

By Nick Purdy

Industry Chat: A2IM President Rich Bengloff on the State of Indie



Paste recently asked “Is Indie Dead?” with the answer being that it’s so alive that the term lacks meaning. Yet on the business side of the music business, the concept of independence still has currency—and perhaps more meaning than ever. So to unpack how independents are navigating the constantly reinvented music business, we talked to someone who should know: American Association of Independent Music President Rich Bengloff (A2IM). Here’s our conversation.

Paste: A2IM’s stated goals include “leveling the playing field” with the major labels. In what specific ways is the playing field not level? It seems more than ever that independent artists have all the same opportunities as anyone else—especially in the area of licensing.

Rich Bengloff: At AM/FM radio, promotional airplay is limited to 168 weekly airplay hours and accessibility historically is limited to those with large promotion staffs and budgets. Similarly traditional bricks and mortar retail shelf space is limited so that those who have the advertising budgets get the space, irrespective of the music quality.

A2IM was established five years ago with the core mission of obtaining tangible economic gains for its members via advocacy, commerce opportunities, and member services. A2IM's main objective is to get independent music labels access in the new digital market place for both promotion and monetization. Despite Indies representing over 90% of annual music label new releases (based upon label ownership) and overcoming market barriers to represent over 30% of annual recorded music sales and over 38% of digital sales (per Nielsen/SoundScan), many digital services aren't providing independent music labels with a proportionate amount of landing page promotional opportunities, deck promotional opportunities on mobile, etc. Additionally, the commerce terms offered by many services are for lower amounts that that received by the major labels, including licensing. Related to licensing and other services our members are often asked to provide their music gratis for no compensation (publishers continue to get paid) for the "promotional value." While we support free promotional that results in future monetization those who wish to use our music that discuss future recorded music sales from promotion have obviously not seen the latest recorded music sales trends.

Paste: What does independent mean at this point? At *Paste*, we've discussed the idea that "indie is dead"—meaning that the term isn't actually all that helpful anymore since it gets used by so many people to mean so many different things. For A2IM, is it simply music that doesn't come from Warner Brothers, EMI, Universal, Sony?

Rich Bengloff: A2IM's membership is made up of Independent music labels that have banded together to form a central voice advocating for the health of the independent music sector. Our membership includes over 200 independent music labels of varying sizes, genres, and geographic locations with many owned by artists. See www.a2im.org for our members. In addition to our label members A2IM has associate members, those who work with, depend upon, or just support Independent music.

All of our label members have one thing in common—they are small business people with a love for music who are trying to make a living and use their label infrastructure to promote the artists they love.

Paste: Your organization represents record labels. Do we see the role of independent labels evolving in the same way as the majors in terms of getting involved with multiple revenue streams beyond simply selling music?

Rich Bengloff: A number of our members now have joint ventures with their artists and have publishing companies, merchandising companies and other support functions for their artists while some have the more traditional royalty agreements. Depending upon the level of revenues earned the results of these different deal types will vary but in both types of agreements the artists get the support of a label infrastructure they need to reach the marketplace

Paste: For the average independent musician, how does their income break down these days?

Rich Bengloff: This would truly vary based upon the genre of music that the artist is creating. Does that genre have a fan base that will buy recorded music, tickets, merchandise, etc? One essential is that whatever the artist's genre emphasis is they need to establish a fan base they are able to build upon via e-mail marketing and going direct to their fans to establish commerce relationships during the continued decline in recorded music sales.

Paste: What's the number one challenge facing your constituency right now and how is A2IM helping to address it?

Rich Bengloff: Due to the 10-year decline in recorded music sales, the U.S. music-industry sound-recording creator community has reached the point where unless we get legal assistance in protecting copyrights from infringement and also get the percentage levels of performance income achieved in Europe, it will be hard for our music-creation community to have a business model that allows for both the future creation of music and the financial results to sustain itself. Examples of our actions include:

Supporting musicFIRST, the coalition of our music creator colleagues, to lobby Congress for a sound recording royalty when music is played on AM/FM radio under the proposed Performance Right Act which has passed the judiciary committee of both houses of Congress.

A2IM is very concerned about the ramifications of the recent YouTube/Veoh decision regarding the interpretation of the DMCA (Digital Millennium Copyright Act) and will be actively supporting the appeal of these court interpretations by filing Amicus briefs and working with our creator allies. We're also working to lobby the ISP's to help us fight piracy by enacting some form of graduated response penalties to discourage illegal acquisition of music over the Internet. This decision puts the onus of filtering/preventing unauthorized content on the Internet on the copyright owner and not the service allowing access to the infringing music as part of their monetizing plan. One of our A2IM board members noted that in the physical goods world, distributors who 'distribute' something they have no legal right to are generally called thieves. They also noted that YouTube is sort of like the pawnshop owner who sells stolen jewelry and says "How was I supposed to know it was stolen"? The bottom line is our independent music label community does not have the resources to become Internet police so A2IM will be actively supporting the appeal of these court interpretations of DMCA decisions by filing Amicus briefs and working with our creator allies. In addition, we are working with our creator colleagues to lobby the ISP's to help us fight piracy by enacting some form of graduated response penalties to discourage illegal acquisition of music over the internet.

Paste: What's the most encouraging thing you see happening right now?

Rich Bengloff: As noted earlier, online companies often think of the music industry as a kind of caste system with the major record companies at the top and indie labels/independent artists/songwriters vying for a place at the bottom of the pile.

It's a myopic view of the industry by the online companies that should be hoping to increase their market share and profitability. The best example of why independent music label artist's music is important is demonstrated by Pandora. Among the non-interactive streaming services with SoundExchange statutory licenses Pandora has an over 40% market share, which streaming marketplace includes AOL, MTV, Yahoo and many others including the simulcasts of AM/FM radio chains like CBS, Clear Channel, Inner City Broadcasting, etc. The musical repertoire that Pandora streams distinguishes itself from the other services as Pandora has by far the largest number of independent music artists in terms of both available selections and the number of audience streams. Our colleagues in Europe report similar results for the Spotify on-demand streaming services in Europe. Independent music label created music is a big part of the consumer music innovation and the music discovery process and it always will be!