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The Music Business: An Inside Look

Many fantasize about a career in the music industry. The lure of rock and roll, big money and fast cars is appealing. At a recent Northwest Entrepreneur Network meeting Dave Dederer, founding member of the Grammy-nominated, multi-platinum Seattle band, The Presidents of the United States of America, provided an inside glimpse of the changing landscape of the music business. Serving as the band's "entrepreneur in residence" since inception, Dederer focused on why the music business isn't really what its cracked up to be. As it turns out Seattle's own Deadliest Catch Discovery TV show is nothing when compared to trying to survive the music business, let alone make money. Dederer's insights shed new light on why a career as a music artist shouldn't be taken lightly.

Dederer's entry into the music business was unconventional. Playing music for fun while in college at the University of Washington, Dave saw the downside of the music lifestyle and made a conscious decision not to pursue rock and roll as a career. However, in 1993 while in graduate school to pursue teaching, his band struck a "chord". In short order The Presidents of the United States of America signed with Sony, and put their first record out six weeks later. Years of touring followed.

Even after the fame that came from multiple Grammy's, playing to thousands of fans, and the excitement of meeting Madonna and talking shop with legends like Mick Jaeger, Dederer says the business is brutal. He explains, "Music is a dangerous job psychologically, physically and emotionally with an extremely low survival rate." According to his statistics, 20% of those that make it in music are dead by 30 years old and

25% die before 40. Consider just of a few well-known legends: Jimmy Hendrix, Jim Morrison, Jim Croce, Bob Marley, Bob Dylan, Janis Joplin, Cass Elliot, Kurt Cobain, Keith Moon, and Sid Vicious.

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and the hollowness of the industry. "In the music business there is a distinct disconnect between work and success and they don't equate," explains Dederer, who says he felt more like a traveling salesman.

The Truth about the Business of Music

Until the late 1990's the music business was a perfect, vertically integrated engine that churned out high profits with huge margins. However, in a span of less than ten years, the introduction of Napster and digital music turned the business upside down. Making money in the music business today is a new game with extremely low margins.

Today, musicians have to be lean and mean to make a buck. For example, in the past bands toured to promote and sell CDs. Nowadays CDs provide the platform to tour and touring drives all other sales channels. One big channel is merchandise, which can extend beyond the life of a band. CD sales are more complicated with the onslaught of digital music. Today iTunes is the biggest

In fact, Dederer says the music business just about killed him, even though he wasn't part of the drug scene, didn't drink heavily, and didn't sleep around. For him it was the grind of touring five-to-six nights a week to sell records,

retailer of music in the U.S. with 20% of the market. Unless you're a top name band with a Wal-Mart deal, you can expect about one dollar for every CD sale, assuming you own publication rights to the record. That dollar is sliced further when ownership rights of a song and the song concept are disputed. These complications demand the hiring of an auditors and attorneys, further eroding profits.

The changes in the music business have been dramatic. There are interesting paradoxical trends creating tectonic industry shifts. Digital music has made recorded music virtually free. Big record companies are dying, although their marketing and promotion savvy are still needed. Music artists that sign with big labels have to draw enormous markets because decreasing margins require huge sales volumes. Conversely, venues like YouTube are creating opportunities for emerging, independent artists. These smaller independent markets may have low sales volume; however, margins selling independently on iTunes are much higher.

Even with these changes Dederer thinks it's a good time to be in the business of music, albeit in a new capacity. Currently serving as Vice President of Business Development for Melodeo, founded in 2003 to bring ring tones, music and entertainment to mobile phones, Dederer oversees mobile podcasting, and product and content development across other Melodeo offerings. His advice for those still wanting to pursue a career as a music artist is simple, straight forward and surprisingly similar to what any business entrepreneur might hear: "Focus on content. Be good at what you do. Find smart people to work with."

These “Executive Insights” are based on monthly presentations provided by leading entrepreneurs at the Northwest Entrepreneur Network (NWEN.org), a non-profit organization dedicated to helping entrepreneurs succeed. The column is written by Cheryl Isen, founder of Isen & Company, a strategic marketing and public relations firm that helps emerging companies increase corporate visibility and brand awareness. Contact Cheryl at (425) 222-0779, Cheryl@IsenandCo.com or on the web at www.IsenandCo.com.