. This is not easy; in fact, it is a full time job, and it takes time away from the music. You can do it, but “Will you?” is more the question. The “how to” is answered here in this book, but it all gets back to you. Will you do it, and if you don’t do it, who will you PAY to do it for you? I can promise that if these tasks are not done, you will not be successful as defined by profitability.

If your definition of success does not include profitability, then consider this to be an encyclopedia of how the music industry is currently structured and how the cash flows: when, to whom, and for what. Then read on and set a definition of success that allows you to still enjoy music, BUT KEEP YOUR DAY JOB.

If you have not heeded my warnings and still want to be a “big rock star,” I must warn you one more time. This is not for the faint of heart. I am a fan of humor, some of my friends call me a clown, and I am cynical, but I am totally serious (at least until the end of this sentence) - to be financially successful as an artist or band requires years of serious work. If you are an artist or band ready to fight, and it’s an uphill fight all the way since every other band wants to be the king of the hill, and if you believe in yourself and your ability to do everything it takes, like

missing family events and holidays, working endless hours, talking to every industry person who will listen in every little town, all while trying to learn the business enough to be successful as defined by profitability, READ ON!

If you are a crazy, stubborn, fighter, who so strongly believes in yourself and the team around you and who writes and performs great music without “all the props,” you are already successful in my eyes and we will probably become friends and allies if we meet. THIS BOOK IS FOR YOU - it will open your eyes to all the folks who need to be on your team, their jobs, and how they affect your cash flow. My goal is to help you enough by educating you about the system you are working in to make you financially successful as defined by profitability. I will suggest some things to watch out for and some things to do to increase your chances (there is that luck and timing thing again) of becoming profitable more quickly. The new path this book recommends uses artist or band self-promotion and marketing programs and customer direct methods of “getting the word out,” all promoted via a “fan club” across the Internet.

I am also an artist; however, my art is building software and my life has been applying my academic training as an accountant and my addiction for computers to my love for music. I have been a fan of music since I was young, and while in college, I organized musical events for the campus and was exposed to the music industry. My “art” started in 1981 as a college intern project that over time turned into a business and became the Fox companies. In my intern project, I “painted” my first accounting programs around a two-dimensional calendar, something revolutionary in that teletype era. Since then, we have built calendar-driven accounting applications for managers, promoters, agents, tours, record companies, radio, publishing, ticketing and fan clubs. We have worked with small artists and the largest, including U2, Prince, the Who, and Whitney Houston. Our ticketing systems have been used for systems with many venue locations and outlets across a state, used for artists like Pearl Jam for national tours with a centralized telephone call center, and used by ISC, the owner of many of the NASCAR races tracks, to integrate their phone room and internet for both tickets and merchandising. Over the years, we have worked with Ticketmaster on two different projects, and designed national systems for both the Promoter and Agency Divisions of SFX, which later became Clear Channel. (See Appendix A: FoxMan Group Executive Summary.)

I can’t imagine doing my art for anyone but people in our music industry. My art has helped musicians become successful as a business, making a profit and connecting with their real fans, especially at live gigs. I have always been artist-centric but have also known that the fans are the real boss in the industry. They cast the final vote – so don’t forget who’s the boss during your career: it’s the fans, who pay you and determine your success as defined by profitability.

Ok, so far I have scared you with the dark side, but how about the balance or equal time. The upside of the life of an artist in a band is more amazing than you can describe in words. There are the little hairs that stand up on the back of your neck and the buzz the first time you hear your music played on the public airwaves. There is the euphoria you and the crowd feels as the lights go up at the same time as the first chords of the concert erupt to the rafters of a sold-out arena. There’s the pop of the cork from a bottle of Champagne to mark the end of the recording of your new songs. Or, from my accounting point of view, your first check from the record company AFTER you have recouped, meaning you can start to pay off everybody (oops, sorry I went back to the dark side for a moment).

Seriously there is hardly anything more fun than getting paid to tour, or record, or do interviews on the radio. The parts between the traveling and bad hotels are the stuff other books have written about. I have worked hard enough, and been LUCKY enough, to have experienced these

thrills firsthand for many years. I have seen all the states in the union (my butt still hurts from all the miles in a bus or plane seats), and many countries on several continents. I have seen a show at almost every place that holds a group of people, and it has been great. I am still telling the stories (now if I can just get paid for it....).

I have made friends and learned to deal with others. I have grown to respect the folks like me who live in the “support” roles because we can’t write songs or sing and dance, but can’t live without the music. In fact, I have found just as much passion in these folks as you find in musicians. I understand why artists can succeed. So much of an artist’s or band’s “luck” comes from relationships with these people. Your manager and your lawyer and your accountant are your guardians; they are truly trying to protect you. They might even become your friends, or your enemies. It’s a love-hate relationship: you love to hate them and hate to love them, but they’re yours. They’re your extended family in the music business.

The relations these folks have with others in the industry also plays into what I have called “luck.” Your new manager did your new record company guy a major favor with his last big band and he calls it in for you. What luck! What if he decided not to cash in his favor for you, or worse what if he had screwed the guy and payback was coming. What bad luck! So one of my recommendations is find good folks to be on your team. You need them as much as they need you; it should be a two-way street. Find someone who is passionate, who gets what you are doing, and who can add something you don’t know how to do or don’t have time to do yourself. Find guys who have done it before but are not “over” from doing it too long. Shop around and find someone you trust, and that may not be easy. Find someone who will tell you the truth, not sell you some bullshit. I cannot stress how important this team building is to your financial success, and more importantly, to your happiness. (Check out the chapters on music industry resources and the folks who did the interviews because they are the best of the best.)

Financial success does bring into focus one of the other Catch 22s of life. You always have too much time when you can’t open the doors or don’t have any money, and later when success bites you, you can’t go into all the doors that are now open and don’t have the time off to spend any of the money you’ve worked hard enough to earn. So enjoy it while you have it; it has to last your entire life. No “would haves” or “could haves” – do it, and do it fast in case you like it and want to do it again!

This book stresses the financial and contractual side of the business and the people and forces that affect the cash flow. I have researched the “how to” books in the music industry, and almost all deal with forming a band, working with other band members, song writing, touring and recording, but most do NOT even discuss contract pitfalls and getting your money. This book will shed some light on the legal structures your band should form, what kind of contracts you will need and what you will be paid for giving up what rights and obligations. It will describe where the money comes from, who touches it along the way, and how you can be more profitable by taking on more responsibilities yourself. My goal is to help you create a business structure that will protect your rights and property so that a slip and fall accident at a live event can not lead to a lawsuit liability that takes your royalties after it takes all your tour profits, or even more critically, jeopardizes your family’s home or assets.

Throughout the book I have used masculine pronouns instead of “he/she” or “she/he” or “s/he” or “his/her” – you get the idea, right? But you should understand that any and all of the players can be and have been women. It is also assumed that artists might pursue relations with members

of any sex, not just “...oops, the girls.” I mean no disrespect to anyone when I say “he” or imply that scoring relationships is the only thing done on tour.

My friends think I am crazy, driven, and always on the go. I prefer persistent, maybe pushy, and for sure passionate. I work too much, but I have LOTS of fun and get paid to do it. I have seen many great shows all around the world. This is the moral of the story: the harder you work, the more fun you can have, and the trick is to make a living at the same time.

Like you, I too have had people who have fed me and helped keep me warm and dry at night and who I have leaned on. My thanks to my gorgeous wife Lorraine, and Caesar & Cleopatra, my partner Bull, my parents, my aunt the writing teacher, my two brothers and sister – Family Rules!

And to all my other brothers and sisters from the music industry who have helped me, taught me, fed me, and given me shelter so I could learn enough about how this industry works, so I can share it with everyone else – Thank You All.

And to my working teammates, those “in the business” who have helped me build and launch or use many of our systems that have brought music and smiles to lots of people over lots of years. Thanks for the long hours, unreal time lines, and impossible situations you all helped solve – THANK YOU!

The most thanks from me, and from all of you who learn from this book, go to those who did the interviews and shared their expertise, experience, and secrets. Send them business!

So I wish all you artists the best along your path to success and may timing and Lady Luck be with you, and let me know if I can help. I am your fan.

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# THE MUSIC INDUSTRY: PLAYERS AND CASH FLOW STREAMS

# 2

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You, the individual artist or band, are the true center of the music business; you are the people who write and/or play the songs, and this music is intellectual property (IP). To become successful in terms of business profitability, you must sell enough of your music (IP) to cover your expenses and this only happens if you are able to reach your fans. Artist-to-fan direct communications is the future of the MUSIC BUSINESS, and it may be the crucial factor that determines whether you are profitable and, hence, successful as a business.

Your music is sellable in four ways; it becomes recordings, which drives publishing, drives live appearances, and creates the possibility for merchandising image/logo-bearing products. Each of these cash flow streams can be charted, including all the players who take a cut before the artist sees anything. There are also other players whose help is required for an artist's success, but they aren't related directly to any particular cash flow stream as measured by profitability. This book assumes that you and your band are already up and running and doesn't cover that because plenty of those books have already been written. What this book WILL do is help you become MORE profitable by identifying the paths the cash follows, the players associated with each path and how to measure and evaluate these cash flows to create profitability. Since music is a business, I'm going to teach you how to do business in the music industry. Here's one of the important bits of information I hope you take away from this book: profitability can be increased in three ways: by increasing income/revenue, by cutting expenses/costs, or by implementing a combo of both. A combo approach is best.

The four major cash flow streams for an artist are:

- Royalties - from record sales
- Publishing - for song writing and performances of those songs
- Tickets - to live personal appearances
- Merchandising - selling the products related to the artist's logo

## ROYALTIES

*The players:*

- Recording studios - the place music is made
- Producers - the person "steering" the recording process
- Record companies - The "contractor"
- Distribution - those getting it reproduced (pressed) and stocked in stores
- Retail (customer) sales - the retail locations a consumer can purchase from

Royalties are paid to the artist/band by a record company for the sales of recorded music after deducting/recouping the company's expenses. These royalties are paid on "units sold," usually in the form of "LP" (long play, usually vinyl or compact disc) or singles (the old 45 rpm format for radio, which today is usually two or three songs on a compact disc).

## PUBLISHING

*The players:*

- Publishing houses – the paymasters for the writers of the song
- Song writers – the people who compose a song
- Musician unions & associations – the people who watchdog this process
- Collection agencies – the folks who collect the "plays" number that directs payments
- Media outlets – the places songs are performed (venues, radio, MTV, movies)

Publishing is paid to the writer(s) or composer(s) of the "song." It is driven from royalties on units sold, airplay, concert performance, and use in a movie, television program, soundtrack, or commercial. A publishing house is not the same thing as a record company; in fact, by law your publisher cannot be your record company.

## TICKETS

*The players:*

- Tour manager – the "guiding force"
- Tour business manager – the gatekeeper of the money and accounting
- Booking agent – sells the artist's live personal appearances to the promoter
- Concert promoter – buys the appearance and promotes the event to the public
- Tour personnel – direct, manage and arrange the artist's tour dates
- Venue- the place an artist/band performs live personal appearances
- Ticket agency – the people who sell tickets for the venue/promoter

Live gigs – these are the most direct connects to the fans, the exchange point for energy between the artists and the fans. They are the biggest WIN/WIN in life, and my favorite place on earth is when the lights go down and the crowd goes wild, and the girls....all right, I'll settle down (a little). This is the place true artists thrive, show and tell, and create PERFORMANCE ART. Unlike the studio, the music is "on" or it is not, and you must get it right the first time, the only time - it's LIVE time. It is the time an artist shows the ability to work with the band, and how they work the magic together of sound, lights, video, staging all blending into performance.

This is where I learned to quantify success as profit. It could have been a fabulous show with three encores for the artist and fans, but if the costs were more than the tickets sold, it was not a success. Cold hard figures are just that, cold hard figures. It is hard to fill the gas tank for the next show in the next town, and the buzz of the fabulous show can only carry you so far before you find yourself pushing the bus. Some bands' touring carries their success, like the Grateful Dead or Phish, but it is the ability of these artists to create something worth seeing every night that explains their touring success. Some bands are just not performers and touring does not help their careers, such as studio bands like Alan Parsons Project, and some should have stayed in the studio, like the Cars or Steely Dan.

## MERCHANDISING

*The players:*

- Road merchandise – all branded products sold at live performance venues
- Retail merchandise – All products sold at retail outlets (shirts, music, videos)
- Sponsorships/endorsements – fees paid to the artist for advertising a product
- DIRECT TO FAN (CUSTOMER) – the new channel for profits

Think of the band's image or logo as a "brand." Think of the Rolling Stones tongue logo or that artist sometimes known as Prince's logo symbol. A brand can appear on shirts, posters, cup holders, bandanas, and anything that people will buy. It can even appear on perfume. Every time the image is seen, the band gets paid; so each and every time you see "the tongue," Mick and Keith get paid.



# 3

## ACCOUNTING 101: JUST THE BASICS

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Just the basics, folks – no heavy-duty math and no complicated formulas – just what you need to know to understand where the money comes from, where it goes and how the music industry players affect your wallet. This foundation will help you understand how to put more MONEY in YOUR POCKET and have greater success based on greater PROFITABILITY.

The first assumption in accounting is that everything is MONETIZED, which means that everything is reduced to numbers or value amounts. You have to have a quantitative number that gives the “money score” on every project or show you do and tells you what you earned or lost. The record is great is a quality measurement or valuation of your work; it sold 100,000 copies last week is a quantitative measure and accountants use it to score the dollars: 100,000 records sold at \$10 each yields a \$1 million week. So to define success in terms of profitability, everything must be quantified by converting it to money amounts. While music is an art and is often measured in quality, accounting is the science that measures the art in the numerical values of the price and the profit.

In its simplest form, profit is when your income is greater than expenses. You sold more T-shirts than it cost to make and sell them; that’s a profit. You received more money putting on a show than it cost to put it on; that’s a profit.

INCOME is money you receive for products and services: T-shirts and any merchandise with your logo, your music in the form of CDs, videos, or downloads, and tickets to live performances of your music. Sometimes your income is in the form of advances, which will be discussed later in this chapter.

EXPENSES are costs associated with producing and selling your products or services. There are several types of costs in this industry: direct expenses, indirect expenses, cost of goods sold, and overhead and administration. Let’s look more closely at each because each is accounted for in a different way.

Direct expenses are the costs directly associated with each sale, such as commissions, mark-downs, discounts, or shipping and handling. For example, you pay the merchandiser a flat fee or 20% of sales to sell the shirt, the venue a fee for booth space rent, and the state 6% sales tax, which was collect at the time of the sale. An example of a direct expense is costs of goods sold. How much did the T-shirt you sell for \$20 cost you? You pay a manufacturer or silk-screening shop \$6.75 to make the shirt, and you pay a merchandiser a flat fee or a percentage of his total/gross sales of the T-shirts.

Indirect expenses may be costs that relate to selling products and services but are not directly associated with a specific sale. Examples are shipping and storage of unsold goods.

Another type of indirect expenses is overhead and administration costs, which are the expenses of running the band as a business. These include such things as your office rent, electricity, staff payroll, and fees for lawyers and accountants.

An INCOME STATEMENT is a report that summarizes your band’s incomes and expenses. The format of an Income Statement is: incomes over expenses yields profit or loss (I over E = profit or loss).

Here is a simple Income Statement for a band that is making a profit:

INCOME	
T-shirts	2,000
Hats	500
Buttons/Stickers	250
Taxes collected for state	(6%) 165
TOTAL INCOME	2,915

EXPENSES	
Cost of goods	700
Booth rent	200
Cost of sellers	200
Taxes paid to state	(6%) 165
TOTAL EXPENSES	1,265
GROSS RECIEPTS	1,650
INDIRECT EXPENSES	200
NET PROFIT	1,450
TAXES	-
NET EARNING	-

The three most important lines on the Income Statement are:

- Gross receipts is total income less total expenses.
- Net profit is your earnings before you pay your taxes (pre-tax profit).
- Net earnings are after you pay the taxes (after-tax profit).

An Income Statement usually covers a specified time period, like a month, a quarter or a year. It reflects the true profitability of the band over time, but not necessarily the VALUE or worth of the band at a particular moment in time.

Accountants create a second report, the BALANCE SHEET, to show the “snapshot” value of the band’s business on a particular date and time. A Balance Sheet summarizes your band’s assets and liabilities. The format of a Balance Sheet is: assets over liabilities yields cash position (A over L = cash position).

ASSETS are what the band owns or what someone owes the band.  
LIABILITIES are what the band owes to someone else.

Recoupment is a term you will hear a lot and is a very important accounting concept in the music industry. Let's look at the royalties' money path for an example of this concept. The record company acts like a bank in two ways. First, it advances or loans you money because they think you will earn enough to pay them back, and you decide how that money is spent. Secondly, the company pays for expenses to get your product or service to the customer, such as paying to have your music recorded and paying to have your records pressed and distributed; the company usually makes these decisions and many times you have no say in them. The record company's payment for these expenses is like a loan to you, but you never see the money! The record company is the middleman and pays the provider of the services directly. However, you are the one who has to repay that loan made by the record company, and the repayment is called "recoupment." The record company recoups (is paid back) the money for the expenses from the sales of your music. You never see the money for recoupment because it is taken "off the top." Just like a bank, the record company recoups not only the amount of the expense, but also collects interest on the amount they spent on your behalf.

On the Balance Sheet, advances and expenses paid on your behalf affect your asset accounts, and the repayment/recoupment of the monies affects your liability accounts. Other folks in the industry also make advances, but they may have different recoup rules that work in their segments, like publishers and merchandisers.

You can't be successful unless someone believes in you and will gamble their cash on you; the record company is this risk taker. The record company may advance you money or pay your expenses, but you *will* pay them back before you earn another penny. Understand you are not going to get paid for selling the first million (or more) records; it will take that many sales until they recoup from you and only then can you earn a steady paycheck.

Here is an example of a band's simple Balance Sheet:

INCOME	
Cash	1,000
Checking Account	8,000
TOTAL ASSETS	9,000

LIABILITIES		
Owe to manager	1,000	Commission due on earnings
Owe to merch	2,500	Advance recoup balance due
Owe to record company	2,000	Advance recoup balance due
Owe to credit cards	1,500	Charged, but not paid off
TOTAL LIABILITIES	7,000	-
NET CASH POSITION	2,000 +	-

Net cash position is really the measure of cash flow, which is a term to describe the liquidity of a company or band. Liquidity is the ability to have cash on hand to pay your current bills. If your company is liquid, cash flow is positive and all the bills get paid so that there are no liabilities, and you have plenty of positive asset balances, such as cash, checking, and accounts receivable on hand. Negative liquidity is not having enough cash or other assets on hand to cover your liabilities, like credit cards. It takes most bands, and companies, years to reach liquidity, and keeping it there for years to come is another thing entirely.

Owners' equity is the value of the band's business and is what the owners have invested or created. Accountants determine this value by relating the net profit figure from the Income Statement and the net cash position from the Balance Sheet. Owners equity or the true value of the business (or band) to its members is:  $\text{net position over net profit} = \text{owners' equity}$ .

Your individual percentage of ownership in the corporation or LLC (band) is your individual value. In this example if you owned 25% of the company your "value" is \$500. Converting equity into cash is sometimes difficult and can be the subject of another entire book.

There are two other accounting concepts I think it's important that you be familiar with, Job Cost accounting and Settlements.

Job cost accounting is done by assigning every income and expense to the specific job it is related to. Think of a job as a show like Madison Square Garden or as a project like recording your second album. This allows the accountant to create an income statement for each project or show, as well as the summary version showing all jobs in the full Income Statement we discussed above. Job costing is an important tool for calculating bonuses and for motivating players to do a cost efficient job since their bonus depends on the amount of profit for the particular job. A good example of this is your tour personnel; if you sell enough tickets to a great live show and the tour personnel control their expenses to make the profit even greater, they are often given a bonus of a percent of the net income.

This is often called cost center control, which happens when personnel are assigned to help control the expenses side of the Income Statement related to a job, show, or project. On the other side of the Income Statement is income center control, or the part of the team focused on selling more products and services through marketing, advertising, radio and other media outlet promotions or interviews. The irony here is that the cost center controls sometimes yield more income in the form of money saved by cutting expenses, and the income center controls almost always have costs related to generating the income. This is why you need a good accountant or business manager working with an experienced manager - to keep this balanced while maintaining a positive cash flow! This also helps you understand why they get paid what they do; their job is not that easy and then they get to work with the I.R.S. to do your taxes. The I.R.S. is your final REPORT card.

The tool many of the successful (in terms of profitability) management or business management firms use for reporting are computer-based General Ledger Accounting software programs. I will talk about one of these systems in greater detail in Chapter 12.

Most of these general ledger software programs have journals or sub-ledgers to handle specific parts of the tracking and reporting processes; most people refer to these journals as "the books;" the four most common journals or books are the general ledger (GL), the accounts payable (AP) journal, the accounts receivable (AR) journal and the petty cash (PC) journal. GL is a summary of all the other journals, AP tracks vendors and people you owe money to, AR tracks companies



and people who owe you money, and PC tracks cash receipts and disbursements. Each of these journals has many accounts or categories to post against, like cash, checking, or savings, which may be associated to more than one journal. The list of all of these accounts is called a chart of accounts. This allows the creation of two more widely used accounting reports, the chart of accounts listing that shows the current summary balance of each account, and the general ledger details, showing all the transactions sorted by account that produce the summary total. The reports are used to make financial decisions.

Many of these general ledger programs also have special settlement procedures for closing or ending a project, show, or job. There are many settlement forms, or templates, made especially for shows, tours, recording studio sessions, merchandising, royalties, publishing, or advertising. Many settlements have a cost and income budget and projection to help create the settlement template. I will examine only one here with a simple example; it is for a single show and incorporates both cost and income centers and shows a column for the budget (sometimes called a projection) in the cost center.

In the sample settlement (see pages 114 & 115 for examples), you can see how the income over expenses format is similar to the Income Statement, with the show net profits as the result. It also details the cash flow analysis, showing who is holding the cash and who owes whom to pay the “profit”. As you can see, the booking agent was paid an advance upon signing the live performance contract. Your business manager will collect it for you, less the agent’s commission fees and recouped expenses. The cash stays in the tour manager or tour accountant hands for on the road expenses, tracked by another settlement procedure called petty cash/road expenses. The balance of the bands earnings are wired by the promoter back to your business manager.

You can see that there is a lot of BUSINESS that happens “behind the scenes” to make a show happen. These professionals, the accountants and business managers, dedicate their lives to this “art” of accounting and reporting, I have grossly oversimplified the processes and procedures they use. There are libraries full of text books and manuals of these processes and procedures, rules and regulations that can be reviewed and must be followed so standards are set for them to communicate amongst themselves, the rest of the players, the I.R.S. and you. Please learn more than is here, but with out this basic understanding of value and profit as a measuring tool, it is hard to QUANTIFY what most people use as a QUALITY measure. How good was the show? The accountant’s answer is \$54,317.34, while a fan’s answer might be “Spectacular!” Understanding the difference between quantifying answers and qualifying answers will help you to define success as profitability.



# 4

## MORE ABOUT THE PLAYERS

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“The Players” chart at the end of this chapter provides an overview of all the players.

### THE “PRIMARY” INDUSTRY PLAYERS



#### Artist

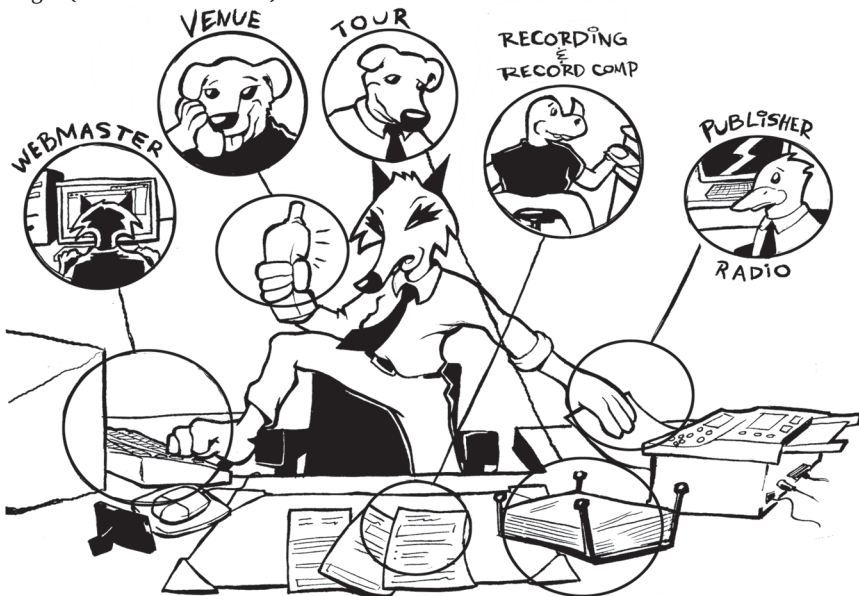
You, the songwriter and/or performer, who sings, strums, or hits musical instruments for the pleasure of others. If enough others enjoy this music, and a business structure is in place to “monetize” this enjoyment, maybe you can make a living at it while having a ton of fun.

## Band Members



The other artists who round out your sound. They are your best friends, at least for a while, and your business partners, hopefully for a long time.

## Manager (Personal or General)

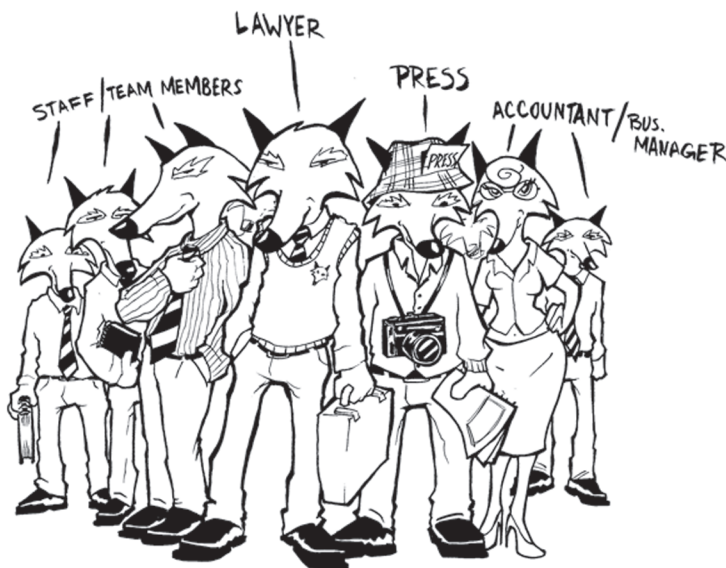


This is the leader of your team's business partnership. Their responsibilities include oversight of all areas of your career. The personal manager is your 'mouthpiece' and represents you in many of the negotiations for the contracts you will sign. He is your interpreter and hopefully has enough experience to steer you clear of trouble and keep you on the narrow path to profitability. As the leader, it is his duty to do everything possible to benefit the team at all times, even if there is no benefit to him individually. Call him the coach who sends in the plays based on advice from his coaching team. Get to know both his administrative staff and his team and their duties. The manager is usually paid a percentage of gross receipts, or per project, or both.

## Your Home Office “Family”

### The Manager’s Team

Most of the following team members are “cost centers,” but do not cut these costs back too far. They are specialists who are worth more than the money they cost because they protect your financial, mental and physical health and safety.



### The Manager’s Administrative Staff

One of the keys to a manager's effectiveness is his ability to communicate, and many times this is done via a management representative. Depending on the size of the manager's office, it may be a one-person shop with a secretary or a multi-band management firm with many representatives. Be sure to cultivate a good relationship with everyone on the communication path to your manager in order to be sure that you are quickly and accurately kept in the loop.

### Lawyer

Ok, no lawyer jokes here, and the only people who know more lawyer jokes than me are the lawyers themselves. But seriously folks, money spent on lawyers is both required and recommended. Let me tell you, the professionals in the music industry system have been making a living off of artists for years, and if they survived, it is because they are pretty good at getting YOUR money. In fact, some of them have gotten really fat. You pay your lawyer to keep these other guys from making too much money, and even after some pretty hefty legal bills, you have probably saved more than the cost of the lawyer. This falls under the old adage, “spend money to make money.” You pay these folks by the hour and/or by the project.

### Accountant or Business Manager

This is another person who fits the “spend money to make money” theory and is the person who tells you if you have the money to spend! These guys, along with your lawyer, help make up the core of the team your manager draws on to help determine the paths to profitability and which ones to choose. This team member is your personal manager's financial score keeper and voice against the IRS. This person or firm is usually and should be a CPA, or Certified Public Accountant, whose duties range from collection of cash stream transactions, to negotiations for

insurance, to reporting to the IRS. If any issues occur with the IRS in an audit, he is your first line of defense. He is usually paid a percentage of gross receipts handled.

### Press/media representative or team

Another old adage, “all press is good press,” is only true if you have a good press/media rep to spin it correctly. Your “mouthpiece to the world” is your head cheerleader and best friend. He is the guy who gets you placed in the best magazines and on the best radio and TV shows and makes you a star. His job is to help put you in the right places at the right times, and he is constantly dealing with the radio and media personnel, who are non-cash flow players. These folks are paid either fixed fees per month with placement bonuses for great media placements (articles or interviews in top shelf media outlets) or per project.

### Your New “Internet Channel” Managers



### Fan club manager

This position has been important because of the income from subscriptions, and now is becoming more and more important every day because this team member can be the point man in a new fifth cash stream. With the Internet becoming the ultimate delivery tool for music, this person manages artist-to-fan and fan-to-artist direct connection. This is the person who can extend the magic of the music from a single event to a way of life. Pictures from backstage, the studio, or radio show appearances are favorites of the fans. Keeping these fans “in the loop” is the key to the “C” word – CAREER – in the MUSIC BUSINESS. He should be part of the team directed by your manager and probably on your payroll.

### The Webmaster

This person is linked arm in arm to the fan club manager. The website is the key to the artist-fan relationship and keeping it fresh and new is the very lifeblood of an artist’s direct connect to the fans, even when on stage in that fan’s city. Like the fan club manager, he should probably also be on your payroll. Between these two players a new fifth money path is starting to take shape, and it could grow to be the most profitable one for you.

## THE “ROYALTIES” PLAYERS

These players increase the income side of your Income Statement since they pay you, while also helping you build up assets on your Balance Sheet. This is the upside; however, they really keep a large majority of the money flow and pay themselves in full before you get any “earnings.” The cash flow actually takes up to a year before it is due to you, so record sales are a long pay, meaning it takes a long time to get paid. This is due to the size and complexity of the formula that is used to calculate your earnings.



### Record company - artists & repertoire (A&R)

These folks are the people everyone thinks of when they think “record company people.” These are the folks who “sign” bands. They are your representatives to all the other divisions of the record company. These are the folks who buy you dinner, but that you pay for later during the company’s expenses recoupment. They listen to tapes and see lots of gigs (for 10 minutes before they go somewhere else to see someone else). Don’t get me wrong. These guys can be fun and your relationship with them determines your relationship with your record company. These folks are paid out of the record company’s share of the money flow.

### Record company - radio promotions department

These folks are one of your paths to radio airplay – the golden goose for selling records and concert tickets. This is becoming harder and harder as fewer and fewer radio stations can really play what they think their listeners want to hear, and instead have to play music based on their owners’ interests. This is one area where major amounts of money are being spent on your behalf, but it is difficult to see the direct positive impact on your record sales. It is required, but to what extent has a massive effect on profitability. (See “Radio Personnel” in the Non-cash Flow Players section below.) These folks are paid out of the record company’s share of the money flow.

### Record company - marketing department

These folks help expand your brand and spread your word. They are the creative folks who come up with the wild ideas to get you known, either in the press, on the radio, or on TV. They will try anything and everything to get retail sales to grow, from gimmicks and giveaways to in-store promotions. These folks are paid out of the record company’s share of the money flow.



### Record company - accountants

The folks who collect your money, hold on to it as long as possible, and then deduct every expense they can dream up could be accounted to your band or record. This deduction of band-related expenses is recoupment and the accountants will recoup as much as they possibly can. If they can't find any more expenses to recoup, you might actually see one of the rarest things in the industry - a check from a record company. These folks are paid out of the record company's share of the money flow.

### Record company - lawyers



Okay I am probably going to get edited here again, but these folks are the best at writing in English that humans cannot read and then they call these documents contracts. It looks like English, but reads like Greek (sorry I don't mean to insult my Greek friends.) Seriously you need your own lawyer just to interpret what they have said. And talk about slow; these folks make everything else look like it is moving at fast forward speed. Between record company lawyers and record company accountants you have no friends; have your lawyer check things closely because these guys know all the ways to protect themselves at your expense. These folks are paid out of the record company's share of the money flow. These folks are paid out of the record company's share of the money flow.





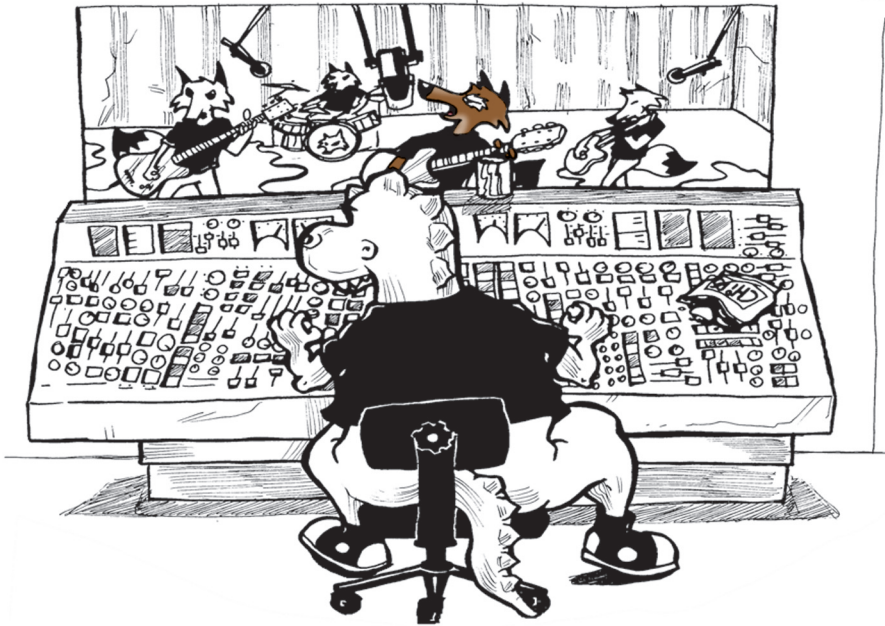
Once the record is pressed and packaged, the folks who get them into the hands that sell to your fans are the distributors. They handle lots of artists and in many cases many record companies. They are the folks who work with the retail record stores. This world has radically changed because of two things. First, the Internet is allowing the downloading and/or sales of music, and secondly, Mom and Pop records stores and record store chains are dying quickly because of the price discounts given by the Walmarts and K-Marts of the world.

This is the area most ready for change in today's environment, and the area that has already changed the most in recent years. Distribution as we know it today is headed for the way of all dinosaurs who could not adapt to the world changing around them. They become extinct.

### Recording studio

The physical places where records are recorded, mixed and mastered. In the old days way back in the sixties, the 4-track recorder was developed by some really talented folks like Sir George Martin who recorded the Beatles Yellow Submarine on 4-tracks of analog recording. In the late eighties and early nineties everything went digital, and tape machines started disappearing. Today almost the entire recording process is digital, and the costs for the equipment has dropped to less than the average recording budget. This means you can invest in the equipment and self produce records for a fraction of the cost of 10 years ago. These folks are suggested or required by the record company and paid by the record company as a contractual obligation which they recoup before you get paid.

Recording engineer



In the recording studio, the engineer is the guy you will spend the most time with. He is the technician who runs the cables, mounts the tapes, and basically does everything the producer wants in order to “capture THE sound.” These folks are suggested or required by the record company or record producer and paid by the record company as a contractual obligation which the company recoups before you get paid. Notice the band “in the studio”.

The guys who “fix it in the mix” (notice NO band in the studio)



### Record producer

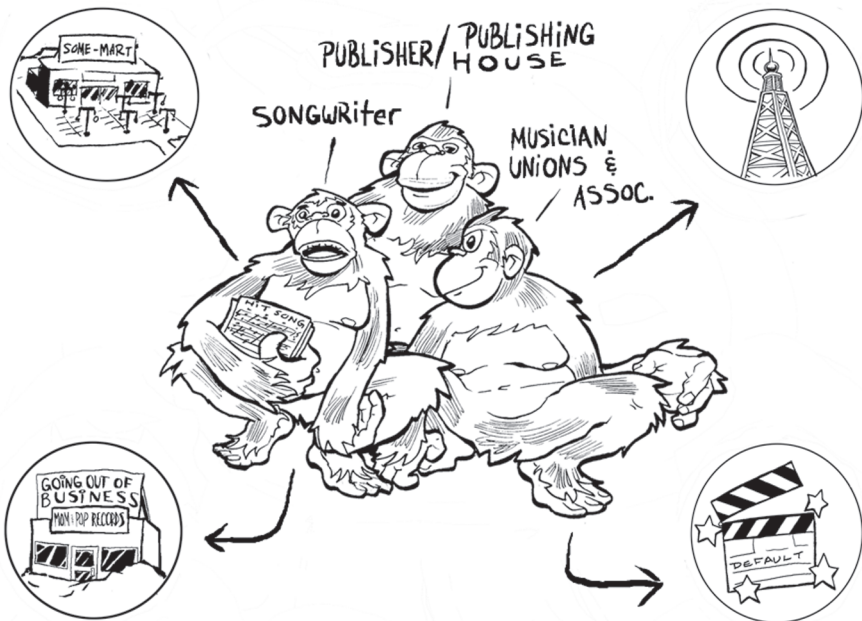
He is the knob twister who captures the artist's essence and helps create the "sound." These folks are the master chefs in the kitchen where your records are created. They manage the process and people, from engineer, to mixer, to the artists, to your records folks and personal manager. Sometimes they are more politicians than producers. Referee is also a good description as the number of egos involved in a small room can really be a juggling act.

### Mastering engineer

This guy takes the record producer's final effort and puts the final touches on the sound as a whole, setting levels across songs so that they sound good as the final step before mass production and then distribution. These folks are suggested or required by the record company or record producer and paid by the record company as a contractual obligation which they recoup before you get paid.

## THE "PUBLISHING" PLAYERS

These players, like the record companies, increase your Income Statement on the income side since they pay you, while also helping you build up assets on your balance sheet. Again this is the upside; however, they really keep only half of the money flow and pay themselves in full before you get any "earnings." The publishing cash flow actually takes up to a year, or even two for overseas sales, before it is due to you, so publishing is the longest pay, meaning it takes a long time to get paid. This again is due to the size and complexity of the formula that is used to calculate your earnings.



### Publisher/publishing house

These are the folks who pay the songwriter(s) for writing the songs. Mechanical publishing comes from records sales and synchronization publishing comes from performances on radio, TV, movie and live shows. These companies cannot be owned by the record company, and actually serve as middlemen to coordinate the payments from record companies to the artist, especially internationally.

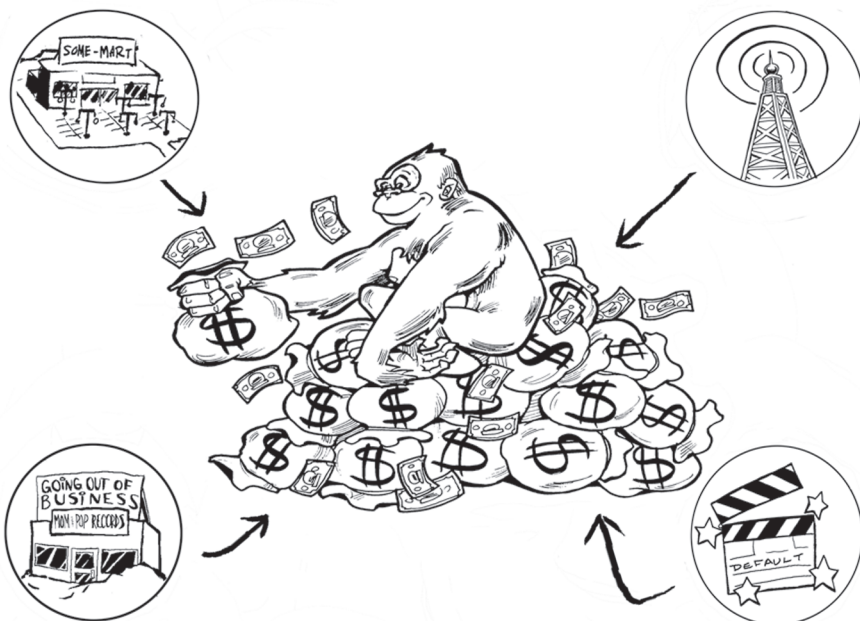
### Songwriter

The person who writes the words and music. This can be one person, a duo like Lennon- McCartney, or a group of people. The writers actually own the rights to the publishing, which is an asset on the Balance Sheet. The rights are really the right to collect the earnings. Michael Jackson now owns the Lennon-McCartney publishing rights and he has the right to allow these songs to be used and the right to collect all the earnings associated with their use.

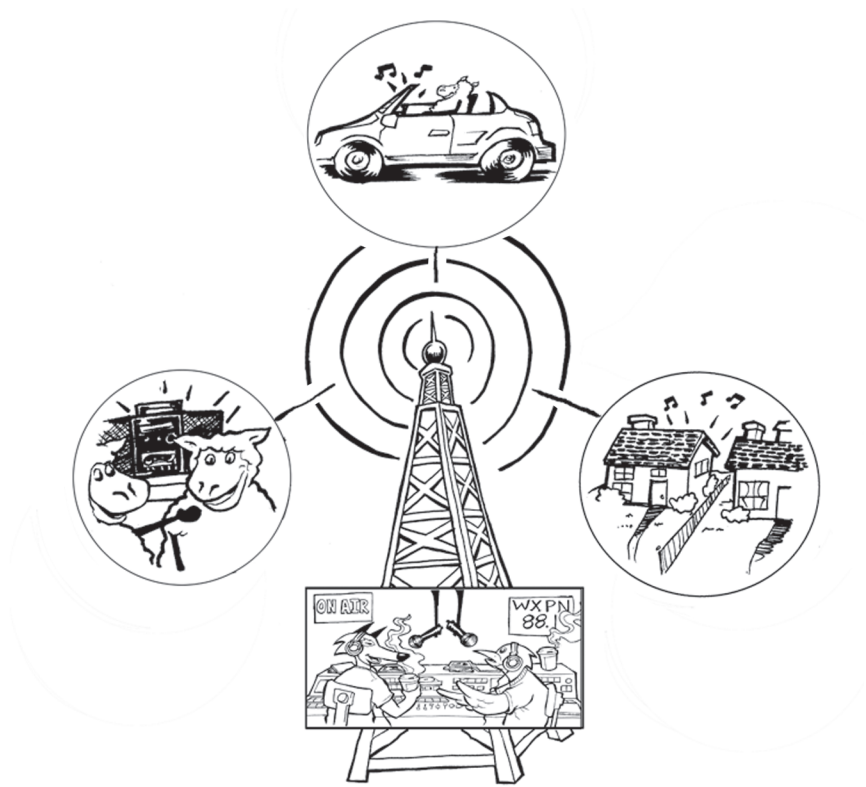
### Musician unions and associations

The three big organizations are ASCAP, BMI, and SEASAC. These folks are the watchdogs of the publishing world. They are fee-based associations who act on the artist's behalf. They also supply artists with organized group or co-op service for legal, accounting, and health and equipment insurance needs.

### Collection agency



These are the folks who keep track of the sales numbers from record companies, the amount of broadcast coverage from media outlets and calculate the fees to be collected and paid to the publishing houses. There are two well known parties, Soundscan and the Harry S. Fox Agency, who collect retail sales information on unit sales of records and videos and on sheet music and other types of mechanical publishing.

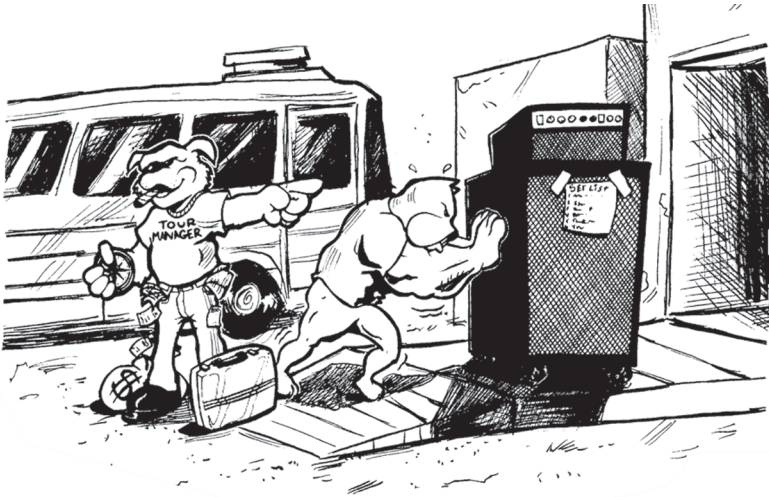


These are the places where your songs are “broadcasted.” Your shows, radio, television, webcasts, XM radio, and sports events are all broadcast points and are required to report and pay fees to publishers based on “coverage” or the number of ears who hear a broadcast.

### THE “TICKETS” PLAYERS

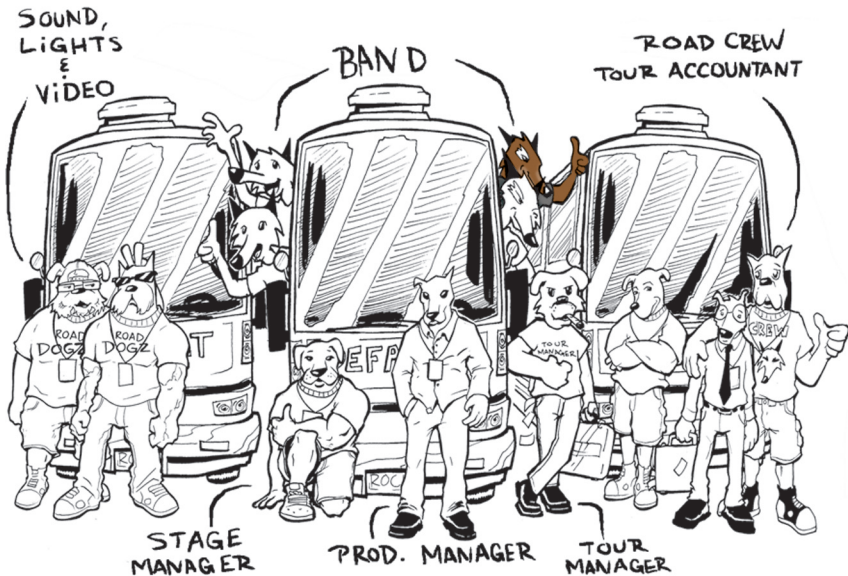
These players affect your Income Statement on both sides (income and expenses) and have very little to do with your balance sheet. The cash flow is paid upon performance, so ticket sales are a short pay, meaning it is paid at the time it is earned.





The head road warrior, king of the bus, frat president! He rules. He is the second best at the balancing act, behind the manager. His job is to know how to keep most of the people not sad most of the time. He keeps the time schedule and the peace between people who are traveling too close together for too long. He is a magician, finding the “unfindable” in a city you can’t even remember the name of in the middle of the night. I don’t know how he does it, but he does. Find a good one and keep him as long as you can. The better you work with him, the better the job he can do for you. These folks are usually paid a weekly salary and benefits while on tour.

Your Road “Family”



### Tour accountant

This is the traveling banker, bookkeeper and receipt vacuum. He pays the per diem, words you will come to live (and eat) by. Per diem is the non-taxed allowance you get everyday on the road to buy food and supplies, like laundry. With the tour manager, this is the guy who controls the guest ticket list: need I tell you how important getting along with the guy who controls the guest list is! It is the SILVER rule that guest list access is a key to road happiness for the artist, the band, friends and family. It goes hand in hand with the Golden Rule: he who holds the gold rules. Gold and tickets can keep you happy on tour. These folks are usually paid a weekly salary and benefits while on tour.

### Tour personnel – production/stage manager

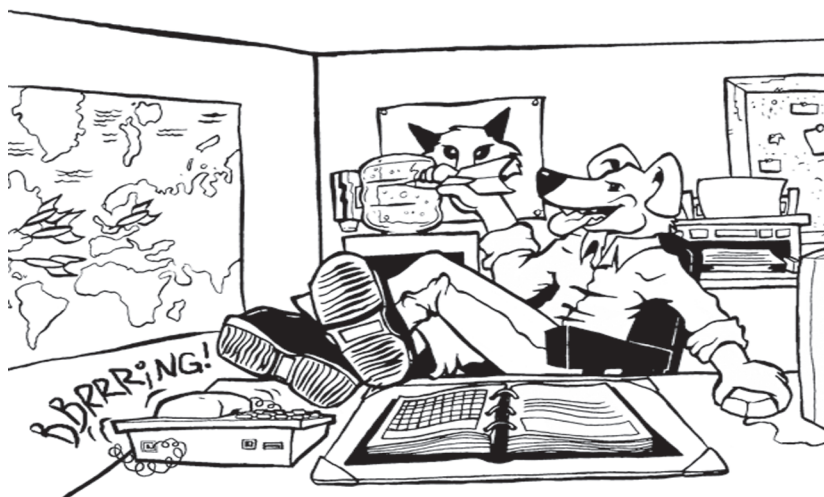
This person, or persons depending on the size of the tour, is responsible for the show going smoothly: for the sound being right, the lights being lit, the video being viewable, the catering of food and beverages, and usually the girls (oops). They run the show, keeping the daily schedule on course. They interface with the promoter and venue production folks and are the first guys in the building and the last guys out. These folks are usually paid a weekly salary and benefits while on tour.

### Tour personnel

(stage crew, sound & light and monitor and front of house mixers)

The road family. Drinking buddies after the show. Fellow inmates on the bus. Like the offensive line in football, they protect the band, without proper credit when things go smoothly and blamed if things don't go smoothly. A hell of a job, but it can be fun; at least they get paid before the artist (hey, everybody does), not enough but the per diem helps them scrape by. These folks are usually paid a weekly salary and benefits while on tour.

### Booking agent



This is the person who books your gigs, but never gets on the bus. He is especially loved when overnight drives after shows are always 400 miles or tonight's gig was closer to the gig two nights ago than last night's gig. This person sells your appearance to a concert promoter and rarely leaves the office. He is paid based on the gross paid the artist.



This is the guy taking the biggest risk with the smallest reward. He is the bank for a live show. He pays for everything, including your artist guarantee, and hopes to sell enough tickets to get his money back and then some. He rents the venue, hires the catering (if the food sucks, it is, of course his fault) and does the advertising. These days many promoters own venues or venues are promoters. They need to do both to stay in business. The promoters are the only ones paid AFTER the band.

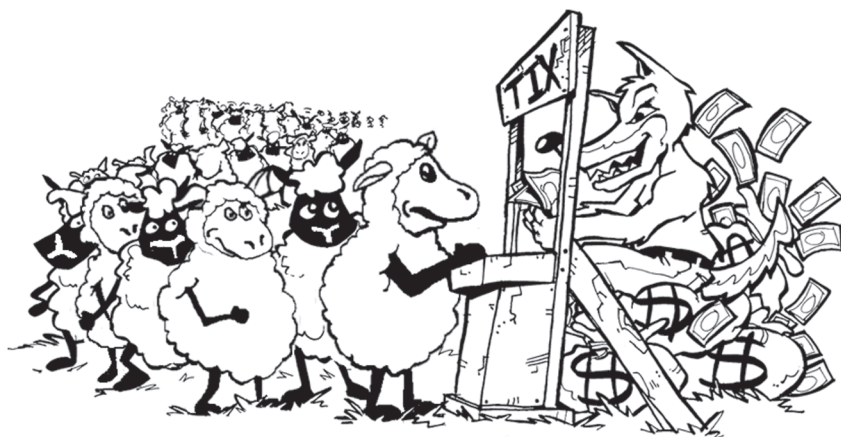
Venue personnel





Venues come in all shapes and sizes, from bars that hold fifty to stadiums that hold 100,000 plus. The range of venue personnel is equally varied in terms of their duties, responsibilities and who they report to. Starting with who owns the venue and who runs it, on the bar end of the spectrum is one guy, and he pours the drinks (remember Bob at Bob's Country Bunker in the Blues Brothers). On the other end of the spectrum are huge corporations that own many venues and run them as well as run other venues for other owner's and even for local or state governments. The key personnel you should go out of your way to know are the venue's manager, the production or stage manager, and the money guy (owner or the guy who writes the check) and for sure make friends with the box office manager. These folks are paid by the venue from its rental fees.

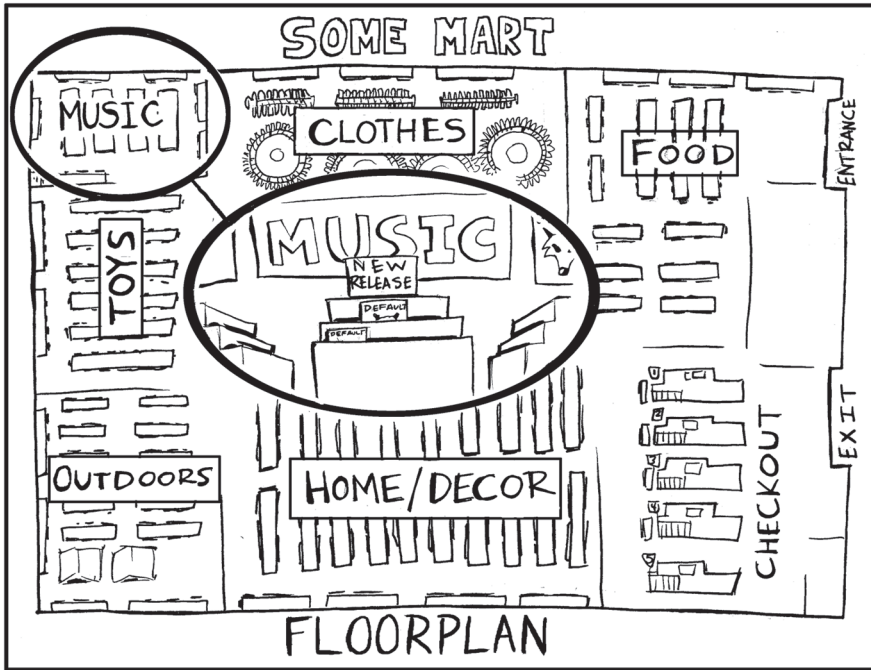
#### Ticket agency



These guys make more money and risk less money than anyone. They are paid before everyone, off the top, and they get paid even if the show cancels. They are subcontracted by the venue and you must use their services if you want to play the venue. Yes, the venue and promoter are probably getting a cut, but the artist rarely participates or receives any rebates or fee splits. These are also the folks who are holding the most information about your fans. Getting the list either directly from the ticketing company or via the promoter of who bought tickets is a major priority for artists. Remember: this information about who your fans are is like money in the bank, and your pathway to getting more money in your bank account.

#### THE "MERCHANDISING" PLAYERS

Like ticket and live show players, these players affect your Income Statement on both sides (income and expenses), and have very little to do with your Balance Sheet. The cash flow is paid at the time of the sale of the merchandise, so merchandise sales are a short pay, meaning it is paid at the time it is earned. Merchandise sales in the retail world are usually settled every 90 days based on sales for the previous period, so you can have earning of both short and long payments.

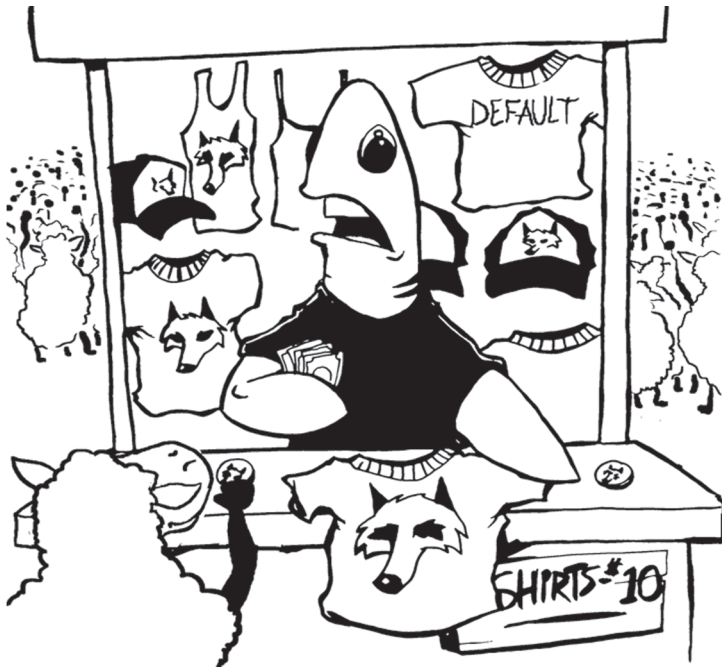


This is the place a fan can purchase your music. Traditionally it was music stores, and a few department stores had music departments. Today those outlets almost don't exist. Most of the music chains have merged and/or finally gone bankrupt during the past few years. Only the ones who merged with hardware vendors have survived; however, they are being hurt by the Internet these days. The biggest sellers of records are the massive discount stores and big book store chains. These folks are usually paid a percent of sales.



The folks who extend your brand by creating products and services that can be sold at retail locations. This usually does not include records but does include T-shirts, hats, buttons, key chains, and lighters. These folks are usually paid a percent of sales.

Road merchandisers

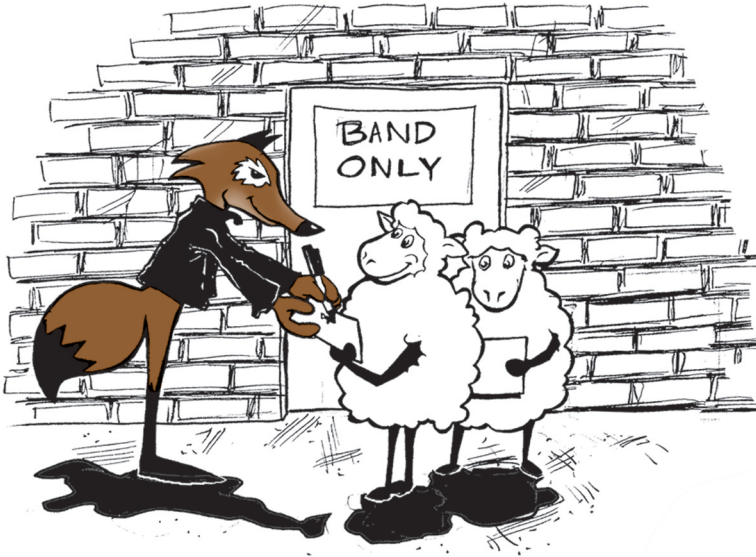


The folks who travel with the band and sell products to extend your “brand,” like T-shirts, buttons, patches, and hats. Curiously, they often do not also sell records. These folks are usually paid a percent of sales.



These are folks trying to extend their own product by associating it with your band. Jovan sponsored the Rolling Stones tour, imagine perfume associated with Keith, Mick and the boys. Go figure, but the dollar figure was amazing! Some of today's best sponsors are beer companies looking for the younger audience (hopefully not younger than 21). These folks pay you.

#### Direct to Fan

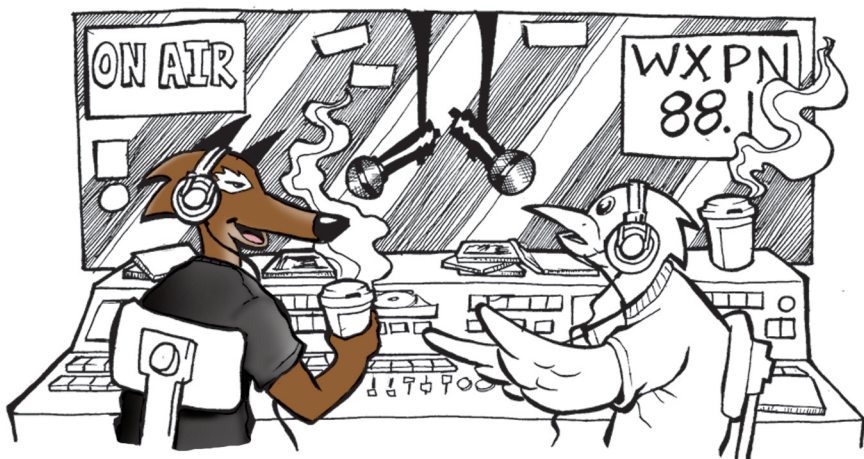


Everyone is starting to use the Internet for order processing these days. All types of merchandisers are looking to sell in as many places and as many ways as they can. They are learning the value of direct customer relations as well because maybe a fan of one of their bands might also buy merchandise from another one of their bands. These folks are also a good way to collect names for your FAN CLUB. See the Fan club manager and webmaster descriptions in the Primary Players section above.

## THE NON-CASH FLOW PLAYERS

The cash flow paths don't always directly touch all the people you need to be successful. Here are some of the other cast of characters an artist needs for success:

### Radio personnel



These folks are important to your exposure, but there is no direct “cash flow” relationship. The path to them is usually through your press/media team or the record company marketing or radio promotions channels. There are three key players: the DJ's, the MD's and the PD's. Deeja's (DJ's) are the on-air radio personalities who spin the records. Music directors (MD's) are the folks who tell the DJ's what to play and how often, and program directors (PD's) are the station administrators who tell the MD's what styles of music or genres to choose music from. These days the stations are controlled by just a few large corporations who own several stations in many cities and hence, the MD's have fewer choices. Guess what is going to change this soon, two things from technology - Internet radio and secondly, XM radio which includes the two new national digital satellite networks with hundreds of specialty channels. Radio payola, the practice of paying them to play your record, is illegal these days.

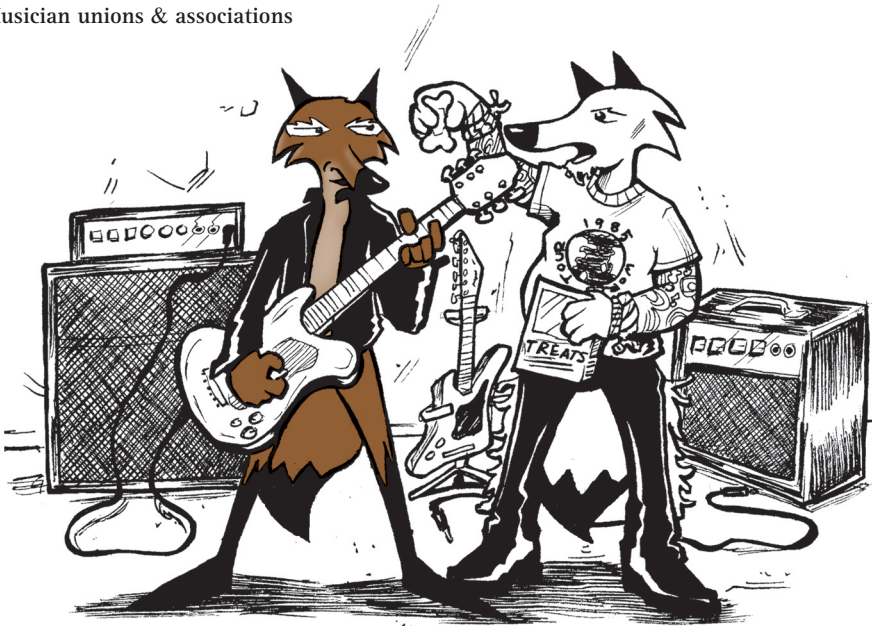
### Media personnel





Like radio stations, many times there is no direct cash flow to these folks and like radio, these folks can help break careers. Magazine or Webzine writers and reviewers, TV programs, Webcasts, and cable shows all increase exposure. Your press/media team and record company should help create access for you to these folks. Like radio payola, the practice of paying them to write about or review your record is illegal these days

Musician unions & associations



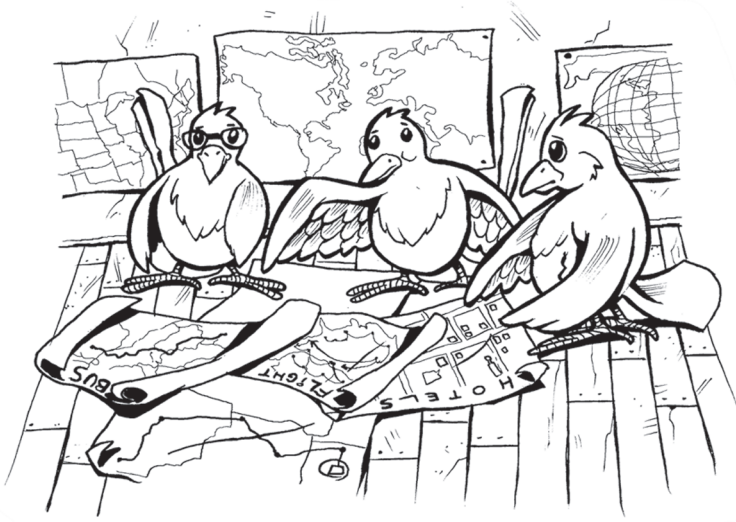
These are co-ops for artists and represent artists as a group for many things. Their main functions are education, group buying, and watchdogging the industry, as mentioned above in publishing. You pay as an individual artist to be a member in the union(s).

Insurance agent



This is the guy who covers your ass. Seriously, these guys keep you out of financial liability problems. If the truck with stage gear is stolen, or if a fan or one of the crew or even one of the band is hurt, he is the “go-to” guy. They protect what you have or will earn when stuff goes wrong. These folks are paid by the project with rates depending on the risk factor.

#### Travel Agent



The “how do I get there, where do I stay” team. Never underestimate the need for a good travel agent, unless you like crappy hotels. These folks get paid a percentage of what they book.





## MORE ABOUT CASH FLOW STREAMS (aka THE MONEY PLAN)

# 5

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The four cash flow streams I described in Chapter 2 are “money paths” that link you, the artist, to your fan. These paths are shortest if you sell your product (read: your music: LPs, CDs, live gigs) to the customer (read: fan) yourself. By doing all the tasks, you would reap the most profit because you’re not paying any of the players to do any of the work.

However, there are times when it is more expensive for you to do a task yourself than to “out-source” the task to a service group or company. Some of these groups or companies can use volume discounts to make their service cost effective and attractive to you. For example, the cost to press records and deliver CDs to retail stores would be excessive if you had to buy the pressing machines and delivery trucks yourself and take the time to press and deliver the product. Thus, even though hiring someone to press and deliver creates an expense, it is less of an expense than if you did it yourself. Using such players lengthens the path between you and the fan, but it puts more money in your pocket while providing the fan with a better value. It is worth the extra effort and often creates more profits. It makes both “cents” and sense for the artist.

In addition, you **MUST** count on certain expenses outside the cash flow paths, like lawyers and accountants. Both are large **REQUIRED** expenses because these players provide a service that involves expertise most artists don’t have. Too many artists fall into a trap: they have worked hard and spent hard in a short period of time, and then the cash flow shrinks, but the expenses don’t. They end up losing most of their assets back to the financiers. To avoid this trap, you need to keep your assets within a long-term budget set up by a “personal” accountant or business manager. Furthermore, you need lawyers, the safety valve we all hate. These guys will advise what not to do far more than what to do or how to do what you want more safely. There are an incredible number of contracts that the band will need to sign, and the lawyer acts as an interpreter converting the legal language into plain English so that the artist can understand it. Finally, there is a huge difference between a good deal legally and a good deal financially. The lawyers advise about the legal, the accountant about the financial and many times they do not overlap. “Good” legally often means “not so good” financially, and visa versa. The best is often a balancing act between the two because many times the lawyers and accountants disagree and the artist is left to decide on these “deal points.” The better these folks work together, the better off the artist is, but it costs the most. The old adage “pay now or pay more later” holds true. Do not under spend on these tasks because it will come back to haunt you.

The number of “mouths to feed” has risen over the years (just take a look at the players list), and each mouth has a hand attached to it that takes money out of the artist’s pocket. A lot of people are getting rich in the music industry, but not enough is flowing the whole way back to the artist’s pocket. To show you what I mean, we’ll take a look at each of the money paths in the next four chapters.

The good news is that new technology has made it possible for you to do some tasks by yourself and you can create shortcuts that eliminate or change the relationship you have with some of the players. Then the reality of “more effort yields more profits” can be realized. By using some of this new technology, you can direct your destiny first hand in a cost efficient way. This is good and bad. Success (read PROFIT) doesn’t have to be shared with so many others, but you cannot blame failure on others as easily.

## THE MONEY PATHS: ROYALTIES

# 6

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Traditionally, producing, pressing, promoting, and distributing music has involved huge up-front costs, more than an individual artist/band can spend. So you, the artist, look for someone who can provide these services more economically than you could do on your own. That someone you turn to is a record company, and it is the record company that pays for making your music into a sellable product. The company is the financial risk-taker that gets the biggest return.

Some people think of record companies as bankers, other say investors, and the companies do perform many functions which involve them spending their money on your behalf, such as A&R, radio promotions, retail promotions, tour support, accounting, legal, and merchandising. What we can all agree upon is that your relationship with the company is bound by a contract that sets the rules for the relationship.

Record companies act like general contractors in the building industry; you contract with him to build your house and he supplies products and services to create the house. Many general contractors get these products and services from sub-contractors who specialize in plumbing, electrical, or driveway products. He pays these people and puts a little on the top for himself (sometimes called interest) and lumps all these sub-contractor charges together and charges you one big fee.

The record company plays a similar role. The recording contract lays out the rules, like how many albums they **MUST** release for you, and what you can do if they don't, and what they can do to you if they don't like your album and won't release it. The rules are based on the term, or length of the contract, as well as payments: who makes what payments, to whom, under what circumstances and for how long are just some of the "deal points" of your contractual obligations.

When you break and sign a contract with a record company, the company is investing its money in you. They think your music is great and that enough of your records are going to sell that they will get back/recoup their expenses, the amount they are going to spend to produce, press, promote, and distribute your music. In fact, they're counting on you selling so many that they will make a profit. (They're a **BUSINESS**, you know, and there's that profitability word again) If you're a hot band, they may pay you an advance, but they'll consider it an expense that you will repay from future sales of your records; they'll not only recoup the advance, but also charge you interest on the amount. Only after an advance plus interest is recouped and all expenses are recouped will you get any money from the company. These royalties you receive from the record company are based on record units sold.

Now let's look backwards at the money path from the customer/fan buying one of your CDs to you, the artist and see where the money goes.

A CD costs \$19.99 manufacturer's suggested retail price (MSRP or list price).

The price the fan actually pays varies greatly because of retail competition. Retail vendors are the folks who sell the CD to the customer/fan. These retailers buy "wholesale" from a distributor that the record company sets up. The price paid by the retailer varies between \$7.49 and \$10.99, depending on the size of their order. Sometimes large retailers, like Walmart, actually sell CDs at a price lower than other retailers pay to the distributor just to get customers in the door, and Internet prices are all over the place and also have shipping and handling charges added to the price of the CD.

The record company sets up the pressing and distribution. These are the folks who print the covers and press the product, whether as CD, video or vinyl, store them as inventory and ship or distribute them to the retail vendor locations (roll those trucks). The expense of pressing and distribution is paid by the record company as part of its contractual obligation and recouped from the band's account before the band is paid anything.

The record company "helps" the artist choose the record producer, either suggesting or requiring a particular person. The producer is the person who twists the knobs in the studio and directs the recording efforts. He may also dictate which studio(s) to use. His fee is both a fixed flat fee for the time spent and a percentage of gross sales, usually 1% to 3% of gross wholesale. These fees are paid by the record company as part of its contractual obligation and recouped from the band's account before the band is paid anything.

The record company "helps" choose the recording studio to use for the three phases of this process: recording, mixing and mastering. Phase 1 is the actual recording session with live performance captured to tape or digital storage device. The record producer uses a recording engineer to help capture these performances using the correct tools in that particular studio. Phase 2 is when the record producer "mixes" the sounds together using the performances captured during recording. Sometimes the engineer continues into this phase and sometimes a record mixer is added, although many times the producer does it himself. Mastering is the last phase of the recording process and deals with the producer's final mix. Mastering sets the overall fidelity levels of the music and makes all the tracks have the same thickness of sound from track to track. The fee for the recording studio's services are paid by the record company as part of its contractual obligation and recouped from the band's account before the band is paid anything. The fees are fixed flat fees for time used.

The money the record company receives for all the CDs they sell to retail vendors is called the wholesale gross. The record company then splits this amount with the artist, usually giving the artist in the 10% to 15% range. However, this only happens if the number of units of your music that were sold allows the company to recoup the expenses the company gave you or spent on your behalf. The record company may advance you money, but you will pay them back before you earn another penny. Understand you are not going to get paid for selling the first million (or more) records; it will take a while until you recoup and then earn a steady paycheck.

To understand the verb recoup, think of the record company as a bank that has loaned you money against the future sales of your music, either giving you money directly in the form of an advance or paying others to help them get the music to the fan. Then "loaner" can start to recoup. The record company/bank receives some, or in this case, the entire cash stream from sales until the loaned amount and interest is repaid or recouped. In the record company world, it means the loan with the most expensive interest rates ever is never paid off. It is the deal with the devil where the artists pay forever.

Let me use round numbers to explain. A record company splits the cash stream with the artist, with the artist getting 15%. The record company recoups all the money spent on the artist, for everything from your 15% split until you pay them back everything. Let me say it short and sweet: they keep 100% of the cash stream until they get back their entire investment in you, the artist; and then they get 85% forever, and that's a lot of money for a long time if you are successful.

However you can't be successful unless someone believes someone who will gamble their cash on you, so they will say they earned it. I believe it is the artist who earns it.

Here is a simple, but typical example:

Record company expenses to produce your CD	
Advance	\$ 100,000
Distribution	\$ 500,000
Producer	\$ 50,000 + 2% (of net sales)
Recording studio	\$ 200,000
Promotion, legal, accounting, salaries, etc.	\$1,400,000
Total record company expenses	\$2,250,000

Let's see what the record company has to take in before the artist/band earns their first dollar.

Retail vendors must sell 1.5 million units for the artist to recoup the expenses of the record company; \$1.50 per record times 1.5 million sold "repays" the artists expenses. Then the artist gets paid \$1.50 per CD sold. The gross revenue generated for the record company during this time is \$15 million of the \$22 million that fans spent on the CD.

However, now that the band has recouped with the record company, the artist owes the personal manager and business manager commissions on these "recouped earnings," as well as on each \$1.50 per unit thereafter. This means another 380,000 units have to be sold before the band can pocket any more money.

There were only 20 confirmed million dollar sellers in 2002, and only 3 of those were first timers.

In the contract, the record company usually retains ownership of the recordings it financed for life, even after all the band's expenses are recouped and the record company is repaid from record sales. You literally lose control of your music. Don't let this drive you crazy; it is the way it is now and in the past, but the world is changing quickly, and the new frontiers might change this ownership rule as well.

There are several additional places on the royalties money path where you can put more money in your pocket. Chapter 10 discusses these areas and possible solutions.



## THE MONEY PATHS: PUBLISHING

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Let's follow the money path in publishing.

Publishing is the income a songwriter earns for writing a song, and the money path back to the songwriter is triggered in two ways: by unit sales of the song or by performances of the song.

The two main methods of calculating what is due the songwriter involve the terms “mechanicals” for sales of CDs and videos and “statutory” for sales from concert and radio airplay.

Publishing used to be part of the record companies, but laws to protect songwriters from being taken advantage of now require the separation of publishing and royalties. This separates the artist who wrote the song from the actual recording or performance of the song by an artist/band. If U2 records a BB King song on a record, U2 earns royalties from the sale of the recording and BB King earns publishing for writing the song. If a band only covers songs written by a band member, the whole band shares the royalties from records sold, but only the band's song-writing member gets publishing. Record companies only participate in the money for the recording, and they PAY the publishing house, which pays the songwriter for the use of the song.

Publishing can be very profitable if the songs can be placed, recorded or used many times. Lennon and McCartney earned more publishing than most because their songs have been re-recorded by so many other artists and are used in commercials, for movie soundtracks and are frequently played on the radio. This publishing money is in addition to the royalties they receive. Curiously, Michael Jackson has bought the publishing rights for the Lennon and McCartney catalogue, so when you hear “Yellow Submarine,” Lennon and McCartney are not getting publishing income, but Michael Jackson is!

Traditionally, publishing revenues are split down the middle between the publishing house/publisher and the songwriter, songwriters, or company who owns the songwriters rights. It is the job of the publishing house to place the song in as many recordings as possible and to be the accountant or gatekeeper for the publishing funds.

The collection of these publishing revenues are overseen by the musician unions and associations, who watchdog this process and confirm the formulas used in “black box” splits of pooled revenue. The amount of publishing paid by sale of recordings is all set by laws, rules, and formulas based on units sold; however, publishing paid for performance of a song gets a little bit harder to calculate because it is based on “plays” of that recording. Record companies pay publishing on units sold, but all other media outlets are calculated by “black box” formulas. Concert promoters, radio stations, MTV, other TV, and movies are all media outlets a publisher collects from. The fee formula is based on the number of people who heard each broadcast of the song; it combines the reach of the outlet, which is the number of people listening, with the time of day,

the day of the week and the number of times played during a specified time period. It then uses this formula to split the pooled fees to the proper publishers for each song reported. This can be pennies to millions of dollars depending on the popularity of the song.

Like record companies, publishing houses sometimes act like a bank or investor. They may fund song-related expenses or pay writers advances on earnings. If any monies are advanced, the publishing house always recoups its money before the writer gets paid additional publishing.



# 8

## THE MONEY PATHS: TICKET SALES AND LIVE SHOWS

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Let's follow the money path of a live performance ticket sale backwards from the customer/fan to the artist's pocket.

A concert ticket costs \$40 + \$10 service fees.

The ticket agency peels off the \$10 service fee right off the top, with part sometimes as kickbacks to promoter and venue. The artist rarely shares any of the service fee, even though they were the reason the ticket was sold.

The \$40 that the ticket itself cost is called the "gross." The booking agent and the band's manager and business manager get paid a percentage of this gross. Their percentage totals about 23% of the \$40 or \$9.20, leaving \$31.80 possible profit for the artist.

Venue rental fees are in the 15% neighborhood or \$6, leaving \$25.80.

Direct show expenses are in the 20% neighborhood or \$8, leaving \$17.80.

The promoter earns in the neighborhood of 10% or \$4, leaving \$14.80.

Paying the band's own road expenses, including the fees for the tour manager and business manager and road crew expenses comes next. Buses, trucks, drivers, roadies, hotels, jets, sound, lights, video all get paid, leaving the band members to split a buck or two between them. In a nutshell, a \$50 gross price to the fan yields about 1% to the band or \$2.

If you have a long tour playing larger venues with only a few nights off, you actually stand a chance at good earnings. However, it is rare for band members to earn six digit figures from touring since there are so many other expenses to be paid against your earnings while on the road.

There are also places on the tickets and live shows money path where you can put more money in your pocket. Chapter 10 discusses these areas and possible solutions.



## THE MONEY PATHS: MERCHANDISING

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Merchandising is the selling of products that display the artist's "brand," the image or logo associated with the artist/band. Posters, T-shirts, hats, mugs, lighters, and bobble heads are all examples of merchandise. Merchandising is done with vendors in two ways: retail and direct. Retail is done in the traditional sense of stores in a mall, and today the store may be on the Internet. Direct to fan (customer) is often done at shows by vendors who sell directly to the fans with no wholesaler or distributor involved. Almost all merchandising is done through a licensing agreement between you and a vendor for a specific time and territory. The rights reverting back to the artist at the expiration of the time (term).

Sponsorships are also handled in this time and territory fashion. Product endorsement is the best-known type of sponsorship. An artist drives that car, uses this perfume, or shaves with this razor. The artist's brand is often used in the advertisements for these products on TV and in print.

If you compare these figures to the ones in the other money paths, you'll see that merchandising gives you a BIG bang for your buck!

Let's follow the money path in merchandising backwards from the customer to the artist.

### RETAIL MERCHANDISING

A T-shirt costs the consumer \$30.

The retailer keeps 45% or \$13.50, leaving \$16.50.

The wholesaler/distributor is the company or group who prints, warehouses, and delivers the T-shirts to the retail stores. They get 35% or \$5.75, leaving \$10.72 possible for the artist.

The manager, and business manager get paid a percentage of the gross sales, totaling about 18% or \$1.93 leaving \$8.79.

### TOUR MERCHANDISING

A T-shirt costs the consumer \$30.

The venue gets 20% or \$6.00, leaving \$24.00

The tour merchandiser is the company or group who prints, warehouses, delivers, and sells the T-shirts to the venue. They get 55% or \$14.40, leaving \$9.60.

The manager, and business manager get paid a percentage of the gross sales, totaling about 18% or \$1.73, leaving \$7.82.

## SPONSORSHIPS AND ENDORSEMENTS

The sponsoring company pays \$10,000 for the artist's nightly "meet and greet" at live shows. For example, a beer company hosts its dealers and the owner's of bars that serve its products at the show and these folks get to meet the band backstage and drink that special BEER.

The manager, and business manager get paid a percentage of the gross sales, totaling about 18% or \$1800 leaving \$8200 for the artist.

## DIRECT TO FAN (CUSTOMER)

The newest channel to sell products and services is DIRECT to fans. Record companies have not yet been able to ride this wave for some political reasons and contractual obligations with their distribution chains. Artists and bands are starting to understand the value of direct merchandising, but so are other players, like the merchandisers. In fact, merchandisers are doing this very efficiently, and it is hard to duplicate their success. Outsourcing to a merchandiser means less work for you and wider exposure, but you lose both the connection to the fan and a share of the profit. It's best if you try to control this channel yourself to increase your profitability or do a combination of outsourcing and your own direct sales to fans.

There are places on the merchandising money path where you can put more money in your pocket.

# **MONEY PATH SOLUTIONS = GREATER PROFITABILITY**

# 10

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Now that you know the money paths and the players, let's look at the problems and identify the SOLUTIONS.

The simple “good news” answer is that you, the artist/band, can create shortcuts in the money paths by taking on more responsibility and doing some tasks yourself. You can reclaim responsibility for some of the services that artists have traditionally been paying others to do. Only some of these shortcuts involve your using today's new technologies, but all of them will eliminate or change your relationship with some of the players. Most importantly, they will allow you to be more directly linked to the customer/fan and put more money in your pocket. The reality of “more effort yields more profits” can be realized, and you can direct your destiny first hand in a cost-efficient way. This is good and bad: success (read: PROFIT) doesn't have to be shared with so many others, but you cannot as easily blame any failures on others.

Let's look at each of the money paths to see where you can put solutions to work for you.

## **SOLUTIONS IN THE ROYALTIES MONEY PATH**

Because of the current economy and technological change, the record companies are not “signing” new bands. No one is getting a break. BUT DON'T PANIC! There are many ways that you can reduce the expense of using all of the services of a recording company.

The recording studios are especially hurt because the record companies are cutting back, and many are empty or dark. They never really participated in the boom years because they only got paid for their time and never got a piece of success because they weren't paid by the unit. This is a problem that you can benefit from. You can get a studio to finance its time by setting up a payment plan for its services. This is a WIN/WIN solution with a huge opportunity for the artist to own the recordings (the IP) and fill the studio at the same time. It gives the studio an upside by their being paid per unit sold instead of a flat fixed fee. It means the record company will no longer own your music for life and that you can use your material or IP to secure other funding for services.

You can also use new technologies and while this is part of the simple good news answer I mentioned above, their implementation will involve a major shift. The new technologies are revolutionizing industry business practices, first and most radically those related to record companies. This is the area where the most change will happen in the upcoming years because of several factors: the costs of recording and pressing, the number of music retailers, and alternative distribution methods (Internet and retail). The record companies will have to adapt, and if they don't, they are going to be the first casualty of this new era.

First, new technology is impacting the creation and capture of a recording. The cost to produce a compact disc is much less than that of the old vinyl LP. It has dropped every month as technology to produce them is enhanced. Even adding the costs of putting videos and extras on a music CD, it still costs less than it did a year ago for the music only CDs.

Twenty years ago it cost \$10 million to create an analog world-class studio and get the proper hardware to run it, and there were several hundred studios. Ten years ago the digital revolution hit the studios; tape machines were replaced by hard disk drives and digital editing was much quicker. To build a world-class digital studio cost two million dollars, and there were a couple of thousand built. Today the microphones cost more than the storage media, and home studios in both the analog and digital formats are now affordable to many artists. For \$30,000 you can build a world-class studio in Mom's basement, and there are tens of thousands of basement/garage studios these days. Many artists make home grown demo tapes that sound better than most of the classic records made in the old days, and they make them right in their own environments for very little money. You now have the chance to experiment in engineering, mixing, and producing your own material on your own time and you can become very good at these tasks. Records in LP, 33 rpm vinyl format have almost gone the same route as 8-track tapes and 45s or singles. Today, a song can be recorded in the basement and stored in the mp3 or any one of many other formats and can be sent as email or downloaded over the Internet. These shortcuts are up for grabs, and the artist has more rights and choices than anyone to profit from them.

Secondly, the new technologies are impacting the distribution of the finished product. When I grew up there were thousands of music stores that only sold music. Today there are only several hundred "mom and pop" music stores. Many stores sold themselves to chains and the chains merged until now there are only a few chains. Today, there is more music sold by general retailers than any other way, even though these stores may sell music products at a loss. They sell the music at a very low margin to draw in customers whom they hope will also buy more profitable items while in the store. Furthermore, these discount chains sell edited music because they are family stores. They don't care about the artists, or their careers, but are just selling a product the consumers want, regardless of who or what it is. The other alarming trend of discounters is the lack of catalog sales/non-current music products in these stores. Retailers only want to use shelf space for the current top sellers. That's it! No others! They only carry a couple of hundred titles at any given time, so if you want a copy of an older album, you must go to one of the few remaining music stores, or surviving chains, or the new internet sellers.

The Internet- it's the great new horizon! There are three Internet avenues, one that replaces traditional retail and two that provide a brand new delivery service. First, Internet record stores are challenging traditional retail by letting the fan listen before buying and by providing more knowledge and facts than the record clerk at the old mom and pop. The downside is it usually takes days for the fan to get his hands on the CD since delivery is usually by mail. That's not very timely in today's instant gratification world.

Second, downloading from home is one of the new delivery methods and solves the delivery time gap of Internet stores, especially for those with a fat pipe instead of dialup modems. Songs can be downloaded in from 2 seconds to 20 minutes depending on the available bandwidth. Streaming is the third form of Internet distribution or delivery system. The song is not saved to a local disk but is played or streamed from someone else's computer almost instantly regardless of bandwidth.

This is the good part of the Internet revolution, which means there is also a bad side! With downloading, or copying songs to your computer to play them, it means these songs or files can be

shared or copied from computer user to computer user. Laws currently restrict this practice and treat it as theft of IP from the record companies who have financed the recordings. If these laws are not enforced, much of this record company financing cash will dry up and artists will suffer more than anyone. While the law allows the owner of the IP to authorize such downloading and sharing, it is counter profitable to everyone in the entire cash flow path. An artist or band who records and owns its own IP and chooses to distribute their songs for free in order to get known may find it hard to make money when they actually start selling their songs. So there is no one good answer. This is like politics or religion; it has many valid viewpoints. It is a controversial topic and this battle rages on.

One thing that is not helping is the top five record companies cannot agree on how to “secure” these songs for downloading. The longer this remains unclear, the farther the gap between the parties. They are all trying separate things, instead of coming together as a whole industry. This issue is likely to be the last nail in the traditional record company’s coffin.

Another new technology for delivery/distribution is subscription-based, commercial free XML type radio, which is being offered by two companies in North America. They charge a monthly fee for access to 40 stations, pro-rated to the length of access time. It is the HBO-model that cable TV proved works for both buyers and sellers.

## **SOLUTIONS IN THE PUBLISHING MONEY PATH**

This is the simplest path and unfortunately has no real shortcuts. The record company pays the publisher for units sold and the collection agencies pay the publisher for the live and recorded performances and the publisher pays the writer. That’s all there is to it – the old two-step. This is the only money path where efficiencies exist and there isn’t a shortcut to greater profitability.

## **SOLUTIONS IN THE TICKET SALES AND LIVE SHOWS MONEY PATH**

If you look back at this money path, you can see places where it makes “cents” to try to cut costs, and there are many ways to increase your “take home” several times over by reducing expenses. For example, you can play a building that “self promotes” since your rental fee will probably be lower and there won’t be a promoter fee. The itinerary your tour manager sets can also be a way to save money related to the routing of venue stops, the trucking of equipment, and the transporting of all the people going on the road, both the way you get around and where you stay. Of course, taking a day or days off is a HUGE “expense” – all cost and no income. See Chapter 3 about job costing and cost center controls.

There are also ways that new technologies can create shortcuts in this money path; see Chapter 11 for more about the benefits of a website, fan club, and customer relationship management.

## **SOLUTIONS IN THE MERCHANDISING MONEY PATH**

The most important new technology on this money path is for you to set up a website for you and your fans, vendors, families and employees. This website will contain the latest info on all your events and will sell all your products and merchandise, including tickets, and all of it will be under YOUR direct control. The site becomes your fan club center and two new technology toolsets will allow you to reach your customers/fans directly: FAN CLUB website tools and

Customer Relationship Management (CRM). Using these toolsets on the fan club website is the single most profitable shortcut to the fans and they love it! Remember: the FAN is truly your boss. They're paying you! Do a good job at making music and playing live shows and they will support you for a long time to come by buying more records and tickets and T-shirts. It PAYS to keep the boss happy. In the next chapter, I'll explain more about how these technologies can function as money path shortcuts.

## SOLUTIONS IN ACTION

This idea of the artist taking on responsibility and creating shortcuts in the money paths is not just wishful thinking on my part. Several "industry leaders" on the artist front are starting the wave of change. My champion is Pearl Jam and their manager. These guys stood up for what they believed in! They left a lot of money on the table trying to tour in venues where they could sell their OWN tickets, and now they are not going to renew their major label record deal, instead opting to create and sell their music directly. This started with the soundboard recordings of many shows that they released to the fans. The Dead, the newest version of the Grateful Dead, now sell soundboard recording to all their shows directly to the fans, no middlemen at all. The fans get the best possible recordings, and the band makes better money than selling any album the traditional retail way. Phish has also opted for this method, as well as many of the smaller "jam" bands who live from touring. Natalie Merchant, formerly of 10,000 Maniacs, has also rejected renewing her major label deal. She wanted to make a non-mainstream record, but her record company would not accept it. Her goal of selling several hundred thousand copies of this particular release would have been considered a failure by her record company since she had sold millions of her previous release. So she is going her own way. These trendsetters are clearing a path for newer artists to have a chance at making enough money to continue creating music for a living.



# MORE ABOUT MONEY PATH SHORTCUTS: THE WEBSITE, THE FAN CLUB, AND CRM

# 11

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Creating a fan club-driven website using customer relationship management (CRM) methodology allows you to implement shortcuts in the record/downloading, ticket, and merchandising money paths. It is good business and puts money directly in your pocket! Such a website will do several things to bolster your career. First, it will provide your fans with easily accessible, current information about you, your gigs, and your merchandise. Secondly, it will provide you with information about your fans from the CRM information you gather when they sign up to be a member of the fan club. Finally, it gives you a platform to do gorilla marketing.

It's important you understand that building and maintaining a website requires much more effort than you probably expect. It takes much more time than you would ever think, just like making a new studio recording does. If you have an idea of the song before you start recording, the faster it can be done, with the least re-takes. Website development is the same; if you have an idea before you start (or a template to just fill in the blanks), it takes much less time to do. However, unlike a song which is finished when you are done recording, the day you finish your website building, the maintenance of the site begins. Maintenance is a full time job, and then some. Keeping the website content "fresh" and updated requires someone to focus on this job. It's essential to update schedules and add new photos and stories. The most important thing is to send out FREQUENT newsletters because the more often they are sent out, the more often you "connect" with your fans and keep them in your loop. Keeping their minds on your career movement, instead of on another band's, will keep you fresh in their minds. This is why I list a fan club manager and a webmaster as primary players on your team. They connect you to your fans and are worth every penny you pay them.

## WEBSITE TRICKS AND TIPS

The artist/band website HOME PAGE should/could contain:

- A brief "blurb" about the band and the current gigs or studio project.
- A current picture or two
- Navigation to all or some of the following links:

A "Fan club member enrollment" link and

A "Fan club member" link (see the next section "The Fan Club and CRM")

A "Contact Us" link

Fans are quick to forget you if they think you have forgotten them. One of the biggest mistakes happens when you don't reply or respond to a fan's email and/or requests. To not answer a fan's inquiries in a timely manner is a potential loss of a fan. The time and man- power to handle this

hugely important task must be allotted or budgeted for. Make replying to fan email a priority, and the payback will last for years to come. The lifetime value of a fan is enormous; don't waste it with silly mistakes.

### A “CALENDAR” LINK

This page would be a list of links to past, current, and future events and gigs. Each of those links would provide

- Venue address, phone number, website and website link
- The time doors open and when YOUR BAND plays, not just the “official” show time.
- Link to Yahoo maps or Mapquest for exact directions
- Link to reviews
- Link to a “thanks” page which would be updated after shows with the names of as many fans as possible who participated in some way. This makes the fan feel part of your band and develops fan loyalty; that loyalty is your retirement plan!

### A “WEBSITE STORE” LINK

The store lists or, better yet, pictures all products and services the band sells, including studio and live show recordings, merchandise, such as T-shirts & hats, and most importantly FAN CLUB MEMBERSHIPS which may include some of the things in the store. Once a shopping cart purchase has been finished, a short survey can help your marketing greatly, even just asking who or what prompted you to visit the website (web mail, radio, friends....). The second best question is what would you want to purchase that we are not currently offering and how much would you pay for it.

### A “PHOTO GALLERY” LINK

A picture is worth a thousand words, so use them freely to tell stories. Allow searching of the picture database by date(s) or subject(s) or city(s). Post and categorize as many as you possibly can. Fans love the photos and it will surprise you how much they visit this link. It's especially important when you're in the studio because it keeps the band “in touch” with the fans.

### A “BIOS” LINK

These pages feature stories and pictures about each artist or band member.

## THE FAN CLUB AND CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

The fan club is the single most profitable shortcut to the fans and they LOVE IT! As I've told you before and as I'll keep telling you, the FAN is truly YOUR BOSS. They're paying you! Do a good job at making music and playing live shows and they will support you for a long time to come by buying more records and tickets and T-shirts. It PAYS to keep the boss happy.

What is CRM? CRM is a TLA (Three Letter Acronym) for customer relationship management. It is a methodology of business – CRM does nothing, humans do it all through relationships. CRM technology is the tracking of the customer/fan “contacts” between you and your fans. CRM uses this information to sell the right products to the correct fans at the perfect time. Fan contacts might be through a newsletter, an email with offers for certain products like music, tickets and merchandise, or orders for these products. CRM deals with a customer as the center of the universe, instead of focusing on a product as the center of the universe, which is what traditional companies do. Today companies boast about the “X number” of customers more, and the “Y number” of products less, and customer retention (keeping a “loyal” customer) is more important than customer acquisition (finding new customers). Loyal customers have a higher ROI (Return On Investment), which means true fans are the ones who buy most often and are the most valuable to you during your career. Traditional product-driven companies think product is the center of the business; this old way of thinking is hard to change and takes a long time (like record companies). Learning to understand and cater to your customers (read: FANS) is in the definition of success as defined by profitability. Fans will tell you what they want and will pay for it.

So how does a CRM program work? The “Fan club members” link goes to a fan club user’s account page. The fan provides the following info to become a member of the FAN CLUB: first and last name, email address, sex (no, not a yes/no button), birth month and day, and zip code.

Get Personal! This sounds funny, but it is exactly what CRM lets you do. You can use your fan’s name in mailings. Instead of saying, “Dear Fans,” saying, “Dear David” will capture their attention faster. The more you tell them you know about them, the more they will feel connected. A personally addressed birthday card from the band via email is one of the best ways to connect and has been a favorite benefit of fan club membership for years. Add a special “today only” discount and your birthday greeting becomes mutually beneficial and creates lots of orders. What a deal for everyone! You can use the fan’s zip code to “localize” offers. People from Florida don’t need to be notified a week before tickets go on sale to a New York show. You can send email alerts only to fans within 50 miles of the venue’s zip code.

Once the fan has joined and their initial info is collected, you will want to dig for more valuable information they have and want to share with you. This information helps you decide where to play, what radio stations to contact, where your fans shop and what they buy.

Here’s a list of additional valuable information to collect from your fans and how you can use it:

## **FAVORITE CLUBS**

Helps you identify possible venues.

## **FAVORITE RADIO STATIONS**

Helps identify which stations to use for promotion of events, products and services the band is offering. This info is also helpful when directing fans to “Request Lines” for radio airplay or on-air interviews.

## GIG SUGGESTIONS (PLACES YOU COULD PLAY)

I cannot stress the importance of this info enough . . . new venues, new venues, new venues!

## THEIR PERSONAL REVIEWS OF YOUR GIGS

Allows users to list and make comments about the shows they have seen. This info provides you with tremendous feedback to understand how the fans see you. Be sure to allow the fans to mark the reviews as “public” or “private.”

## OPTIONAL – COLLECT BIRTH YEAR AND HOME ADDRESS W/ PHONE.

The fan club web page is the key to the extra good “stuff” for the fans. It is the members only area where your best fans will want to be. Here is where you’ll let fan club members know about special meet and greets, autograph gatherings before a show, one of the best ways to get in direct contact with your best fans. They’ll get personal contact from you and they may even get some discounts on merchandise. You can even run contests for free stuff.

I can’t resist saying one more time: don’t forget these people are your boss and fund your paycheck. They are who pay us all to work, and since work is fun, respect your fans!

## PLATFORM FOR GORILLA MARKETING

Gorilla marketing is using your loyal fans to help you promote your band at a very low cost. Your fans want to help you or assist and be connected with you. By using this to your advantage you can “spread the word” quickly and more cheaply than just about any other method. It takes a great relationship manager on your team to get all the logistics in place but it is impressive how much can be done by your fans “feet on the street.” Having your fans flood the phone request lines at local radio stations gets your song played more often than without any calls. Radio plays what the fans call in to hear. Hanging posters around town announcing live gigs is important to sell tickets. Some bands actually have large numbers of “unofficial” websites the official website may draw content from. It never ceases to amaze me what fans will give you for free, and how grateful they are to be acknowledged by you. Do not underestimate the Thank You page on the gig’s calendar page and pictures of fans who help you; it costs very little to do these things, but the value to the fans who brag to their friends about their relationship with the band means a fan for life. Chat rooms and message boards require monitoring and is another time-intensive job that your biggest fans are honored to be responsible for, at a low cost to you; use what they offer and say thank you.

Here are some gorilla marketing programs that produce results:

## ONLINE PURCHASE REFERRALS (SELL 10, GET 1 FREE)

This is like a loyalty point system for your fan salesperson referral rewards. When a fan checks out of the Webstore, they can enter another user’s handle or name. Once a fan has collected 10 loyalty referrals, that fan gets something special: a freebie, a discounted offer, a special patch or hat.

## LIVE EVENT PROMOTIONAL REFERRALS (HANG POSTERS AND GET A TICKET)

This works by allowing fans to volunteer to promote your events in their cities in exchange for a ticket or discounted ticket. This marketing plan increases visibility and connects you to fans who want to help the band. Event crew (watch out for interfering with unions) and load in/load out are the hardest (lifting) parts of the day and another way to let the fans help, while cutting costs. You'd be amazed at how many fans work hard for a T-shirt and pizza and the crew gets a lift – literally.

## WEB SITE CONTENT, PHOTOS, AND STORIES.

Fans love to supply huge amounts of content: pictures, show reviews with or without pictures, and stories about going to the show. All of this is content for the newsletters and the website. In fact, some fans' un-official sites are better than the band's. Wake up and hire these fans (for next to nothing, sometimes just a by-line); they will work tirelessly on your site.

## CHAT ROOM MONITORS

Using chat rooms without supervision is risky these days, and you can be held liable if you don't quickly remove offensive text. Now, don't get me started on defining "offensive," but do know that fans can open and monitor chat rooms to keep them clean.

## PLACES TO SELL YOUR MUSIC DOWNLOADS:

You can sell your music both from your own website and through third party resellers like pan.com or amazon.com or iTunes.com. Number one has to be [www.onesource.pan.com](http://www.onesource.pan.com), which can handle both your site and relationships to the third parties on your behalf. This is true for single tracks and albums. The downside of third party sites is the difficulty to build packages of products, like a CD, ticket, and T-shirt combo package.

The Bottom Line, literally and figuratively:

## USE TECHNOLOGY. CONTACT WITH YOUR FANS EQUALS PROFIT.



# LAWYERS AND ACCOUNTANTS AND BOOKKEEPERS, OH MY!

# 12

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## SUGGESTED BAND LEGAL STRUCTURE: PROTECTING YOUR ASSETS!

I recommend you set up what the lawyers call a “master holding company” to serve as an umbrella over four sub-companies, one for each of the cash flow streams of royalties, publishing, tickets/live shows, and merchandising. In legalese, these sub-companies are called subsidiaries. The benefit of this legal structure is that in some situations, the four subsidiaries operate independently. For example, it is good to have each subsidiary act independently because each can create its own set of rules about how revenues are split after all the expenses are paid, what expenses are allowed, and what salaries and benefits, like health insurance, are paid and to whom. Being independent legal entities also means that each subsidiary can have different investors or the same investors in different ratios. This independence is also important because it provides protection of each subsidiary's income and assets. For example, if the touring company is sued by someone who stage dives onto their nose at a show and the court finds the band negligent and orders the band to pay the hospital costs along with a pain and suffering judgment, the band's other subsidiaries would not have to pay. Only the touring company would have to use income and assets to pay the judgment and legal fees. (This is a good reason why not to allow stage diving in the first place and a good example of why you need insurance!)

There are other situations where this legal structure of a master holding company and subsidiaries is beneficial because their operations are related. This is true when calculating taxes based on profits or deductions based on losses and will be explained in the next section.

## SUGGESTED BAND ACCOUNTING STRUCTURE: PAYING YOUR UNCLE SAM!

My lawyer and accountant both like the legal/accounting structure of a Limited Liability Company (LLC) as the tax structure for each of the subsidiaries and the master holding company. Others might recommend incorporating under a sub-chapter S, which is also a special type of corporation but has stricter rules. However, my advisors recommend the LLC because if you are successful and the company earns over \$5 million a year, you have to change from a sub-chapter S to an LLC structure or a C corporation, which has the most rules. So be optimistic and anticipate that you're going to make BIG profits!

An investor in an LLC is called a “member” and this person buys a piece of the company by giving it money or talent or equipment for its operations. The amount they invest is called equity membership. An LLC is a special form of corporation where the members can make the rules and pass losses of the companies to its members. This allows a loss in one subsidiary to be offset against the profit of one of the other subsidiaries. If the company as a whole has a net loss because its expenses were more than its income, the members share the loss. Sometimes this is good for you, tax-wise, and also good for your bank account. For example, if David is a member of the

touring company and the touring subsidiary has a loss, David will be able to declare his share of that loss on his tax return as a deduction. Now imagine that David is an employee of the merchandising subsidiary and owes taxes on his salary. The amount of taxes he owes on his salary will be less based on the amount of his share of the touring subsidiary loss. The company will share a net profit with the investors/equity members by paying them a proportional share of the net profit or it may keep the net profit and use the money to continue “growing” the company. If the company has a profit you “share” the tax liability meaning you owe more to the IRS. Hopefully the company does not owe others and you get paid more than salary so you can cover the tax liability. Making a profit does not guarantee more pay, but does guarantee more taxes have to be paid.

An LLC is also good because it allows employees to obtain equity membership/ownership in one of two ways: an option plan, which only comes into play when the company is sold, or profit-sharing, which means the members get a cut of any net profit before the equity owners split the net profit. These are good ways of “including” long time employees, like your road manager or office staff, and give them incentive to do a good job and make sure the band makes a profit.

One consideration you need to be clear about is the differences between a salary with benefits and equity membership. An employee of a company earns a salary and may receive benefits, such as health insurance, and may receive a bonus. Employees pay taxes on these earnings, and their earnings are reported to the IRS by the company on a W-2 form and by the employee on his 1099 form. As mentioned above, an employee may or may not also have an ownership interest in the company through an option or profit-sharing plan. Members share profits and this income is reported to the IRS on a K-1 form. Thus, if you are both an employee and a member of the LLC, you will get both the W-2 and K-1 for your 1099 tax return reporting.

The salaries, benefits, and bonuses employees earn are an expense of the company and are paid from the gross/total income a company receives for selling its products. After they are paid, the amount remaining is the company's net profit, which is split by the members in a rate proportional to their investments. This salary/benefits expense and other expenses are deductions on the company's tax return.

I'm sure your head is reeling by now and this is why you need both a bookkeeper and an accountant to keep both you and the IRS straight. Fighting with the IRS is a lose-lose situation. It costs money to be audited, and costs more on top with penalties and interest if it is not done correctly the first time. Play this one straight down the line. I have seen these kinds of business issues break up what seems to be a good band.

Be sure you have the right team watching this for you, and ask questions until you understand. You are going to need someone watching the store while you are away touring or recording. You are required to file taxes at least once a year, quarterly once things get rolling, and payroll tax requirements are even more rigorous, sometimes being done more often than once monthly. This takes time and a clear head to do; it is not something I can recommend you attempt yourself. For this, get professional help. This also holds true for reporting of sales-related royalties and publishing. Someone has to receive and interpret these figures and present them to the IRS so that there are NO questions; otherwise, if the IRS does not understand, you are going to be audited (lose/lose) and that costs you money.

Look for someone with a combination of experience and trustworthiness. Accounting practices for car washes or office supply companies are different than those required for touring, royalties, publishing and merchandising companies. Even more important than experience is trust. Ask for a list of their clients and ask these clients about their experiences with the accountant.



It is just like choosing a doctor, but this is a doctor for your books (no, not someone to doctor your books!) It is important to know if the accountant can communicate clearly so that he can explain all this financial stuff to you. Ask if they offer full service, like shopping for health insurance or benefit plan oversight, or if they only provide tax service based on the reports from your bookkeeper.

Most accountants are paid based on the time they spend on your behalf. Many bands grow to the point where the additional tasks beyond reporting to the IRS are more than what an accounting company does and you have to hire a business manager as a player. A business management team supports your manager and allows him to deal with the issues that are more “political” than finances. These folks are usually paid a percentage of revenue handled regardless of time spent. The need for such a team usually happens after the point of profitability as one of the business manager’s jobs is to defer as much income and tax until as late as possible in the band’s life, in case the band’s career does not continue but the bills do. Once you have moved beyond the survival mode, it is important to understand how this money is deferred and to establish a budget that you will allow you to retire young. Too often artists feel that the cash flow coming in is forever and they spend to match their CURRENT earnings with out thinking about the years following these “good days”. Fast cars and big houses cost a lot for a long time; if you don’t plan for these payments that will be due in the future, you could lose it all as fast as or faster than you earned it.

## BOOKKEEPING AND ACCOUNTING

Now let me tell you the GOLDEN Rule: He who controls the gold, rules the world and he who controls the books, controls the gold. Let me tell you that your best friend will be your business manager’s assistant or the bookkeeper because they write the checks. You still need to get it signed by the right guy, but getting it printed and in front of him is more than half the effort (and another story!)

Clearly one of the most important jobs in an artist’s journey is the reporting of the financial accounts along the way. First and foremost, you must report to the IRS, and then to your band mates and other players. The core required technology system is a computer accounting program. It is very important to start using this structured method of recording cash flows as soon as possible. Without these records, no reporting can be done for anyone. Each of the four cash flow streams should be recorded in its own unique set of books, and these will be used to determine tax liabilities and ownership distributions of net profits or losses.

Each cash flow stream’s books are called a general ledger, and it is made up of separate records of each of the subsidiaries. The records include accounts related to all the income and expenses, as well as the assets, liabilities and members’ equity/investment. From this information, two reports can be generated. The Income Statement lists all incomes less all expenses which yield net profit or net loss of how your business is doing over a particular period of time, usually a month. The Balance Sheet identifies what your current assets are, like “IP” and musical equipment, and what you owe, your liabilities such as accounts payable to vendors. The difference between the income statement’s net profit or loss total and the balance sheet’s holdings is the owner’s equity or the true value of the business to the members who own it. (See Chapter 3 for an example of an Income Statement and a Balance Sheet.)

The next layer down in the Income Statement is called job costing. Each income or expense is applied to both a gig or a project and a category based on type of income or expense. For example,

buying tapes for a recording session would be an expense that would be coded to the “x” record project and to the “materials” expense account, and lunch during a video shoot would be coded to the third video project and as a “food and beverage” expense. This way each project has its own profit or loss calculation, and the general ledger is the summary of all jobs (or projects), with all income and expense summarized by type. (See Chapter 3 for more information on job cost accounting.)

The first and foremost rule here is **KEEP ALL RECEIPTS** and code them by job or project and type of income or expense. **PERIOD!!!** This is the best way to keep a record of all money spent on behalf of your business, and the amount you spend on your business expenses can be recouped/deducted from the IRS taxes that are due! It is one of the only times you get to recoup money. Saving your receipts saves you money. Start immediately, even now with the receipt for buying this book - put all your receipts in an envelope until you can turn them in to the proper book-keeper, tour accountant, or business manager. These receipts **HAVE TO** make it to a tax return as proof of what you are reporting to the IRS. Receipts prove your money path, so keeping and reporting them is to your advantage. You are ultimately responsible for paying these taxes, and if mistakes are made, **YOU** pay the amounts due with penalties and interest regardless of who makes the mistake because it is **YOU** who signs the tax returns. “Save your receipts” is one of the most important things you can take away from this book, and you don’t want to learn this too late.

We recommend an accounting software program called DataPro. Many other accounting programs can be used, like Quicken, Quick Books, and Great Plains, but none have all the features we like about DataPro (<http://www.dpro.com>). It is an established multicompany, job-costing accounting system. It tracks all incomes, writes checks, and tracks both cash and credit card charges. Job costing sub-ledgers support the income statement. It has special sub-ledgers for the balance sheet: accounts payables which are bills due to vendors and are a liability and accounts receivable which is money owed to you by others which is an asset. Another great feature is the ability for multiple users in the system, with each allowed different functions. You might just want a weekly report of checks, or job cost statements, or bank account balances. You definitely want to know where your money is, so you can pay your own personal bills, rent, and food, which can be another unique “company” in the accounting system.

I have greatly simplified this explanation, but do not underestimate the need for someone to explain this to you often: don’t wait if you have questions and ask questions, ask questions, ask questions until you understand.

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This section helps identify industry standard agreements.

### Royalties

- Recording Studios –
- Producers –
- Record Companies –
- Distribution –
- Retail (consumer) sales –

### Publishing

- Publishing Houses –
- Song Writers –
- Musician Unions & Associations –
- Collection Agencies – ASCAP, BMI, SESAC
- Media Outlets –

### Tickets

- Manager –
- Business Manager –
- Agent –
- Promoter –
- Tour personnel –
- Venues –
- Ticket Agency –

### Merchandising

- Road Merch –
- Retail Merch –
- Sponsorships/Endorsements –
- DIRECT TO FAN (CONSUMER) –

#### Others

- Fan Club Manager –
- Lawyers –
- Accountants –
- Press/Publicity –
- Insurance –
- Travel Agent –
- WebMaster –

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This section helps identify industry standard budget skeletons set in MS Excel. They can be used as a blueprint for an artist's career. Each of the budgets come from foxman.com. The next set of pages shows the important examples:

1. The Merch Budget - page 95
2. The Recording Budget - page 104
3. The Touring Budget & Contracts - page 113

### Royalties

- Recording Studios –
- Producers –
- Record Companies –
- Distribution –
- Retail (consumer) sales –

### Publishing

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### Merchandising

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- Retail Merch –
- Sponsorships/Endorsements –
- DIRECT TO FAN (CONSUMER) –

#### Others

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- Lawyers –
- Accountants –
- Press/Publicity –
- Insurance –
- Travel Agent –
- WebMaster –

## MUSIC INDUSTRY RESOURCES

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Here are some resources where you can learn more about the music industry as a whole and its organizations, conventions, and conferences.

### PUBLICATIONS:

Pollstar (<http://www.pollstar.com>) - the oldest industry news source for touring. It publishes the best industry directories: venue listings, promoters, record companies, talent agencies, concert services and managers are produced annually.

Celebrity Access (<http://www.celebrityaccess.com>) - the other mainstay of the touring industry.

Billboard (<http://www.billboard.com>) - the granddaddy of the record world.

Radio and Records (<http://www.radioandrecords.com>) - info on the world of radio.

College Music Journal or CMJ (<http://www.cmj.com>) - specializes in the cutting edge college market.

Hits magazine (<http://www.hits.com>) is a general industry magazine focused on the “players” in the industry.

### ORGANIZATIONS:

IAAM – Internation Auditorium & Assembly Managers

NACPA – North America Concert Promoters Association

### CONVENTIONS AND CONFERENCES:

CIC – Concert Industry Consortium

SXSW – South by South West

CMJ – College Music Journal

ILMC – International Live Music Conference

In-Tix – Venue Box Office Managers Convention

IAAM – Venue Managers Conventions (National & Regionals)

TourLink/LDI – Entertainment Technology Conference

### **ASSOCIATIONS/CO-OPS:**

AFM – American Federation of Musicians

ASCAP – Association of Song Composers and Performers

BMI –

SESAC –



# THE FOXMAN GROUP: EXECUTIVE SUMMARY



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Turning customers into fans; it is both an art and a science, and what some people call magic. How you do that magic is the key to success in every business. Customer loyalty is based on them getting value from the product, service, or content you are “selling”. Putting customers into perspective seems difficult but with proper prioritization business profits grow. Customer retention is the priority both parties have committed before, information about previous transactions should make this repeat orders the least cost. Customer acquisition is the most costly, getting them to commit the first time usually involves a discount, and collecting all the required information from scratch, add up to the least profitable orders, because gaining a new customer is more costly than retaining a loyal customer. You don’t have to lure loyal customers in with a discount or spend time (read money) gathering the required order information from scratch. This simple focus of prioritizing on retaining customers can mean both more profit per transaction AND more transactions per customer. This is where we at The FoxMan Group can help.

## TO GET ANYWHERE YOU MUST START AT THE BEGINNING:

Since the early 1980s, we at FoxMan have developed software that improves business efficiency and effectiveness, first for accounting and later for scheduling people, places, and things. We excelled at building business information infrastructure, the tools to collect and report accounting and scheduling data. About the time the web appeared in the early 1990s, we started expanding the data collection and focused on data related to customers, vendors, and employees. We pioneered building a Customer Relationship Management (CRM) program, which interfaced accounting systems and allowed businesses to know more about who their customers were. The mid-1990s brought different ways to connect with customers – Internet email, inbound and outbound phone centers, kiosks, retail and direct to fan (customer) – and we built systems to track everything from order to delivery, collecting data by the gigabyte, all in separate databases.

In today’s economy with budgets tightening, we must find ways to provide the shortest path between the customer and a business’s product, service, and content, based on data we already have already captured using CRM. The use of technology must make “cents” and the data exists in the accounting system. We need to mine the data in a new way and turn it into information to increase both sales and customer experience. 80% of your business comes from 20% of your customers, so while tracking all customers is important, super-serving the core customers is the most profitable business in many ways.

Today’s core business – the shortest path to the customer based on known information.

The “art of CRM” is that it captures the who, the what, the where, and the when of each order or sale. What offer? For which product/service/content? To which selected group of customers? In what time frame? Via which distribution method? CRM answers all these questions that must be

answered. The best way to do this is with the data from existing orders and sales data, to existing customers. A business can then make the best cross sales, up sales, or related sales then and secondarily find new customers based on similar best profile matching. For an example of this kind of collaborative filtering marketing is Amazon's "if you bought this book, you will probably like these other books." This is the most profitable of all types of transactions.

How can a company take these steps, how do we create the "science"

We go back to the basics of CRM, where the first rule is "know your customer." We have created a template for storing customer information. All databases in the companies reach should be centralized to get a full "profile" of each customer, employee, vendor, and distributor. This step cannot be minimized; it is the core of successful CRM. Storing related details of all products/services/content from each customer order contained, tells you which employees who took the orders, from where (retail, internet, phone etc.) and what time of day. This tells us about this customer and allows us to reuse the information for the customer's next transaction.

One factor contributing to customer loyalty is based on the ease of transacting; do not underestimate this fact. Reusing known customer information, like a shipping address or credit card number, is the simplest way to make order entry easy. This centralization of data into customer information is known as "silo busting." The ability to exchange data interactively between these silos and the centralized customer and order templates are keys to keeping the customer information's value.

Next we "profile" the products/services/content information. Historically we know who is buying what. When and where they purchased, and how they got it into their hands. We know which employees, vendors and distributors involved in the conclusion of the purchases.

Now the real "magic" begins - matching which offers to which customer profiles for what products/services/content/information profiles. This kind of "profile matching" (often called collaborative filtering) works well. The last step is how to communicate and when, what day and time of day. This last step of this targeted marketing approach is "getting the word out". This is your path of communications, how do you inform each fan and when is also part of this "magic".

So much data, so little time.

Over the years we experienced many things from which we learned, both successes (the good path) and failures (places we learned not to step) help us guide these processes and help us create not just industry standard practices but direct us to the profitable practices first.

By building the tools we learned why they were not used to the full extent revolved around three elements: time, people and money. By the time a large system project was put in place often the people involved gave "extra" time and effort in the creation and implementation of the new system. Their "real" jobs suffered and the "extra" time and effort had to be spent getting back to normal. At the same time there was not often new people assigned to the system/project who could assume the new responsibilities. Often these budgets were tight and stretched beyond the limits. These three ingredients mixed into a recipe for disaster. Imagine buying a new car, then not having the time or money to fill the gas and oil needs, while expecting someone else to drive you somewhere with no further effort. This leaves you walking. We want to help with the ride.

We want to help with success, we can help set expectations for success from the beginning, and account for all the needs to the care and feeding of a successful CRM oriented process. Our business is to outsource these business processes until they are taken “in house” upon implementation. Then the art, science and magic all start to happen. CRM is a change of style for a company. The magic takes time. It takes people. It takes money. Most importantly it creates profitability and customer/brand loyalty. Return On Investment (ROI) can only be calculated over time, usually years but time after time, in studies and real case examples companies utilizing CRM practices are more financially stronger than all others. We have found reporting and data exchange (silobusters) are the keys to the magic: with the right offer, to the right people, at the right time, for the best products/services/content which yields a profitable and successful conclusion.

FoxMan's heart and history are in the music business. This industry is a perfect case study for an artist to build a SiloBuster. Creating the shortest distance from the content creator, better known as an artist, directly to the consumer can change this industry. This short cut can allow artists to actually make a living without having to sell millions of records first. It also allows the artist to retain the ownership of their music, which in the current state of the industry is used as collateral by the record company, even after all their money is recouped and repaid. It could be compared to a mortgage, when the payments are all made, the bank still owns the house, and the artist still only gets between 10% to 15% of gross sales.

FoxMan's is led by two partners, David Cooper and Bill Bullock, who have worked together in the music business for over 20 years building software systems for every aspect of the music industry. Touring including artists, managers, agents, promoter and venues was our starting point before we ventured into ticketing, radio, record companies, studios, publishing, and insurance. We started before there were PC computers or DOS. Today most everything we do has migrated to the web where we have become:

Music Industry Experts to the web and technology markets and Technology Industry Experts to the music industry.



## ILLUSTRATIONS: THE DETAILS

---

To keep all the cash and non-cash stream players in the right family I created some clans.

### CLANS:

Foxes - the Band and Band family

Dogs - the “Road Dogs” and touring family

Dinosaurs - the Record Companies and the legacy recording world

Fish - the merchandisers and their family

Apes - the publishers and money collectors family members

Birds - the family members help protect your “ass”ets amd investments

### THE “PRIMARY” INDUSTRY PLAYERS

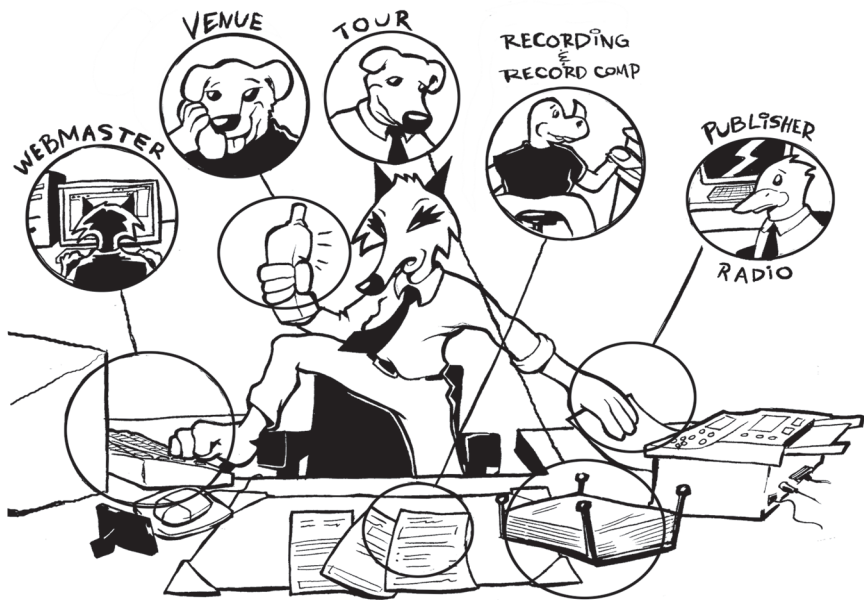
#### Artist



Band Members:



Manager (Personal or General):



## Your Home Office “Family”

### The Manager’s Team



### The Manager’s Administrative Staff

Lawyer

Accountant or Business Manager

Press/media representative or team

Your New “Internet Channel” Managers

Fan club manager

The Webmaster



THE “ROYALTIES” PLAYERS



Record company - artists & repertoire (A&R)

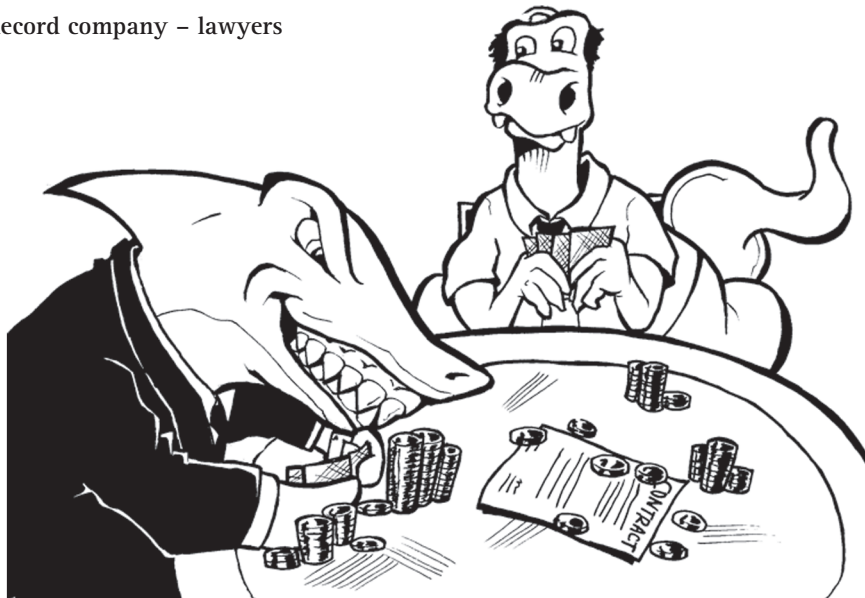
Record company - radio promotions department

Record company - marketing department



Record company – accountants

Record company – lawyers

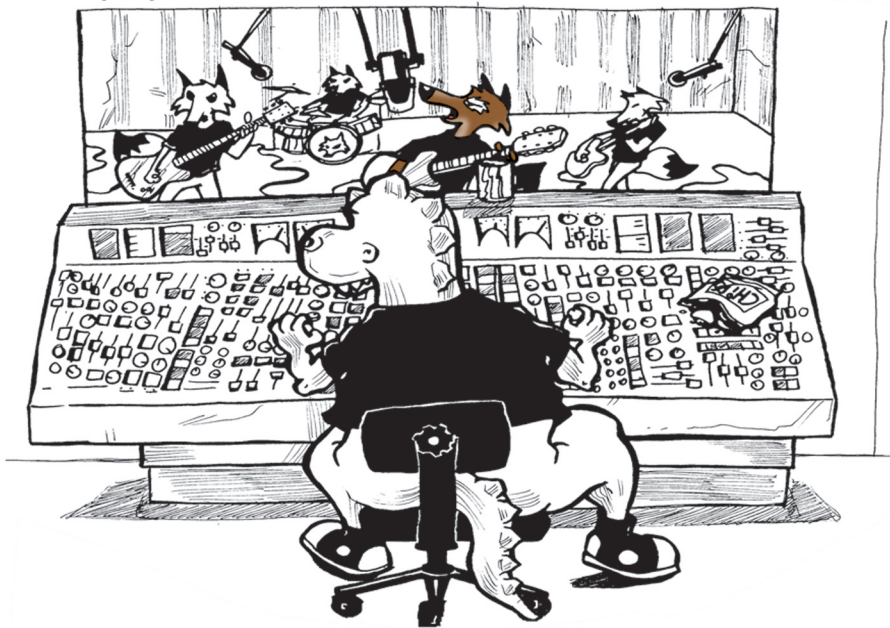


Record company – distribution channel



Recording studio

Recording engineer



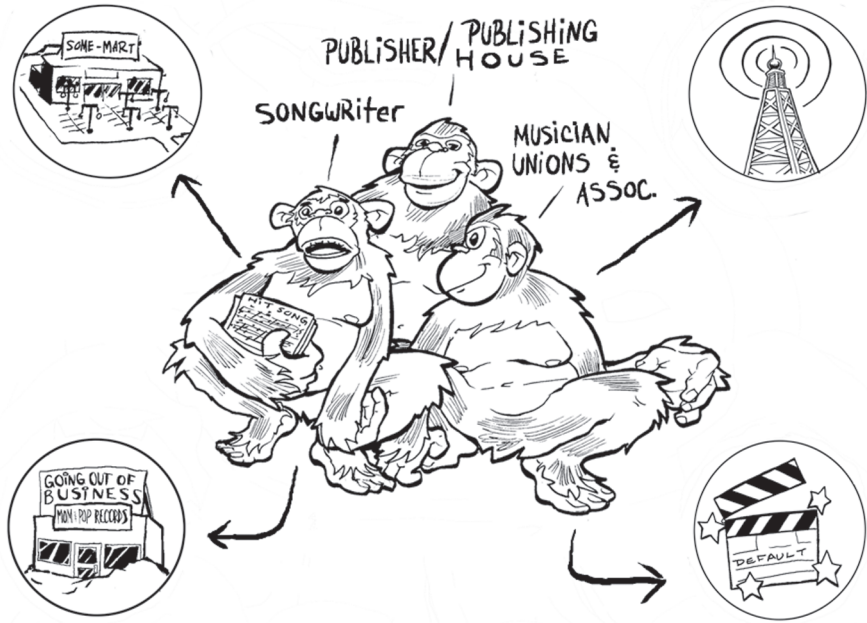
The guys who “fix it in the mix” (notice NO band in the studio)



Record producer

Mastering engineer

THE “PUBLISHING” PLAYERS

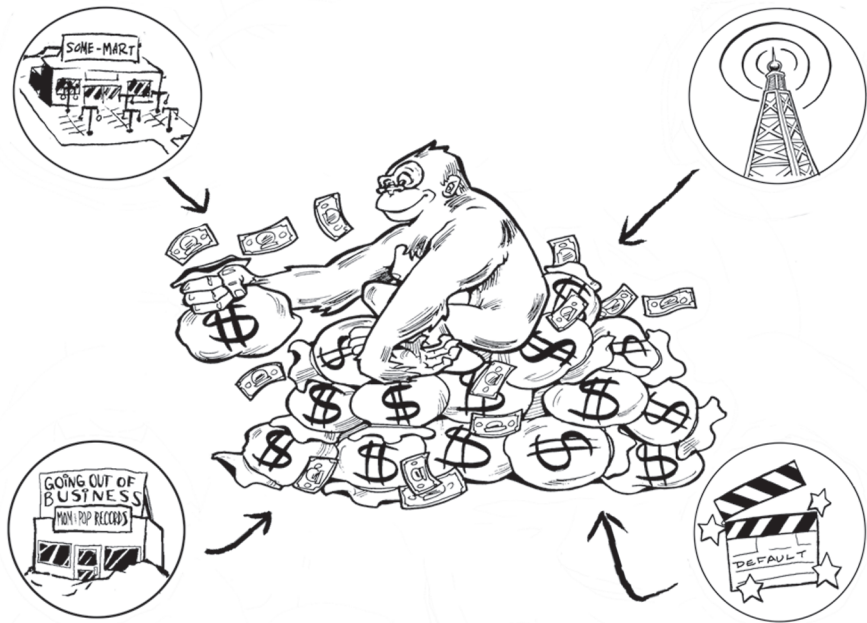


Publisher/publishing house

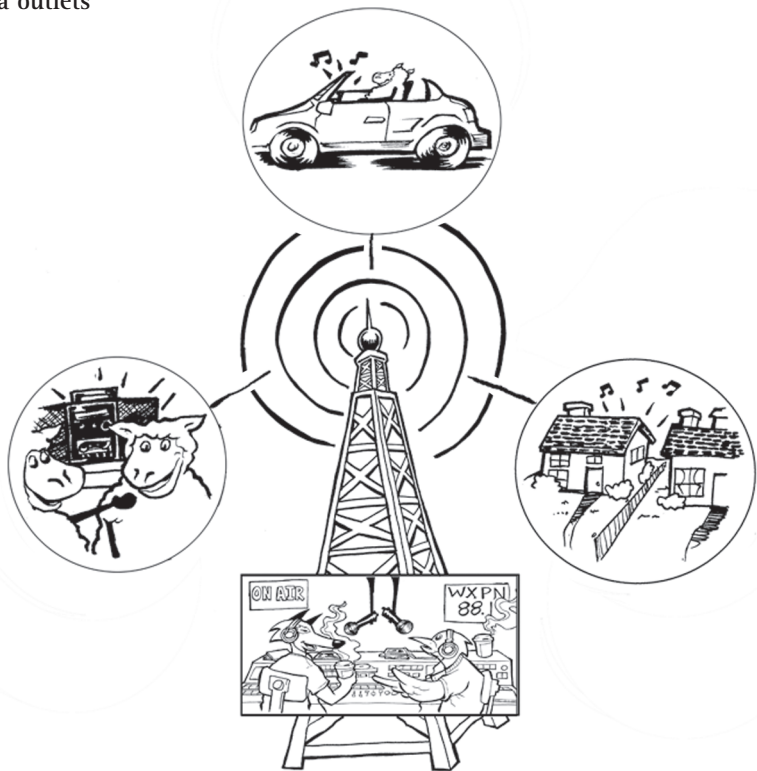
Songwriter

Musician unions and associations

Collection agency

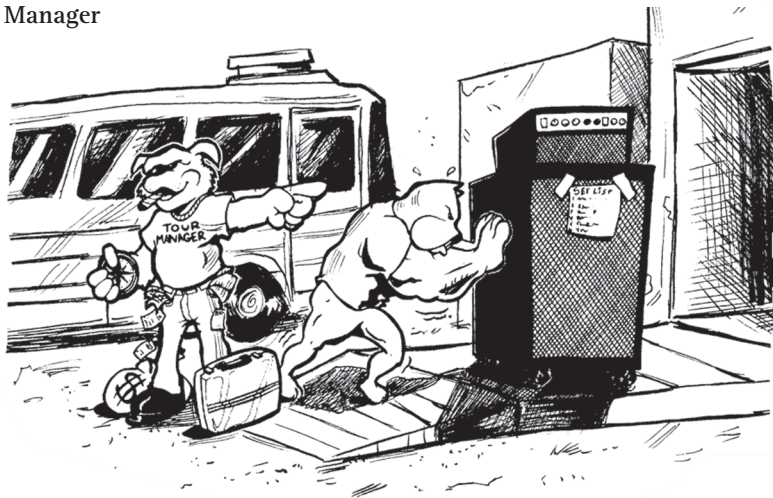


Media outlets



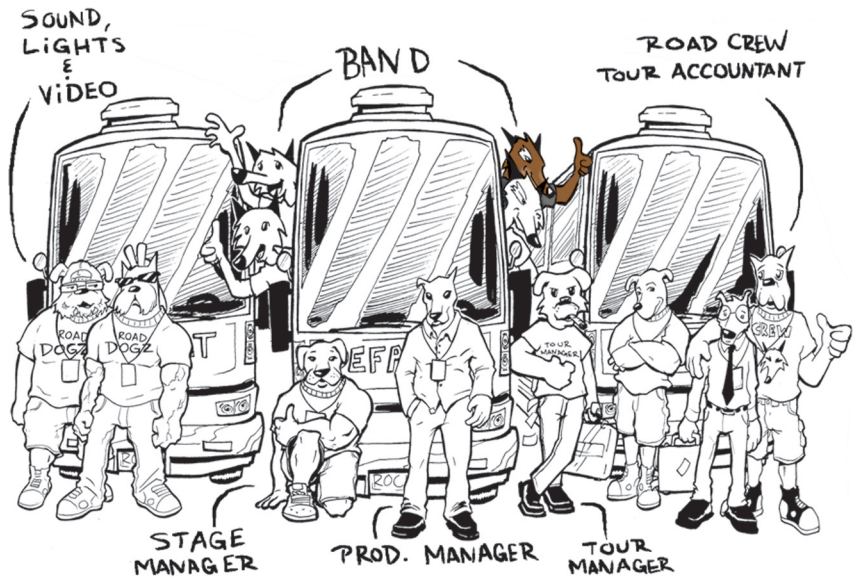
THE “TICKETS” PLAYERS

Tour Manager





Your Road “Family”

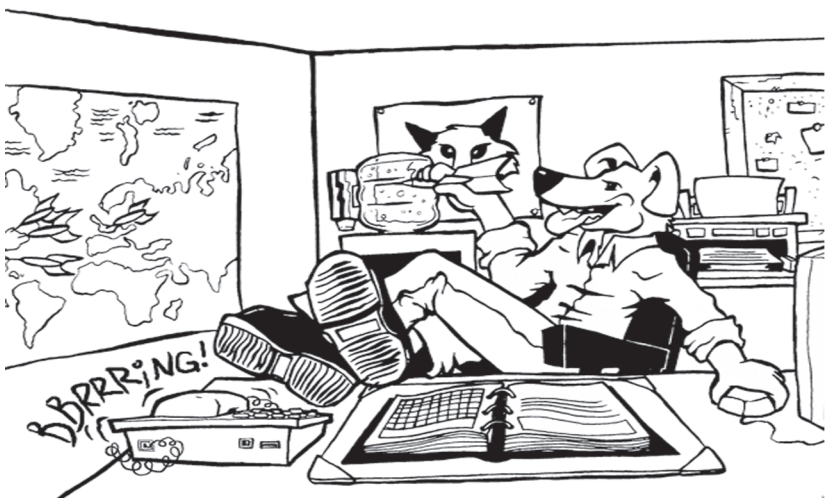


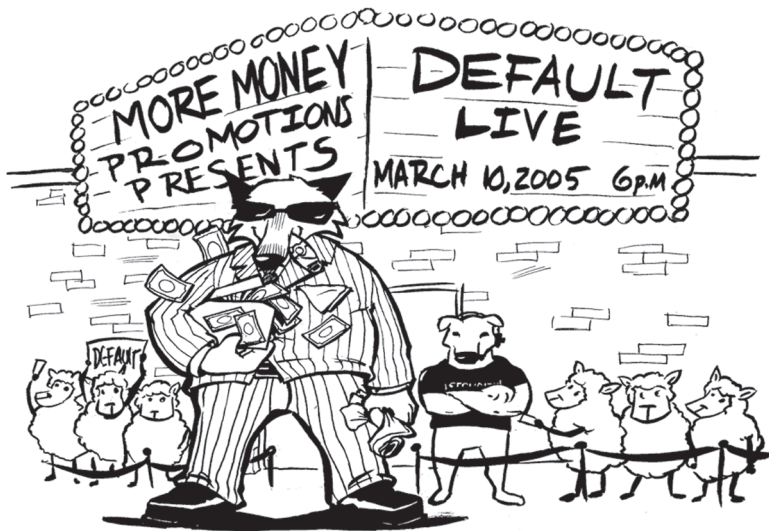
Tour accountant

Tour personnel – production/stage manager

Tour personnel

Booking agent



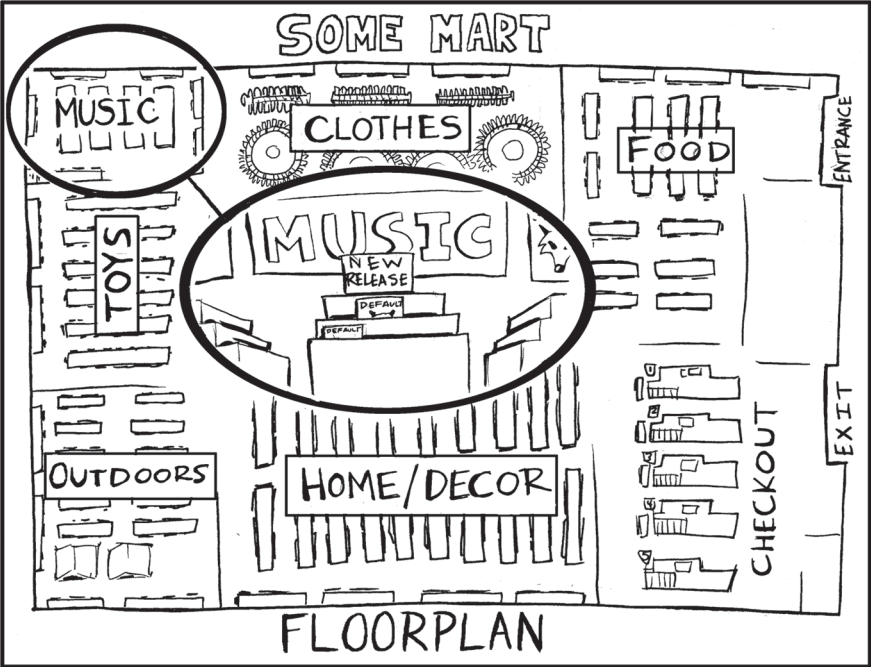


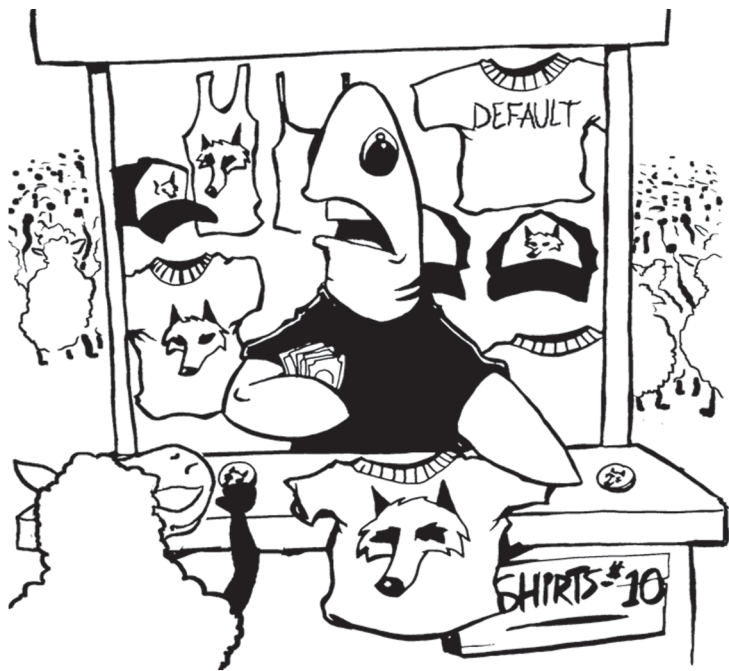
Ticket agency



THE “MERCHANDISING” PLAYERS

The retail sales channel



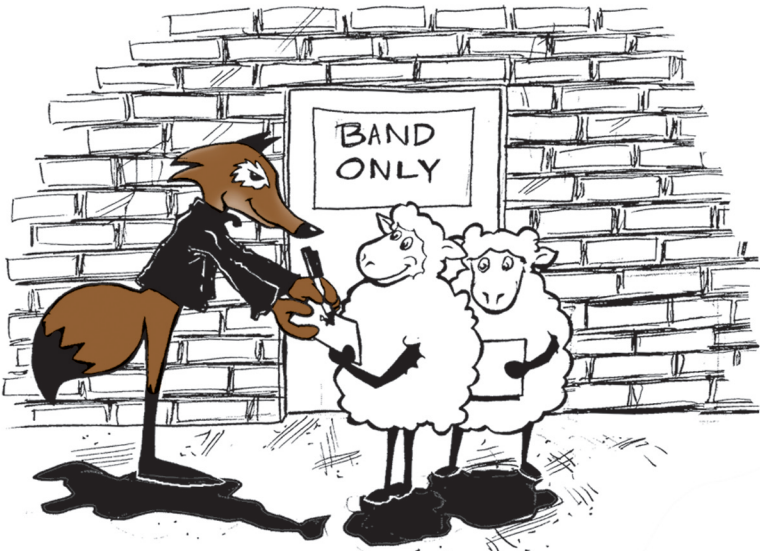




Sponsors



Direct to Fan



THE NON-CASH FLOW PLAYERS

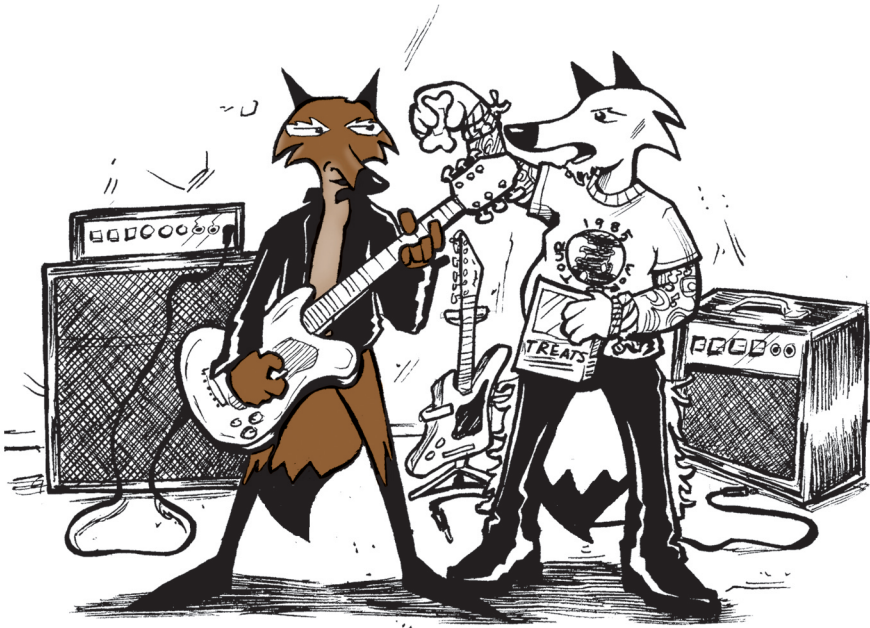
Radio personnel



Media personnel

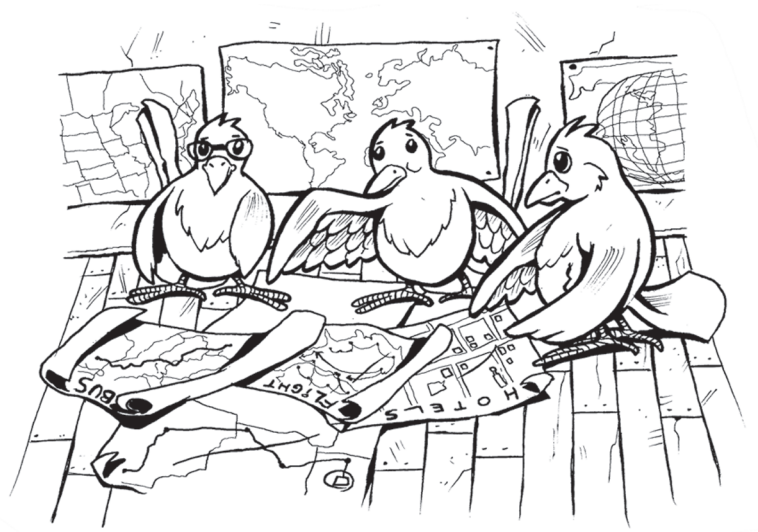


Music unions & associations



Insurance agent





**WORKSHEETS:**  
THE MONEY DETAILS



**FoxMan's Breaking A Band in the Internet Age**

**Merchandising Project Description:**

Artist	Default
Label	our own
Studio	our own
start date	spring
end date	fall
Manufacturing	\$ 375,200
Warehouse	\$ 45,750
Wholesale	\$ 74,350
Retail	\$ 103,500
Truck	\$ 232,200
Check In	
Check Out	
Last Settlement	\$ 127,500
PROJECT TOTAL	\$ 958,500

# FoxMan's Breaking A Band in the Internet Age

## Manufacturing Costs

Description	Flat Costs	Variable Cost/Product	Number of Products	Line TOTALS
Black tour T-Shirt	\$ 21	\$ 1	1000	\$ 22,000
Blue tour T-Shirt	\$ 21	\$ 1	1000	\$ 22,000
Yellow tour T-Shirt	\$ 21	\$ 1	1000	\$ 22,000
Red tour T-Shirt	\$ 21	\$ 1	1000	\$ 22,000
Pink tour T-Shirt	\$ 21	\$ 1	1000	\$ 22,000
Black Default T-Shirt	\$ 21	\$ 1	1000	\$ 22,000
Blue Default T-Shirt	\$ 21	\$ 1	1000	\$ 22,000
Yellow Default T-Shirt	\$ 21	\$ 1	1000	\$ 22,000
Red Default T-Shirt	\$ 21	\$ 1	1000	\$ 22,000
Pink Default T-Shirt	\$ 21	\$ 1	1000	\$ 22,000
Striped Default T-Shirt	\$ 21	\$ 1	1000	\$ 22,000
Ladies T-Shirt	\$ 21	\$ 1	1000	\$ 22,000
Long SleeveT-Shirt	\$ 21	\$ 1	1000	\$ 22,000
demin jacket w/ logo	\$ 21	\$ 1	100	\$ 2,200
tour button	\$ 3	\$ 1	5000	\$ 20,000
Default button	\$ 3	\$ 1	5000	\$ 20,000
tour sticker	\$ 2	\$ 1	3500	\$ 10,500
Default sticker	\$ 2	\$ 1	3500	\$ 10,500
tour hat	\$ 12	\$ 1	1000	\$ 13,000
Default hat	\$ 12	\$ 1	1000	\$ 13,000
TOTAL				\$ 375,200

## FoxMan's Breaking A Band in the Internet Age

### Warehouse Costs

Description	Flat Costs	Variable Cost/Product	Number of Products	Line TOTALS
Black tour T-Shirt	\$ 21	\$ 1	100	\$ 2,200
Blue tour T-Shirt	\$ 21	\$ 1	100	\$ 2,200
Yellow tour T-Shirt	\$ 21	\$ 1	100	\$ 2,200
Red tour T-Shirt	\$ 21	\$ 1	100	\$ 2,200
Pink tour T-Shirt	\$ 21	\$ 1	100	\$ 2,200
Black Default T-Shirt	\$ 21	\$ 1	100	\$ 2,200
Blue Default T-Shirt	\$ 21	\$ 1	100	\$ 2,200
Yellow Default T-Shirt	\$ 21	\$ 1	100	\$ 2,200
Red Default T-Shirt	\$ 21	\$ 1	100	\$ 2,200
Pink Default T-Shirt	\$ 21	\$ 1	100	\$ 2,200
Striped Default T-Shirt	\$ 21	\$ 1	100	\$ 2,200
Ladies T-Shirt	\$ 21	\$ 1	100	\$ 2,200
Long Sleeve T-Shirt	\$ 21	\$ 1	100	\$ 2,200
demin jacket w/ logo	\$ 21	\$ 1	25	\$ 550
tour button	\$ 3	\$ 1	1000	\$ 4,000
Default button	\$ 3	\$ 1	1000	\$ 4,000
tour sticker	\$ 2	\$ 1	1000	\$ 3,000
Default sticker	\$ 2	\$ 1	1000	\$ 3,000
tour hat	\$ 12	\$ 1	100	\$ 1,300
Default hat	\$ 12	\$ 1	100	\$ 1,300

**Total held                    \$ 45,750**

# FoxMan's Breaking A Band in the Internet Age

## Wholesale Costs

Description	Flat Costs	Variable Cost/Product	Number of Products	Line TOTALS
Black tour T-Shirt	\$ 21	\$ 1	200	\$ 4,400
Blue tour T-Shirt	\$ 21	\$ 1	200	\$ 4,400
Yellow tour T-Shirt	\$ 21	\$ 1	200	\$ 4,400
Red tour T-Shirt	\$ 21	\$ 1	200	\$ 4,400
Pink tour T-Shirt	\$ 21	\$ 1	200	\$ 4,400
Black Default T-Shirt	\$ 21	\$ 1	200	\$ 4,400
Blue Default T-Shirt	\$ 21	\$ 1	200	\$ 4,400
Yellow Default T-Shirt	\$ 21	\$ 1	200	\$ 4,400
Red Default T-Shirt	\$ 21	\$ 1	200	\$ 4,400
Pink Default T-Shirt	\$ 21	\$ 1	200	\$ 4,400
Striped Default T-Shirt	\$ 21	\$ 1	200	\$ 4,400
Ladies T-Shirt	\$ 21	\$ 1	200	\$ 4,400
Long SleeveT-Shirt	\$ 21	\$ 1	200	\$ 4,400
demin jacket w/ logo	\$ 21	\$ 1	25	\$ 550
tour button	\$ 3	\$ 1	1000	\$ 4,000
Default button	\$ 3	\$ 1	1000	\$ 4,000
tour sticker	\$ 2	\$ 1	1000	\$ 3,000
Default sticker	\$ 2	\$ 1	1000	\$ 3,000
tour hat	\$ 12	\$ 1	100	\$ 1,300
Default hat	\$ 12	\$ 1	100	\$ 1,300

**Wholesale channel total      \$ 74,350**



## FoxMan's Breaking A Band in the Internet Age

### Retail Costs

Description	Flat Costs	Variable Cost/Product	Number of Products	Line TOTALS
Black tour T-Shirt	\$ 21	\$ 1	300	\$ 6,600
Blue tour T-Shirt	\$ 21	\$ 1	300	\$ 6,600
Yellow tour T-Shirt	\$ 21	\$ 1	300	\$ 6,600
Red tour T-Shirt	\$ 21	\$ 1	300	\$ 6,600
Pink tour T-Shirt	\$ 21	\$ 1	300	\$ 6,600
Black Default T-Shirt	\$ 21	\$ 1	300	\$ 6,600
Blue Default T-Shirt	\$ 21	\$ 1	300	\$ 6,600
Yellow Default T-Shirt	\$ 21	\$ 1	300	\$ 6,600
Red Default T-Shirt	\$ 21	\$ 1	300	\$ 6,600
Pink Default T-Shirt	\$ 21	\$ 1	300	\$ 6,600
Striped Default T-Shirt	\$ 21	\$ 1	300	\$ 6,600
Ladies T-Shirt	\$ 21	\$ 1	300	\$ 6,600
Long SleeveT-Shirt	\$ 21	\$ 1	300	\$ 6,600
demin jacket w/ logo	\$ 21	\$ 1	50	\$ 1,100
tour button	\$ 3	\$ 1	1000	\$ 4,000
Default button	\$ 3	\$ 1	1000	\$ 4,000
tour sticker	\$ 2	\$ 1	1000	\$ 3,000
Default sticker	\$ 2	\$ 1	1000	\$ 3,000
tour hat	\$ 12	\$ 1	100	\$ 1,300
Default hat	\$ 12	\$ 1	100	\$ 1,300

**Total in retail channel      \$ 103,500**

# FoxMan's Breaking A Band in the Internet Age

## Truck Inventory Costs

Description	Flat Costs	Variable Cost/Product	Number of Products	Line TOTALS
Black tour T-Shirt	\$ 21	\$ 1	500	\$ 11,000
Blue tour T-Shirt	\$ 21	\$ 1	500	\$ 11,000
Yellow tour T-Shirt	\$ 21	\$ 1	500	\$ 11,000
Red tour T-Shirt	\$ 21	\$ 1	500	\$ 11,000
Pink tour T-Shirt	\$ 21	\$ 1	500	\$ 11,000
Black Default T-Shirt	\$ 21	\$ 1	500	\$ 11,000
Blue Default T-Shirt	\$ 21	\$ 1	500	\$ 11,000
Yellow Default T-Shirt	\$ 21	\$ 1	500	\$ 11,000
Red Default T-Shirt	\$ 21	\$ 1	500	\$ 11,000
Pink Default T-Shirt	\$ 21	\$ 1	500	\$ 11,000
Striped Default T-Shirt	\$ 21	\$ 1	500	\$ 11,000
Ladies T-Shirt	\$ 21	\$ 1	500	\$ 11,000
Long SleeveT-Shirt	\$ 21	\$ 1	500	\$ 11,000
demin jacket w/ logo	\$ 21	\$ 1	100	\$ 2,200
tour button	\$ 3	\$ 1	5000	\$ 20,000
Default button	\$ 3	\$ 1	5000	\$ 20,000
tour sticker	\$ 2	\$ 1	3500	\$ 10,500
Default sticker	\$ 2	\$ 1	3500	\$ 10,500
tour hat	\$ 12	\$ 1	1000	\$ 13,000
Default hat	\$ 12	\$ 1	1000	\$ 13,000
TOTAL				\$ 232,200

# FoxMan's Breaking A Band in the Internet Age

## Check In Costs

Description	Flat Costs	Number of Products ENTERED	Line TOTALS
Black tour T-Shirt	\$ 21	500	\$ 10,500
Blue tour T-Shirt	\$ 21	500	\$ 10,500
Yellow tour T-Shirt	\$ 21	500	\$ 10,500
Red tour T-Shirt	\$ 21	500	\$ 10,500
Pink tour T-Shirt	\$ 21	500	\$ 10,500
Black Default T-Shirt	\$ 21	500	\$ 10,500
Blue Default T-Shirt	\$ 21	500	\$ 10,500
Yellow Default T-Shirt	\$ 21	500	\$ 10,500
Red Default T-Shirt	\$ 21	500	\$ 10,500
Pink Default T-Shirt	\$ 21	500	\$ 10,500
Striped Default T-Shirt	\$ 21	500	\$ 10,500
Ladies T-Shirt	\$ 21	500	\$ 10,500
Long SleeveT-Shirt	\$ 21	500	\$ 10,500
demin jacket w/ logo	\$ 21	100	\$ 2,100
tour button	\$ 3	5000	\$ 15,000
Default button	\$ 3	5000	\$ 15,000
tour sticker	\$ 2	3500	\$ 7,000
Default sticker	\$ 2	3500	\$ 7,000
tour hat	\$ 12	1000	\$ 12,000
Default hat	\$ 12	1000	\$ 12,000
TOTAL			\$ 206,600

# FoxMan's Breaking A Band in the Internet Age

## Check Out Costs

Description	Flat Costs	Number of Products RETURNED	Line TOTALS
Black tour T-Shirt	\$ 21	123	\$ 2,583
Blue tour T-Shirt	\$ 21	212	\$ 4,452
Yellow tour T-Shirt	\$ 21	145	\$ 3,045
Red tour T-Shirt	\$ 21	231	\$ 4,851
Pink tour T-Shirt	\$ 21	222	\$ 4,662
Black Default T-Shirt	\$ 21	11	\$ 231
Blue Default T-Shirt	\$ 21	245	\$ 5,145
Yellow Default T-Shirt	\$ 21	122	\$ 2,562
Red Default T-Shirt	\$ 21	88	\$ 1,848
Pink Default T-Shirt	\$ 21	420	\$ 8,820
Striped Default T-Shirt	\$ 21	110	\$ 2,310
Ladies T-Shirt	\$ 21	144	\$ 3,024
Long SleeveT-Shirt	\$ 21	67	\$ 1,407
demin jacket w/ logo	\$ 21	11	\$ 231
tour button	\$ 3	2134	\$ 6,402
Default button	\$ 3	3111	\$ 9,333
tour sticker	\$ 2	2123	\$ 4,246
Default sticker	\$ 2	1778	\$ 3,556
tour hat	\$ 12	466	\$ 5,592
Default hat	\$ 12	400	\$ 4,800

Checked back in	\$ 79,100
Checked out	\$ 206,600.00
Due from seller	\$ 127,500.00

## FoxMan's Breaking A Band in the Internet Age

### Settlement Costs

Description	Flat Costs	Number of Products SOLD	Line TOTALS
Black tour T-Shirt	\$ 21	377	\$ 7,917
Blue tour T-Shirt	\$ 21	288	\$ 6,048
Yellow tour T-Shirt	\$ 21	355	\$ 7,455
Red tour T-Shirt	\$ 21	269	\$ 5,649
Pink tour T-Shirt	\$ 21	278	\$ 5,838
Black Default T-Shirt	\$ 21	489	\$ 10,269
Blue Default T-Shirt	\$ 21	255	\$ 5,355
Yellow Default T-Shirt	\$ 21	378	\$ 7,938
Red Default T-Shirt	\$ 21	412	\$ 8,652
Pink Default T-Shirt	\$ 21	80	\$ 1,680
Striped Default T-Shirt	\$ 21	390	\$ 8,190
Ladies T-Shirt	\$ 21	356	\$ 7,476
Long SleeveT-Shirt	\$ 21	433	\$ 9,093
demin jacket w/ logo	\$ 21	89	\$ 1,869
			\$ -
tour button	\$ 3	2866	\$ 8,598
Default button	\$ 3	1889	\$ 5,667
			\$ -
tour sticker	\$ 2	1377	\$ 2,754
Default sticker	\$ 2	1722	\$ 3,444
			\$ -
tour hat	\$ 12	534	\$ 6,408
Default hat	\$ 12	600	\$ 7,200

**Total products sold \$ 127,500**

# FoxMan's Breaking A Band in the Internet Age

## Recording Project Description:

Artist	Default
Label	our own
Studio	Some Big Time Studio
Start date	winter
End date	spring
Studio	\$ 15,000
Recording	\$ 5,600
Mixing	\$ 7,250
Mastering	\$ 13,000
Personnel	\$ 16,500
Hotel	\$ 9,900
Transportation	\$ 1,196
Art	\$ 12,500
<b>PROJECT TOTAL</b>	<b>\$ 80,946</b>

## FoxMan's Breaking A Band in the Internet Age

### Studio Costs

Description	Flat Costs	Variable Cost/Day	Number of Days	Line TOTALS
Rental	\$ 5,000	\$ 500	20	\$ 15,000

**TOTAL \$ 15,000**

# FoxMan's Breaking A Band in the Internet Age

## Recording Costs

Description	Flat Costs	Variable Cost/Day	Number of Days	Line TOTALS
Set Up	\$ 100	\$ 10	20	\$ 300
	\$ -	\$ -	0	\$ -
Rehersal	\$ 300	\$ -	0	\$ 300
	\$ -	\$ -	0	\$ -
Rhythm Tracks	\$ -	\$ 500	2	\$ 1,000
	\$ -	\$ -	0	\$ -
Guitar	\$ -	\$ 500	4	\$ 2,000
	\$ -	\$ -	0	\$ -
Vocals	\$ -	\$ 500	3	\$ 1,500
	\$ -	\$ -	0	\$ -
OverDubs	\$ -	\$ 500	1	\$ 500
	\$ -	\$ -	0	\$ -
<b>TOTAL</b>				<b>\$ 5,600</b>



# FoxMan's Breaking A Band in the Internet Age

## Mixing Costs

Description	Flat Costs	Variable Cost/Day	Number of Days	Line TOTALS
Set Up	\$ 5,000	\$ -	\$ -	\$ 5,000
	\$ -	\$ 750	\$ 3	\$ 2,250
z	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
zz	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
zzz	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
zzzz	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
zzzzz	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
TOTAL				\$ 7,250

# FoxMan's Breaking A Band in the Internet Age

## Mastering Costs

Description	Flat Costs	Variable Cost/Day	Number of Days	Line TOTALS
Set Up	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -
Z	\$ 6,000 \$ -	\$ - \$ -	\$ - \$ -	\$ 6,000 \$ -
ZZ	\$ 7,000 \$ -	\$ - \$ -	\$ - \$ -	\$ 7,000 \$ -
ZZZ	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -
ZZZZ	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -
ZZZZZ	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -
TOTAL				\$ 13,000

## FoxMan's Breaking A Band in the Internet Age

### Personnel Costs

Description	Flat Costs	Variable Cost/Day	Number of Days	Line TOTALS
Set Up	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -
Rehersal	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -
Track Recording				
artist	\$ -	\$ 35	\$ 20	\$ 700
artist	\$ -	\$ 35	\$ 20	\$ 700
artist	\$ -	\$ 35	\$ 20	\$ 700
artist	\$ -	\$ 35	\$ 20	\$ 700
artist	\$ -	\$ 35	\$ 20	\$ 700
artist	\$ -	\$ -	\$ -	\$ -
artist	\$ -	\$ -	\$ -	\$ -
artist	\$ -	\$ -	\$ -	\$ -
engineer	\$ 1,000	\$ -	\$ -	\$ 1,000
engineer	\$ -	\$ -	\$ -	\$ -
producer	\$ 5,000	\$ 50	\$ 20	\$ 6,000
producer	\$ -	\$ -	\$ -	\$ -
admin	\$ -	\$ 100	\$ 20	\$ 2,000
runner	\$ -	\$ -	\$ -	\$ -
mixer	\$ -	\$ -	\$ -	\$ -
mixer	\$ -	\$ -	\$ -	\$ -
master engineer	\$ -	\$ 200	\$ 20	\$ 4,000
master engineer	\$ -	\$ -	\$ -	\$ -
<b>TOTAL</b>				<b>\$ 16,500</b>

# FoxMan's Breaking A Band in the Internet Age

## Hotel Costs

Description	Flat Costs	Variable Cost/Day	Number of Days	Line TOTALS
Set Up	\$ -	\$ 99	\$ 26	\$ 2,574
	\$ -	\$ -	\$ -	\$ -
Rehersal	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -
Track Recording				
artist	\$ -	\$ 99	\$ 20	\$ 1,980
artist	\$ -	\$ 99	\$ 20	\$ 1,980
artist	\$ -	\$ 99	\$ 20	\$ 1,980
artist	\$ -	\$ 99	\$ 20	\$ 1,980
artist	\$ -	\$ 99	\$ 20	\$ 1,980
artist	\$ -	\$ -	\$ -	\$ -
artist	\$ -	\$ -	\$ -	\$ -
artist	\$ -	\$ -	\$ -	\$ -
engineer	\$ -	\$ -	\$ -	\$ -
engineer	\$ -	\$ -	\$ -	\$ -
producer	\$ -	\$ -	\$ -	\$ -
producer	\$ -	\$ -	\$ -	\$ -
admin	\$ -	\$ -	\$ -	\$ -
runner	\$ -	\$ -	\$ -	\$ -
mixer	\$ -	\$ -	\$ -	\$ -
mixer	\$ -	\$ -	\$ -	\$ -
master engineer	\$ -	\$ -	\$ -	\$ -
master engineer	\$ -	\$ -	\$ -	\$ -
TOTAL				\$ 9,900

# FoxMan's Breaking A Band in the Internet Age

## Transportation Costs

Description	Flat Costs	Variable Cost/Day	Number of Days	Line TOTALS
Set Up	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -
Rehersal	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -
Track Recording	\$ 598 \$ -	\$ - \$ -	\$ - \$ -	\$ 598 \$ -
Mixing	\$ 299 \$ -	\$ - \$ -	\$ - \$ -	\$ 299 \$ -
Mastering	\$ 299 \$ -	\$ - \$ -	\$ - \$ -	\$ 299 \$ -
General	\$ - \$ -	\$ - \$ -	\$ - \$ -	\$ - \$ -
TOTAL				\$ 1,196

FoxMan's Breaking A Band in the Internet Age  
Art Costs

Description	Flat Costs	Variable Cost/Day	Number of Days	Line TOTALS
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Art	\$ 12,500			\$ 12,500
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			<b>TOTAL</b>	<b>\$ 12,500</b>
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AMERICAN FEDERATION OF MUSICIANS OF THE UNITED STATES AND CANADA

(HEREIN CALLED "FEDERATION")

CONTRACT

(Form T-2)

FOR TRAVELING ENGAGEMENTS ONLY

Big Time Agency

address  
city, state, zip  
phone fax  
web

Whenever The Term "The Local Union" is Used In This Contract, It Shall Mean The Local Union Of The Federation With Jurisdiction Over The Territory In Which The Engagement Covered By This Contract is To be Performed.

THIS CONTRACT for the personal services of musicians on the engagement described below is made this 10 day of September, 1998, between the undersigned purchaser of music (herein called 'Purchaser') and the undersigned musician or musicians.

1. Name and Address of Place of Engagement:

Big Rock Venue

address

City, State, zip

Ph:

Fax:

Email:

Name of Artist: Default

2. Show Details:

Any Day, Doors: 9:00PM, opener: 11:00PM, Default: 12:00AM, Capacity: 1,000, Ticket Scaling & Deductions: ADV 1,000 @ \$5.00, DOS @ \$7.00, Gross Potential: \$5,000.00, Adj. Gross Potential: \$5,000.00, 18 and over.

3. Merchandising:

3a. On Sale:

100% Artist Sells

4. Compensation Agreed:

**\$2,250 GUARANTEE + 90.% OF THE GROSS BOX OFFICE RECEIPTS OVER \$2,750. PURCHASER TO PROVIDE AND PAY FOR SOUND & LIGHTS PER ARTIST SPECS AND SUPPORT, opener. Default TO RECEIVE 100% HEADLINE BILLING IN ALL ADVERTISING. ATTACHED RIDER MADE PART OF THIS CONTRACT.**

5. Purchaser Will Make Payments As Follows:

**(\$1,125) DUE UPON SALE VIA CERTIFIED CHECK, MONEY ORDER OR BANK WIRE.**

WIRE INFO: , ABA Routing No. , Account No.

6. No performance on the engagement shall be recorded, reproduced or transmitted from the place of performance, in any manner or by any means whatsoever, in the absence of a specific written agreement with the Federation relating to and permitting such recording, reproduction or transmission.
7. It is expressly understood by the Purchaser and the musicians who are parties to this contract that neither the Federation no the Local Union are parties to this contract in any capacity except as expressly provided in 6 above and, therefore, that neither the Federation nor the Local Union shall be liable for the performance or breach of any provision hereof.
8. A representative of the Local Union, or the Federation, shall have access to the place of engagement covered by this contract for purposes of communicating with the musician(s) performing the engagement and the Purchaser.
9. The agreement of the musicians to perform is subject to proven detention by sickness, accidents, riots, strikes, epidemics, acts of God, or any other legitimate conditions beyond their control.
10. Attached addenda and Artist's Rider are made part of this contract herein.

IN WITNESS HEREOF, The parties hereto have hereunto set their names and seals on the day and year above written.

**PURCHASER:**

**ARTIST:**

Big Time Buyer

Big Rock Venue

address

City, State, Zip

Phone: Fax:

Default

c/o BIG ROCK TOURS, INC.

address

City, State, Zip

Phone: Fax:

Ph: (xxx)xx-xxxx **Big Time Promoter** address, city, state, zip Fax:

Artist:	Artist Name	Show Dates:	every day
Venue:	Big Rock Venue	Agency:	Top Agency
		Agent:	Your Agent

(212) 555-1212

**Deal Verbage:**

10,000 Guarantee plus 85% of the gross box office receipts after deduction of Count Tax 6.00%, Sales Tax 3.00%, State Tax 6.00%, and 15% promoter profit. Variable costs will be calculated as fixed costs at Settlement.

Ticket Scale	# Seats	Price	Gross	Deductions	
Day of Show	100	\$20.00	\$2,000.00	County Tax	6.00%
General Admission	10000	\$25.00	\$250,000.00	Facility Charge	1.50/Tkt
				Sales Tax	
<b>Total</b>	<b>10,100</b>		<b>\$252,000.00</b>		

<b>Total Gross</b>	<b>\$252,000.00</b>
<b>Before Tax Deductions</b>	<b>(7534.00)</b>
<b>Taxable Gross</b>	<b>244466.00</b>
<b>After Tax Deductions</b>	<b>(15120.00)</b>
<b>Net Gross Potential</b>	<b>\$229,346.00</b>

Talent and Production Costs	
Sound/Lights/Video	\$50,000.00
Tour Production	\$0.00
<b>Total Talent Costs</b>	<b>\$50,000.00</b>

Fixed Expenses	
Advertising	\$10,000.00 test comments
Insurance	\$15,000.00 test comments
<b>Total Fixed Expenses</b>	<b>\$25,000.00</b>

Variable Expenses	Rate	Sellout	Guarantee	Ceiling	Total
Insurance	5.00%	\$10,000.00	\$5,000.00	\$10,000.00	\$10,000.00
Rent	5.00%	\$5,000.00	\$1,000.00	\$5,000.00	\$5,000.00
<b>Total Variable Expenses</b>					<b>\$15,000.00</b>

SUMMARY	
Total Projected Show Costs	\$0.00
Variable Cost at Sellout	\$15,000.00
Talent and Production	\$50,000.00
Breakeven Dollars & Tickets	\$15,000.00
Concert Gross (less taxes)	\$236,880.00
Less Costs at Sellout	\$15,000.00
Sharing Gross (Net Receipts)	\$221,880.00
EARNINGS POTENTIAL	
Artist Percentage	\$188,598.00 85.000%
Promoter Percentage	\$33,282.00 15.000%

**Merch Deal:** 70/30% Venue Sells

**Deal Comments:** Approval of this offer confirms the following terms:

1. This offer is for Any Day.
2. Rent is \$18,000 ( including expenses denoted) Plus \$1.50 per ticket

**Venue Comments:**



FoxMan Group										
Promoter Projection										
Act : Default			Show # :			Tax Rate :			8.250%	
Venue :			Venue Code :			# of Shows :				
City : Philly PA			Date :			Updated :			06/14/05	
Artist Split		85.00% ** % Net Deal	Support 1	\$0.00	Sponsor 1 :		\$0.00			
Prom. Profit		0.00%	Support 2	\$0.00	Sponsor 2 :		\$0.00			
Guarantee		\$12,000.00	Support 3	\$0.00	Sponsor 3 :		\$0.00			
Sound/Light		\$0.00	Total	\$0.00	Total Sponso		\$0.00			
Barricade		\$0.00								
Support		\$0.00						Artist Percent	0.00%	
Plus Deal		no						Artist Sp. Am	\$0.00	
			4,000	6,000	8,000	10,000	12,000			
Tkt Px 1	\$30.00		4,000	6,000	8,000	10,000	12,000			
Tkt Px 2			0	0	0	0	0			
Tkt Px 3	\$0.00		0	0	0	0	0			
Tkt Px 4	\$0.00		0	0	0	0	0			
Tkt Px 5	\$0.00		0	0	0	0	0			
Paid Attendance			4,000	6,000	8,000	10,000	12,000			
Gross Revenue			\$120,000	\$180,000	\$240,000	\$300,000	\$360,000			
Taxes			\$9,145	\$13,718	\$18,291	\$22,864	\$27,436			
Net Revenue			\$110,855	\$166,282	\$221,709	\$277,136	\$332,564			
Ancillary Revenue										
Drop Count			4,000	6,000	8,000	10,000	12,000			
Food & Beverage (less 8.25% tax)			\$36,952	\$55,427	\$73,903	\$92,379	\$110,855			
Per Capita			\$10.00	\$10.00	\$10.00	\$10.00	\$10.00			
Merchandise			\$4,000	\$4,000	\$4,000	\$4,000	\$4,000			
Per Capita			\$4.00	\$4.00	\$4.00	\$4.00	\$4.00			
Parking			\$0	\$0	\$0	\$0	\$0			
Per Capita			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
S/C Rebates			\$0	\$0	\$0	\$0	\$0			
Per Capita			\$0.00	\$0.00	\$0.00	\$0.00	\$0.00			
Ticket Commission		MAX= \$0	\$0	\$0	\$0	\$0	\$0			
Per Capita			0.0%	0.0%	0.0%	0.0%	0.0%			
Rent Rebate			\$0	\$0	\$0	\$0	\$0			
Per Event			\$0	\$0	\$0	\$0	\$0			
Sponsorship			\$0	\$0	\$0	\$0	\$0			
Per Event			\$0	\$0	\$0	\$0	\$0			
Advertising Commission			\$900	\$0	\$0	\$0	\$0			
Percentage			9%	9%	9%	9%	9%			

Facility Fee	\$0	\$0	\$0	\$0	\$0
Per Event	\$0	\$0	\$0	\$0	\$0
Internal Expense Difference	\$0	\$0	\$0	\$0	\$0
Per Event	\$0	\$0	\$0	\$0	\$0
<b>TOTAL (A.R.)</b>	<b>\$41,852</b>	<b>\$59,427</b>	<b>\$77,903</b>	<b>\$96,379</b>	<b>\$114,855</b>
<b>TOTAL REVENUE</b>	<b>\$152,706</b>	<b>\$225,709</b>	<b>\$299,612</b>	<b>\$373,515</b>	<b>\$447,418</b>
<b>Direct Costs</b>					
%					
Food Service Cost	\$17,194	\$23,291	\$29,388	\$35,485	\$41,582
%	33%	33%	33%	33%	33%
Merchandise COGS	\$0	\$0	\$0	\$0	\$0
	0%	0%	0%	0%	0%
Parking Cost	\$0	\$0	\$0	\$0	\$0
%	0%	0%	0%	0%	0%
<b>TOTAL DIRECT COSTS</b>	<b>\$17,194</b>	<b>\$23,291</b>	<b>\$29,388</b>	<b>\$35,485</b>	<b>\$41,582</b>
Per Capita	\$4.30	\$3.88	\$3.67	\$3.55	\$3.47
Percentage	41.08%	39.19%	37.72%	36.82%	36.20%
<b>Operating Expenses</b>					
Production Expenses	\$9,500	\$9,500	\$9,500	\$9,500	\$9,500
Per Event [Total Expenses]= \$19,500.00	\$9,500	\$9,500	\$9,500	\$9,500	\$9,500
Rent Expense - Artist (Additional)	\$0	\$0	\$0	\$0	\$0
Per Capita	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Insurance	\$0	\$0	\$0	\$0	\$0
Per Capita	\$0.33	\$0.33	\$0.33	\$0.33	\$0.33
Advertising	\$10,000	\$0	\$0	\$0	\$0
Per Event	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Ticket Commission MAX= \$0	\$0	\$0	\$0	\$0	\$0
Percentage	0.0%	0.0%	0.0%	0.0%	0.0%
Misc. Expense	\$0	\$0	\$0	\$0	\$0
Per Event	\$0	\$0	\$0	\$0	\$0
<b>TOTAL</b>	<b>\$19,500</b>	<b>\$9,500</b>	<b>\$9,500</b>	<b>\$9,500</b>	<b>\$9,500</b>
<b>OPERATING INCOME</b>	<b>\$116,012</b>	<b>\$192,918</b>	<b>\$260,724</b>	<b>\$328,530</b>	<b>\$396,336</b>
Per Capita	\$29.00	\$32.15	\$32.59	\$32.85	\$33.03
Percentage	277.20%	324.63%	334.68%	340.87%	345.08%
<b>Venue Overhead</b>					
G/A - Maintenance	\$0	\$0	\$0	\$0	\$0
Minimum Rent	\$0				
Maximum Rent	\$0				
Rent :	0.0%	\$500	\$500	\$500	\$500
Rent : Food & Bev.	0.0%	\$0	\$0	\$0	\$0
Rent : Merchandise	0.0%	\$0	\$0	\$0	\$0
Rent : Parking	0.0%	\$0	\$0	\$0	\$0
Rent : S/C Rebates	0.0%	\$0	\$0	\$0	\$0
<b>TOTAL OVERHEAD</b>	<b>\$500</b>	<b>\$500</b>	<b>\$500</b>	<b>\$500</b>	<b>\$500</b>
<b>NET INCOME TO PROMOTER</b>	<b>\$115,512</b>	<b>\$192,418</b>	<b>\$260,224</b>	<b>\$328,030</b>	<b>\$395,836</b>

EVENT SETTLEMENT SHEET      <DEFAULT - Artist Settlement>	
EVENT:	Big Event
FACILITY:	City Facility
DATE:	Wednesday, Jun 1, 2005

Drop Count
100,000

Capacity
0

Weather
Sunny

TYPE	PRICE	PAID	COMP	KILLS	TOTAL	AMOUNT
	\$30.00	6,665	123	200	6,988	\$199,950.00
	\$0.00				0	\$0.00
	\$0.00				0	\$0.00
	\$0.00				0	\$0.00
	\$0.00				0	\$0.00
	\$0.00				0	\$0.00
	\$0.00				0	\$0.00
	\$0.00				0	\$0.00

GROSS TICKET REVENUES	6,665	123	200	6,988	\$199,950.00
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Facility Maintenance Fee	\$6,665.00
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\$1.00
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Subtotal	\$193,285.00
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Admissions Tax	\$3,789.90
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2%
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Subtotal	\$189,495.10
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Other Deductions:

(List)

(List)

(List)

NET TICKET REVENUES	\$189,495.10
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EXPENSES	PAID BY:	PROMOTER	VENUE	ARTIST	PARTNER	TOTAL	Notes
Support -						-	
Support -						-	
Artist - Production		45,000.00				45,000.00	
Auto Rental Expense		1.00				1.00	
Backstage Cleaning Expense		2.00				2.00	
Backline Instrument Expense		3.00				3.00	
Catering Expense		4.00				4.00	
Communications Equip Expense		5.00				5.00	
Damage Production Expense		6.00				6.00	
Electrician Expense		7.00				7.00	
Production Equipment Rental Expense		8.00				8.00	
Event Meals & Ent. Expense		9.00				9.00	
General Signage Expense		10.00				10.00	
Furniture Expense		11.00				11.00	
Electrical Generator Expense		12.00				12.00	
Lights & Sound Expense (Venue provided)		13.00				13.00	
Limousine Expense		14.00				14.00	
Loaders Expense		15.00				15.00	
Permit & Licensing Expense		16.00				16.00	
Piano Rental & Tuning Expense		17.00				17.00	

Printing	18.00			18.00	
Production Labor Expense	19.00			19.00	
Production Miscellaneous Exp	20.00			20.00	
Reimbursable Expenses	21.00			21.00	
Runner Expense	22.00			22.00	
Show Management Expense	23.00			23.00	
Set Up / Tear Down Expense	24.00			24.00	
Spot Light Expense	25.00			25.00	
Stage Expense	26.00			26.00	
Stage / Tour Manager	27.00			27.00	
Stagehand Expense	28.00			28.00	
Telephone Expense	29.00			29.00	
Towel & Laundry Expense	30.00			30.00	
Travel Expense	31.00			31.00	
Site Transportation Expense	32.00			32.00	
Utilities Expense	33.00			33.00	
Variable Rent/House Expense	34.00			34.00	
Trailer / RV Expense	35.00			35.00	
Fireworks / Special Effects	36.00			36.00	
Facility Decoration Expense	37.00			37.00	
ASCAP/BMI/SESAC Expense	38.00			38.00	
Fencing Expense	39.00			39.00	
Barricade Expense	40.00			40.00	
Box Office Staff Expense	41.00			41.00	
Chair / Table / Tent Rental Expense	42.00			42.00	
Clean Up Expense	43.00			43.00	
Facility Maintenance Fee	44.00			44.00	
Damages Operations Expense	45.00			45.00	
Event Security Expense	46.00			46.00	
Hospitality Expense	47.00			47.00	
House Staff Expense	48.00			48.00	
Medical Expense	49.00			49.00	
Operating Equipment Rental Exp	50.00			50.00	
Operating Labor Expense	51.00			51.00	
Operating Miscellaneous Expense	52.00			52.00	
Operating Supplies Expense	53.00			53.00	
Parking Rental Expense	54.00			54.00	
Portolets	55.00			55.00	
Police Expense	56.00			56.00	
Registration Fee	57.00			57.00	
Ticket Printing Expense	58.00			58.00	
Usher & Ticket Taker Expense	59.00			59.00	
Waitress Service Expense	60.00			60.00	
Other Operating Expense	61.00			61.00	
Co-Promoter/Prodn Expense	62.00			62.00	
Group Sales / Commission Expense	63.00			63.00	
Event Credit Card Charges	64.00			64.00	
Insurance Expense	65.00			65.00	
Photography	66.00			66.00	
Public Relations (Press Kits)	67.00			67.00	
Ticket Fee Expense	68.00			68.00	
Pizza	19,000.00			19,000.00	

Ticket Taxes	70.00				70.00	
Non-Ticket Sales Taxes	71.00				71.00	
Event Administrative Expense	72.00				72.00	
<b>Advertising</b>	73.00				73.00	
Radio Advertising Expense	74.00				74.00	
Print Advertising Expense	75.00				75.00	
TV Advertisign Expenses	76.00				76.00	
Production Advertising Expense	77.00				77.00	
Other Advertising Expenses	78.00				78.00	
Total Advertising: \$ 380.00	79.00				79.00	
					-	
					-	
					-	
					-	
<b>TOTAL SHOW EXPENSES</b>	<b>\$67,091.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$67,091.00</b>	

**Artist Settlement**

Net Ticket Revenues	\$189,495.10
Total Show Expenses	\$67,091.00
Subtotal	\$122,404.10
Promoter Profit, if applicable 0%	\$ -
Split Point	\$122,404.10

Artist Guarantee	\$50,000.00
Share Calculation Type	<b>Versus</b>
Artist Percentage	80.00%
Artist Sharing	\$97,923.28
<b>Total Artist Fee</b>	<b>\$97,923.28</b>

**ADDITIONS**

Production/S&L	45,000.00
Other: List	\$0.00
	\$0.00
	\$0.00
<b>Total Additions</b>	<b>\$45,000.00</b>

**DEDUCTIONS**

Artist Deposit	\$15,000.00
Cash	\$20,000.00
2% City taxes	\$0.00
Room Rental/ Other Exp Due	\$0.00
<b>Total Deductions</b>	<b>\$35,000.00</b>

**ARTIST EARNINGS**

Total Artist Fee	\$97,923.28
Total Additions	\$45,000.00
Total Deductions	(\$35,000.00)

<b>TOTAL DUE ARTIST</b>	<b>\$107,923.28</b>
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Tour: #Name#

Promoter Rep: #Name#

Co-Promoter Rep:

Venue Rep:

Check Number:

.....

<b>ASCAP/BMI/SESAC WORKSHEET</b>	
<b>Philadelphia</b>	
<b>EVENT:</b>	
<b>FACILITY:</b>	
<b>DATE:</b>	


	0.45%	choose rate from below
	0.30%	choose rate from below
	\$0.0072	

	-
	-
\$	-

	\$ -
--	------

**LICENSE FEES:** The following are the applicable rate schedules for the NACPA agreements with ASCAP, BMI and SESAC:

**ASCAP:**

Seating Capacity		% Applied to <u>Net Ticket</u> <u>Revenue</u>
	<u>Low</u>	<u>High</u>
	1	2,500
	2,501	5,000
	5,001	10,000
	10,001	25,000
	over	25,000
		0.45%
		0.30%
		0.25%
		0.15%
		0.10%

**BMI:**

Seating Capacity		% Applied to <u>Net Ticket</u> <u>Revenue</u>
	<u>Low</u>	<u>High</u>
	1	9,999
	10,000	OR MORE
		0.30%
		0.15%

**SESAC:**

October 1, 2000 through September 30, 2002	\$0.0069 per paid ticket
<b>October 1, 2002 through September 30, 2003</b>	<b>\$0.0072 per paid ticket</b>

**FREE AND BENEFIT CONCERTS:** The following rates apply:

**ASCAP:** Schedule II applies. For Benefit Events, you must provide the name of the charity/ beneficiary and their address. The rates for

7/1/01 thru 6/30/02 are (there is a CPI adjustment annually):

	<u>Seats</u>		<u>ASCAP FEE</u>
1	-	5,500	\$10.00
5,500	-	10,000	\$35.00
10,001	-	20,000	\$75.00
20,001	-	60,000	\$125.00
	Over	60,000	\$250.00

**BMI:** Schedule B applies. No CPI adjustment for BMI:

	<u>Seats</u>		<u>BMI FEE</u>
0	-	250	\$15.00
250	-	750	\$18.00
750	-	1,500	\$28.00
1,501	-	2,500	\$45.00
2,501	-	5,000	\$67.00
5,001	-	7,500	\$90.00
7,501	-	10,000	\$125.00
10,001	-	15,000	\$190.00
15,001	-	20,000	\$260.00
20,001	-	25,000	\$315.00
25,001	-	40,000	\$345.00
	Over	40,000	\$480.00

**SESAC:**

Benefit Shows: pay regular SESAC rate.

Free Shows: NACPA members pay no fee for free shows.





# The Cast of Characters

*Breaking a Band in the Internet Age* was a book written by David B. Cooper of The FoxMan Group (FoxMan.com) which includes spreadsheets for budgets and settlements by William J Bullock of The FoxMan Group. The book was “webized” (BREAKINGaBAND.com) by Greg Beidleman of Flurn (flurn.com) using the SiloBuster toolset (SiloBuster.com). The illustrations are by Rick Ritter. The book was printed by, the web site hosted by, and the SiloBuster provided by Randy Schrum and Bruce Kline of Visual Impact Productions (visualimpact.net).

The FoxMan Group...Our mission, Turning customers into fans!

Think about that: it is both an art and a science, and what some people call magic.

How you do that magic is the key to success in every business.

To get anywhere, you must start at the beginning: Since the early 1980's we have built tools, first for accounting then scheduling people, places and things. We excelled at building business information infrastructure, the tools to collect and report accounting and scheduling data. About the time the web appeared in the early 1990s, we started expanding the data collected and focused on data centered on the customers, vendors, and employees. We pioneered building Customer Relationship Management (CRM) which interfaced accounting systems. The mid 1990s brought different ways to connect with customers: Internet, mail, inbound and outbound phone centers, kiosks, retail, and direct to customer. We built systems to track everything from order to delivery, collecting data by the gigabyte, all in separate databases. So in today's economy with budgets tightening, we must find ways to provide the shortest path between content/product and consumer - we believe that is based on data you already have. The use of technology must make “cents” and the data exists in the accounting system. We need to mine the data and turn it into information to increase both sales and customer experience. Since 80% of your business comes from 20% of your customers, tracking all customers is important, super serving the core customers is the most profitable business in many ways. The real magic is finding the correct 20% of your fans for each sales offering you make.

We can help teach you this magic.

Some of the clients of FoxMan Group:

Artists/Managers:

U2 (still to this day since 1983), The Who, Pearl Jam, Van Halen, Journey, Whitney Houston, Judas Priest, Megadeth, Ozzy, Metallica, David Bowie, Prince, Kiss, Aerosmith, and hundreds more.

A majority of the Talent Agencies around the world as well as almost all of the Concert Promoters (most now owned by SFX then Clear Channel).

Many Arena and stadium management (venues of all sizes).

Major Radio networks, Record Companies, Publishers—all used our software packages.





Throughout this book,  
the only image that is in color is  
the artist (the fox) because. . . .

The  
**artist**  
is the center  
of the music  
universe.

The rest of the universe is in black and white, but the real boss of this universe is the artist's fans.

The FANS are the folks who pay the artist by buying the records, tickets and T-shirts.

Make NO MISTAKE about it: the shorter the distance between the artist and their fans, the greater the chance of success for the artist, the more loyal the fans, creating a longer artist's career. Focusing on these relationships that keep the artists directly connected to their fans and visa versa will be a large part of the success. It's good for all who want to be involved!

**The Foxman Group**  
227 Stewart Court  
Plymouth Meeting, PA 19462  
**foxman.com**