

BAND TIPS: How Do I Get My Label Distributed



This document was prepared by Twinbrook Music. It originally appeared on the Music Business Solutions Web site and refers mainly to distribution in the US but is also helpful for the European market.

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If some of this seems ridiculously basic, you're way ahead of the game!

1. What's the first step?

Send us a sample of your product. Most distributors accept finished product for consideration only. CD's are the format of choice. Most distributors rarely consider cassette only releases for distribution, and they no longer deal with vinyl for the moment. Most distributors are strictly distributors and not a label (i.e. they do not manufacture finished CD's from your master). The music should be professionally recorded, and the artwork should be appropriate for the genre.

If you are pressing your own CDs and selling them, in distributor's eyes you are a label. A label must have its own name, catalog numbers, and Universal Product Code. We recommend a trademark search when naming your company. When designing the packaging, the catalog number (preferably consisting of a three letter label abbreviation followed by the number, [or instance ARC 1001] should be clearly visible on the spines, The catalog number should be the same for CD and Cassette. The UPC Code Bar Code) must be on the back cover of the CD and Cassette. Most distributors cannot distribute any product that is not bar coded, All of their important accounts currently insist on bar codes to track product. If you already have salable product manufactured without bar codes, this can be remedied by having decals printed with the appropriate codes.

For information on obtaining our own UPC code, Contact The Uniform Code Council, Inc. 8163 Old Yankee Road, Suite J, Dayton, OH 45456 (513) 435 3870.

(For information on the Irish or UK equivalent contact FMC)

2. How do distributors decide what to pick up for distribution?

The most important thing to remember is that the distributor is your customer. They purchase pre-recorded music that they believe they can sell to stores, who then sell to the consumer. There are a great number of factors that weigh upon their decision to distribute a particular recording or catalogue. Some of the most important questions they ask upon presentation of finished product are:

Is the artist well known with an established following?

Does the artist have a sales track record in the mainstream record trade?

Is there independent radio and/or retail promotion?

Is there a co-op ad budget? (see #10 below)

If this is a new artist, what sort of promotion can they expect from the label or the artist that will help sell records?

Is the artist actively performing or touring in their area?

Is there any current radioactivity on this title?

Are there any well-known guest musicians?

Does the label have the resources to press enough products if the demand becomes great?

What are the label's upcoming releases, and when can they expect them?

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Does the label have a sellable back catalogue?
Does the label also sell to competing distributors in their territory?
How much of the catalogue is already on store shelves?
Does the quality of the recording, and the artwork measure up to the standards of its genre?
All of these concerns will have a bearing on the distributor's decision to pick up a label for distribution. Unfortunately, it takes a lot more than just the inherent quality of the music to sell records.

3. Suppose the distributor has decided to distribute your label-what next?

The distributor will place an initial purchase order for goods to be shipped to the distributor's warehouse. The distributor may need a letter from the label authorizing our exclusivity for certain accounts in their territory.

Some distributors ask that new labels advertise a page in their monthly new release mailing which goes out to all their nearby accounts. The distributor will charge back the cost of this advertising against our account with you.

In order for them to effectively solicit your product, most distributors ask that you provide them with a suitable quantity of "One Sheets" and promotional goods with your initial shipment.

The "One Sheet" is a single 8 1/2" x 11" page describing your release in the terms that you feel will present your product in the most favorable light to the store buyer. This can include descriptions of the music, a list of the musicians, a reproduction of the cover, reviews, etc. The most important function of the "One Sheet" is for data entry, so it MUST include the catalog number and UPC code (either the numbers or a reproduction of the bar code will suffice). Most distributors will be happy to provide you with examples of effective "OneSheets" if you are interested.

Distributors prefer at least a box of promotional CDs (Also known as DJ's). The artwork should be clipped, punched, drilled or otherwise marked to discourage stores from returning promotional goods for credit. In store play is a great way to sell CD's. A lot of stores try a new CD only if the distributor can furnish them with an in store promo copy. In the long term it is not practical try to save a few dollars by not sending promos. No one will buy your music without an idea of what it sounds like.

4. What about your price to the distributor?

As a general rule of thumb, labels sell to the distributor at 50% of the list price. The most common price points for front line new releases are:

For a \$14.98 list CD, the distributor pays \$7.50, and for an \$8.98 list cassette, they pay \$4.50. Most distributors will tell you have that lower price points will stimulate sales on new artists and catalogue re-issues. If you sell CD's by mail order, the distributor will want you to charge list price plus a handling charge, in order to provide consumers the incentive to purchase your product through record stores.

5. How does your label get paid?

Some distributor's terms for labels that have established themselves by releasing product which consistently sells through at retail and is not returned by the distributor's customers pay on a 2% 60 days/end of month. That is, if the distributor receives your invoice on January 10, the invoice will be paid, with a 2% prompt payment discount taken on March 31.

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Labels just getting started, or labels coming into a distributor's system for the first time can expect to be paid down to the distributor's floor inventory level plus an allowance for product still on store shelves on the above explained 60 day end of month basis. Let's say, for example, a label has billed a distributor for a total of \$5,000 worth of product. Let's then assume that \$1,500 worth of this product remains in the distributor's warehouse at the end of the first billing cycle.

This means that the distributor has "placed" \$3,500 worth of product at retail, some of which still remains on the stores' shelves unsold. The distributor is responsible for paying for the \$3,500 worth of product placed less a reserve of 15% to 20% for the label's product which may be returned to the distributor by the stores. The label should look for a check for about \$2,800 to \$3,000.

Payment for Christmas product is generally made at the end of March, after all returns have been taken from the stores and the distributor has returned all excess products to the label.

6. Returns?

One of the unique and unfortunate aspects of the American record business is the industry-wide returns policy. All goods must be 100% guaranteed against defects and overstocks, returnable for full credit for any reason. All the independent distributors must extend a 100% guarantee against defectives and overstocks to all of our customers. We regularly accept returns from our customers, issuing full credit for all acceptable product returned. If the distributor deletes a label from their roster, it will take them from 6 to 12 months to receive all the returns. Additionally, some of the larger chains currently practice withholding up to 20% of their payables to distributors as a reserve against returns.

From time to time, the distributor will return defective and overstocked product to their labels for full credit. Distributors hate returns, so they should try to order conservatively and often.

7. Shipping and Invoices?

For all shipments to the distributors, you should enclose a packing slip detailing what was ordered, what has been shipped, the number of cartons in the shipment, and the Distributor Purchase Order number. CDs and cassettes should be shrink-wrapped and in saleable condition. CD's should be sent jewel box only. Product sent in blister packs or longbox will often be subject to a repackaging charge. Invoices should be sent separately, under separate cover, to the distributor's Accounts Payable. The invoice should include an invoice number, invoice date, a detail of what was shipped, a ship date, unit prices, the distributor's Purchase Order number, and the total amount due. Each shipment should have its own invoice; do not bill separate shipments on the same invoice. Often times this is ABSOLUTELY NECESSARY for any payment to be made. The distributor warehouse guys don't usually write checks from your packing slips; it is imperative that they have the proper documentation to process payment.

8. Who is responsible for promotion?

Generally, distributors look to the labels to provide most of the promotion directed toward the consumer. This includes getting the records on radio, national advertising, publicity to print and other media. The object is to get people to go to their local record store looking to buy titles on your label.

9. What can I expect from the distributor?

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The distributor's responsibility is to make the buyers in their territory aware of your releases, using their sales tools, promos, one sheets, airplay reports, touring information, etc., to convince the buyers that they should stock your product. The distributor can provide a flow of information to the retailers so that they can order the product that suits their clientele, and anticipate consumer demand. Many distributors don't provide store by store sales reports, but they may run an inventory report by request to gauge product placement and estimate sell through. If your title is a hit, it is the distributor's responsibility to make sure that their accounts are serviced with a consistent product flow.

When you call them with leads, stores that are interested in your product, they should follow them up right away. Additionally, they may arrange co op advertising for radio and local print media.

10. What is Co-op advertising?

Co-op advertising is a method by which a label can effectively pay for media space with product, preserving cash flow and maximizing the use of excess inventory. For example if you want to run an ad in a local newspaper advertising your new release and promote a local performance by your artist, the retailer will purchase the ad, deduct the cost of the media buy from its account with the distributor, then the distributor will deduct this amount from its account with the label. In return, the ad features your new release and the retailer is expected to make a significant "buy-in" of the product, give it favorable placement (end racks, etc.) and put the product on sale for a specified time period. This is a great way to get more media and retail exposure for your money. However, the distributors balance with the label should be significant enough to support this expenditure.

11. What if you take your label to another distributor?

For a variety of reasons, labels and distributors part ways. If you decide to have a third party distributor sell your product into your first distributor's account base you should expect the following:

The first distributor should ship its floor inventory to your new distributor, or to any location that you decide. The label will pay shipping.

The label should issue the first distributor credit for the product shipped to your new distributor.

The first distributor should pay the account down to approximately 15% of the previous total. This is to allow the distributor to make a deletion announcement to its accounts and to allow the stores return any of the labels' product to the distributor.

After 6 months, the first distributor should zero its account, making one final return of product sent back to it by the stores.

12. How can you help the distributor sell more records?

Keep them informed of your artist's whereabouts, tour schedules, etc. They need advance notice when your artist is playing in their territory. Then they can effectively solicit the stores to pay more attention to your product. If your artists are good with people, send them into the stores to meet with the buyers. Send them your radio tracking so that they know what stations are playing your music.

13. What is their territory? What about the rest of the country?

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Many distributors belong to a coalition of independent regional distributors, and they can recommend that the other members pick up your label if potential national sales can justify their involvement.

14. What about overseas?

Does the distributor do any export business to areas outside North America? Some distributors look to the labels to provide them with a discount price for export, which they should pass on directly to their foreign territory customers, (who often bear all the freight and promotional expenses). Because export sales are one way (no returns) this can work out to be a pretty good deal.

by Peter Spellman

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