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## Web record labels skip retail step

By Dan Laidman  
CONTRA COSTA TIMES

As the Oakland band Communiqué enters the studio this month, they have a new mandate from their label to record extra music that will only be released digitally. It is a new tactic for Berkeley-based punk rock stalwart Lookout Records, and one that will probably become business as usual.

"We're really starting to make that not just an extra added bonus," said Christopher Appelgren, Lookout's president, "but ... a part of our process as a matter of course."

From established businesses like Lookout to lone musicians forming labels to release their garage recordings, independent record companies are scrambling to adapt to the digital technology that is becoming the preferred method for people to get their music.

But while the vast, intimate, and easily accessible nature of the Internet presents an enormous boon to small labels, the independent companies also see some troubling signs that the main digital distribution channels could grow to resemble retail record stores, where major labels have an advantage.

"Every time there's a new distribution pipeline there's been a wave of hope on the part of independent companies with related content that this is really going to open things up for the indies," said Tom Adams, president and senior analyst with Adams Media Research, a Carmel-based firm that researches entertainment media and digital technology. "And typically that hope has been disappointed because the same market dynamics that allow the majors to dominate the existing pipeline generally apply in the new pipeline as well."

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- [Sample of "Future Kick" by Mortal Loom \(.mp3\)](#)

Adams acknowledges that digital music may shake out differently, though, because of the nature of the Internet. Independent labels throughout the East Bay are embracing digital technology to varying degrees, with some charging ahead and banking on the democratizing forces of cyberspace and others treating it as a mere sideshow to the older formats.

Among local labels, Lookout has been one of the more emphatic digital converts. In addition to the new Communiqué material, the label recently released an EP by Ted Leo and the Pharmacists exclusively on Apple Computer Inc.'s iTunes digital music site.

Independent labels can garner attention online with such exclusive content, Appelgren said, while retail locations are tougher to crack. Major labels spend much more than independents on promotion and marketing and they have tighter relationships with big retailers, which have been known to charge labels for prominently displaying albums.

But the front page of sites like iTunes and Napster are the digital equivalent to the shelves at the large chain stores, Appelgren said, and he expects them eventually to become more difficult to penetrate.

Adams agrees, citing the early days of video cassettes as a similar situation.

"These kind of changes in distribution do present at least a short term opportunity but in the long term it turned out in video that K-Mart and Wal-Mart's imperatives were the same as NBC's," he said. "We've got X amount of shelf space ... and we've got to put in those slots whatever's going to produce the most revenue, and that's typically an extra copy of 'Shrek 2' as opposed to an art film from China."

Appelgren thinks that the strength of a company like Lookout is the fact that its music is so different from what the major labels produce. Such diversity can benefit sites like iTunes, he said.

"We're going to have content that is going to make these stores and services interesting places to shop," he said.

Digital music sales represent about five to 10 percent of Lookout's business, Appelgren said, although in five years he could see that being closer to 40 percent.

That is where Walnut Creek-based Delvian Records is right now, with traditional compact disc sales down to 60 percent, said Benjamin van der Wel, the president of the company. Delvian, which releases a diverse array of titles from New Age to dance music, has been invested in digital distribution since it was founded in 1999.

"It's what indies have always wanted," van der Wel said. "To have our music stand on the merit of the music, not that somebody spent \$10 million on a marketing campaign."

Through Delvian's parent company, the CD manufacturing, video and software firm The Gate Media Group, the label developed an early relationship with Apple. van der Wel attended a meeting at Apple headquarters in June 2003 in which Steve Jobs, Apple's chief executive, told representatives of small record companies that iTunes would be a new kind of distribution system with great

potential for independent labels.

"I held my breath until we got the contract," van der Wel said. "Everything they said was going to happen has happened."

van der Wel predicts that compact discs could disappear once high-speed Internet connections become ubiquitous. He thinks this could take more than a decade but that digital distribution will dominate in the future.

Ridic, an Oakland-based rap musician and the founder of Ridiculous Music LLC, agrees that digital distribution will soon be the norm. He adds that many consumers, especially young people, are accustomed to getting their music for free.

"You wonder, will it all be like radio or television where every song you want is free but you have to watch the McDonald's commercial first?" he said.

Ridiculous Music has made Ridic's debut album "No Apologies" available for free on the company's Web site, as well as a 22-track compilation album. Ridic sees this as a way to draw in listeners to buy his CD, and he has supplemented the online push by working hard to get his music in Bay Area stores and on the radio.

"I want to get my name out there more than anything," he said.

David Serotkin, a Richmond musician who recently started Waltzing Duck Records, echoes the sentiment. A guitarist, piano player and singer who is releasing his debut pop-rock record on the label, Serotkin is getting songs placed on iTunes through a deal with the company that replicated his CD.

"At my level I really just want to be able to break even and get out there," he said. "I feel like the Internet is an incredible resource; you can connect with people really inexpensively, you don't need to pay for advertising worldwide."

Rohit Singh distributes music in the electronic MP3 format to promote the CDs put out by his Richmond-based label, Fauji Records. Fauji, which specializes in mixing music from India and the Fiji Islands with hip hop, also uses the Web to network with other small labels to share music and resources.

"A lot of record labels help each other out a bit," Singh said, pointing to Web sites that act as portals for certain genres of music and direct listeners to multiple labels.

Patrick Ramseier, an Antioch resident who recently started OSM Records, has established an elaborate Web site and uses the Internet to connect with distributors worldwide, but he remains skeptical about actually putting his bands' music on the Web.

An Internet security engineer by trade who started the label to bring back the kind of "old school metal" that was popular in the '80s, Ramseier fears that making MP3s available for free would steer consumers away from buying his company's CDs.

Nonetheless, when OSM's first album comes out in August, Ramseier expects to put some MP3 snippets online to try to reach a wider audience.

"You have to work all the angles you can as a small independent label," he said.

Dan Laidman covers small businesses and professional-services firms. Reach him at 925-943-8263 or [dlaidman@cctimes.com](mailto:dlaidman@cctimes.com).

## Web sites

- COMPANY: Delvian Records
- WEB SITE: [www.delvianrecords.com](http://www.delvianrecords.com)
- COMPANY: Fauji Records
- WEB SITE: [www.geocities.com/faujination1851/nightvision.html](http://www.geocities.com/faujination1851/nightvision.html)
- COMPANY: Lookout Records
- WEB SITE: [www.lookoutrecords.com](http://www.lookoutrecords.com)
- COMPANY: OSM Records
- WEB SITE: [www.osmrecords.net](http://www.osmrecords.net)
- COMPANY: Ridiculous Music
- WEB SITE: [www.ridiculousmusic.com](http://www.ridiculousmusic.com)
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