

An Economic Analysis of Recording Contracts

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Preamble

This report seeks to answer questions raised recently regarding the nature of contracts between record labels and recording artists. The report presents findings based on an analysis of over 600 contracts between recording artists and the five major record companies. The goal of this examination of the terms and conditions of recording contracts - - likely the most comprehensive ever undertaken - - is to create an objective and factual foundation of hard data rather than anecdotes for future discussions. Given the confidential nature of these agreements, the raw data for this report was only made available to the author and his team. Thus, the identity of the parties in the underlying contracts and the contract terms have not been disclosed to any of the participating record companies in unaggregated form.

I. Introduction and Summary of Findings

The roles contracts play in commercial relationships may vary with a variety of economic factors, such as the nature of the product or service provided, the process by which it is produced, and the financial circumstances of the contracting parties. Therefore, it is important that a policy assessment of contracts and contractual practices in a particular industry begin with a solid understanding of the economic circumstances to which those contracts and practices apply. To date information regarding contractual practices has been informed largely through personal experience and the informal exchange of

observations and opinions among acquaintances and colleagues within the industry. Because these differences of opinion cannot easily be resolved through dialogue among the parties, an objective assessment of contracts and contractual practices in the recording industry would be greatly enhanced by analysis of an organized and systematic body of evidence on these contracts and practices.

This report presents the findings of a study based on data culled from over 600 contracts between recording artists and eleven record labels owned by five major record companies. To our knowledge, this study is the first to work with actual contractual data covering such a large number of artists and is the most comprehensive with respect to terms and conditions of recording contracts.

The data set includes information on two distinct sets of contracts negotiated at different times: one set negotiated in the year 2000; and a second set of contracts negotiated during the years 1994, 1995 and 1996. For both sets of contracts, the data set has information on up to 28 contract terms (depending on how many royalty escalations are built into a contract) and six other features descriptive of the contracting parties or the contracting process. For the 1994-1996 contracts, the data set also includes additional information on developments in these artist-label relationships over time.

Analysis of this data allowed us to draw a number of conclusions regarding recording industry risks, important features of contracts between artists and record labels, and the nature of the contracting process in the industry, including contract renegotiations. Briefly summarized, our primary findings are:

- Label investments in artists are characterized by substantial risk and uncertainty.
- Labels make significant investments in new artists who never deliver hit albums.
- New artists who deliver hits typically renegotiate with their record companies.
- Renegotiated contracts provide for improved financial terms for artists, but do not dramatically increase the number of albums required to be delivered.
- Artist-label contracts are complex and multifaceted.
- There is substantial variation in contract terms among new artists.
- Contracts tend to provide for royalty rates and upfront financial commitments that increase with each successive album delivered under a particular contract.
- Virtually all artists (527 of 528 for whom we had data) are represented by counsel in their negotiations with record labels.
- Artists who leave one label frequently sign with another.

The remainder of this report is organized as follows. Section II provides an overview of the procedures employed to collect data on record labels'

contracts with artists and describes the general features of the data set produced. Section III presents the basic empirical findings of the study. The Appendix to this report provides a more complete description of the data examined for this report and the procedures by which the data was collected. The Appendix also provides a more granular analysis of some of the contractual relationships that are described in general terms in Section III.

II. The Contracts Data Set

A. The 2000 Contracts

In order to collect data on contracts signed with artists in the year 2000, each of 11 labels within the five major music groups was asked to provide information regarding: (a) all recording contracts negotiated with artists that were new to the label in 2000 (also referred to in this report as “newly signed artists”¹); (b) all contracts renegotiated in 2000 no matter when the artist was originally signed by the label; and (c) the complete contract history for those artists who renegotiated in 2000. All 11 labels provided the requested data for the 2000 contracts. The data permitted comparison not only of the terms of contracts signed by new artists and the contractual terms renegotiated by established artists at the same time in the history of the industry, but also of the terms of established artists’ renegotiated contracts and of their prior contracts.

B. The 1994-1996 Contracts

To provide a richer empirical foundation for this report, the labels were also asked to provide (1) for all artists newly signed in 1994 the same data as was provided for artists newly signed in the year 2000, (2) information on the number of new artists signed in 1994 who released at least one album and (3) information on the number of artists first signed in 1994 who were still under contract and on their respective labels' active rosters in 2000. Five of the labels were able to provide 1994 data. In addition, five labels that were unable to provide 1994 data due to financial data complications resulting from mergers were able to provide this information for a subsequent year--two labels provided data for 1995 and three labels provided data for 1996. This information was combined with the information reported by the five labels for 1994 for the analyses of mid-1990s contracts and the subsequent developments in these artist-label relationships reported in Section III.

The information requested of the labels is listed and described in Table 1. A more complete characterization of the data set and the data requests made of the labels is provided in the Appendix.

Table 1
Variables and Descriptions

Variables Common To 2000 And 1994-1996 Contracts

<u>Variables:</u>	<u>Description:</u>
1. Label Name	Three-letter acronym specific to each label.
2. Artist	Identifiers specific to each artist.
3. Genre	Acronym used to denote the genre of the recording.
4. Execution Advance	The execution advance specified per album.
5. Execution Advance (min)	The minimum execution advance specified per album, assuming there is a maximum and a minimum.
6. Album Type	Denotes the type of recording – initial, option, single, master, or greatest hit.
7. Album Number	Denotes the number of albums specified in the contract.
8. Base Royalty Rates	Starting royalty rate as specified in the contract; applied to either wholesale or retail album prices.
9. Royalty Rates escalations at: 100K, 150K, 200K, 250K, 300K, 350K, 500K, 700K, 750K, 1M, 1.5M, 2M, 2.25M, 2.5M, 3M, 3.5M, 4M, 5M, and 10M units	Always denoted as a percentage and specified as to whether it is applied to wholesale or retail rates. This list covers all possible escalation rates and escalation thresholds represented in the respective contracts.
10. Minimum Recording Funds	The minimum recording fund committed to for each album by the label.
11. Maximum Recording Funds	The maximum recording fund committed to for each album by the label.
12. Other Commitments	Any other financial commitments (such as tour support) from the label.
13. Other Commitments value	The dollar value of the other commitments.
14. Artist Counsel	Counsel's name or firm.
15. Notes	Any other noteworthy information.
16. Prior deals	Indicates whether or not the artist had a previous recording contract before signing with the current label.

Variables Specific To 1994-1996 Contracts

<u>Variables</u>	<u>Description</u>
17. Album Released	Number of albums released per artist during term of contract?
18. Contract In Force	Whether or not the artist is still active with that label.
19. Litigation	Whether or not the artist's contract has been litigated.
20. Ensuing deals	Indicates whether or not the artist entered into another recording contract after leaving the label.
21. Number of gold albums	Indicates how many gold albums a specific artist recorded.
22. Number of platinum albums	Indicated how many platinum albums a specific artist recorded.
23. Renegotiated original contract	Indicates whether the artist renegotiated the original contract and how the contract terms changed.

III. Principal Findings

This study provides a considerable amount of new information relating to the risks involved in contracts between artists and labels, the basic terms of these contracts and the extent to which they vary among artists, the conditions under which contracts are negotiated, and how contractual relationships between labels and artists evolve over time. Regarding risk and uncertainty, the data reveal that (a) the odds of success for a new artist are very low, (b) that labels invest considerable sums to record and market albums by unproven new artists, and (c) that artists who have a hit album renegotiate their contracts for improved terms that require significant additional upfront commitments by the record labels. The data also show that artist-label contracts are complex with considerable variation in key contractual terms among artists, and that almost all artists are represented by counsel in their negotiations with record companies.

A. Risk and Uncertainty in Artist-Label Contracts

The data collected on newly signed artists from 1994 through 1996, permitted analysis of the performance and contractual histories of these artists through the year 2000. An analysis of these histories supports the conclusions that are described below.

New Artists Represent Highly Uncertain Investments for Labels

Of the 244 artists newly signed in 1994, 1995 or 1996, 180 (74%) had released at least one album with their labels by the end of the year 2000.

However, only 25 of the original 244 artists, about 10%, still had contracts with their labels in force in 2000.¹ If these figures are representative, then for every 100 artists signed in any given year, labels can expect that 5-7 years down the road 74 will have released at least one album, but that only 10 will still be under contract. This assessment of the likelihood that artists signed by labels in one year will still be actively working with them 5-7 years later is one measure of the uncertainty and risk associated with label investments in new artists.

Table 2

Projected New Artist Contract and Release Histories Over 5-7 Years

Number Signed	Release at Least One Album	Still on Contract
100	74	10

For the recording industry, success historically is measured largely by sales. As a gauge of commercial success for this report, we calculated the percentages of the 1994-1996 artists that had released albums which were certified “gold” (at least 500,000 units sold) and “platinum” (1 million or more units sold).² Only 12 artists, or just under 5%, of the 244 who had signed contracts during 1994-1996 had released a hit album by the end of the year 2000. That is, based on the labels’ experience with this set of 244 artists signed from 1994 through 1996 and using production of a hit album (*i.e.*, a gold or platinum album)

¹ These data are summarized in appendix table A.2.i.

² These data are summarized in Appendix Table A.3.b.

as a measure of success,³ a label could expect 5 out of a randomly selected group of 100 new artists to release a hit album for it over the next 5-7 years.⁴

Table 3

Labels' Success Rate with New Artists Over 5-7 Years

Number Signed	Release a Hit Album
100	5

Even if we focus on the smaller subset of 180 1994-1996 artists who released albums, the 12 artists who released gold or platinum albums would represent less than 7% of such artists.

As mentioned in Section II, newly signed artists include artists new to the industry who have just signed their first contract with a label and artists who previously have had contracts with other labels. While there are some differences in these two subgroups their risk profiles are very similar (See Appendix Tables A.2.a.ii and A.2.a.iii). Artists with previous contracts were more likely to release at least one album than those signing their first contract (85.2% vs. 67.3%), but 5.8% of artists on their first contract released hit records compared to just 3.4% of those artists coming from other labels. Because the

³ According to a recent Wall Street Journal article, major labels say that sales of 500,000 or more copies of an album are often required to make a significant profit. See, Jennifer Ordonez, "Courting the Aging Rocker: Independent Labels Offer Acts Creative Freedom, Hope Fans will Bring in Steady Profits," The Wall Street Journal, April 23, 2002, pp. B1, B4.

⁴ Note that this is not equivalent to saying that the likelihood that an artist newly signed by a label will eventually produce a hit is only five percent. An artist who fails to release a hit album with one label may latter sign with another label and deliver a hit album there.

number of artists producing hits is so small, the difference in the percentages producing hits cannot be considered to be statistically significant.

Labels make substantial investments in new artists who never deliver hit albums

Of the 244 artists signed in 1994-1996, 180 had released albums for the labels they signed with by the year 2000 and 12 had released albums that had been certified gold or platinum. This means that for each artist who delivered a hit album, there were another 14 artists who delivered albums that were not commercial successes and approximately five (5.3) artists who never released an album at all. For artists newly signed during 1994-1996, the average upfront commitment (execution advance plus recording fund) for a first album in a contract was \$293,415 in year 2000 dollars. For year 2000 contracts with newly signed artists, this figure had risen to \$450,554, an increase of about 54 percent. (See Appendix Table A.3.i.)

Labels incur a variety of expenses promoting the albums they release, and they also incur costs working with artists who never release an album. Even if we set aside those substantial costs, year 2000 data for first album production cost shows that the major labels spend on average at least \$6.3 million in upfront commitments on albums released by artists who do not generate hits for each

artist they sign who does produce a hit.⁵ Of course, this number is much higher when marketing and other costs are added.

Most new artists never release a hit album, but the odds are significantly greater that an artist who has had one hit album will have a second

Nine of the 12 artists from 1994-1996 with hit albums had more than one hit album; so for this sample the likelihood that an artist with one hit will produce a second hit is 75%. Collectively, the 12 artists who released hit albums had a total of 24 gold or platinum albums, or two hit albums per successful artist in the 5-7 years after they signed with their labels. On the other hand, for the entire group of 244 newly signed artists for the 1994-1996 period, the 24 hit albums released during the next 5-7 years works out to about 0.10 hits per artist signed — or a hit rate of about 10%. That is, for every 100 artists newly signed by labels in a particular year, the labels could expect to see 10 gold or platinum albums over the next five to seven years.

⁵ This figure is a minimum because: (a) the labels report that nearly all artists ask for and receive increases in production funds over and above the amounts specified in their contracts, and (b) some artists who leave their labels without producing hits produce two or more albums before leaving.

Table 4

Release of Hit Album

Newly Signed Artists in General	Average for Artists with Gold or Platinum Albums	Second Hits for Artists Who Have Had One Hit
0.10	2.0	0.75

B. Contracts Data and Characteristics

The details of the data collected on contracts between artists and labels are presented in the appendix. Analysis of this data lead to the following conclusions.

Artist-Label contracts are complex and multifaceted

As should be clear from the list of terms describing contracts in Table 1, contracts between artists and labels are complex and multifaceted. The information collected for this study includes 23 distinct categories of information descriptive of contract terms, the contracting parties, and, for 1994-1996 artists, the histories of contractual relationships.⁶ Ten of these categories related to contractual terms. These contractual terms concerned both artist commitments to labels, such as the number of albums the artist commits to deliver, and label commitments to artists. Label commitments to artists included items such as

artist advances, recording funds, royalties (typically a base rate and rate escalators that kick in at various sales thresholds), and funds for tour support, and various promotional efforts such as the production of music videos.

There is substantial variation in contract terms among newly signed artists

While there is some clumping, in general the range of variation in terms across contracts is considerable and observations are broadly dispersed within the range. Here we focus on a few of the more important terms to illustrate the basic pattern of variation. A more complete description of variation in contract terms is provided in the appendix.

Number of albums. Much attention has been focused on the number of albums that recording contracts potentially require an artist to deliver. The number of albums specified in the year 2000 new artist contracts varied from a low of one to a high of eight. For 1994-1996 new artist contracts, the range was from one to ten.

Figure 1 describes the distribution of the number of albums potentially required to be delivered in year 2000 new-artist contracts. The mean number of albums is six, and 43% of all contracts specified the mean number of albums. 37% of the contracts specified a higher number of albums (either seven or eight albums), most of which (about 34.5%) were for seven albums, and 21% specified 5 or fewer albums. As illustrated by the year 2000 distributions for jazz artists,

⁶ Counting gradations within categories (such as the many sales thresholds at which royalty rates might escalate), as many as 41 pieces of information may have been collected for a single contract.

pop rock artists, and rock artists in Figures 2, 3, and 4, the number of albums potentially required to be delivered can vary among musical genres.

Figure 1
Overall Artist Album Commitment
Artists New To Label 2000

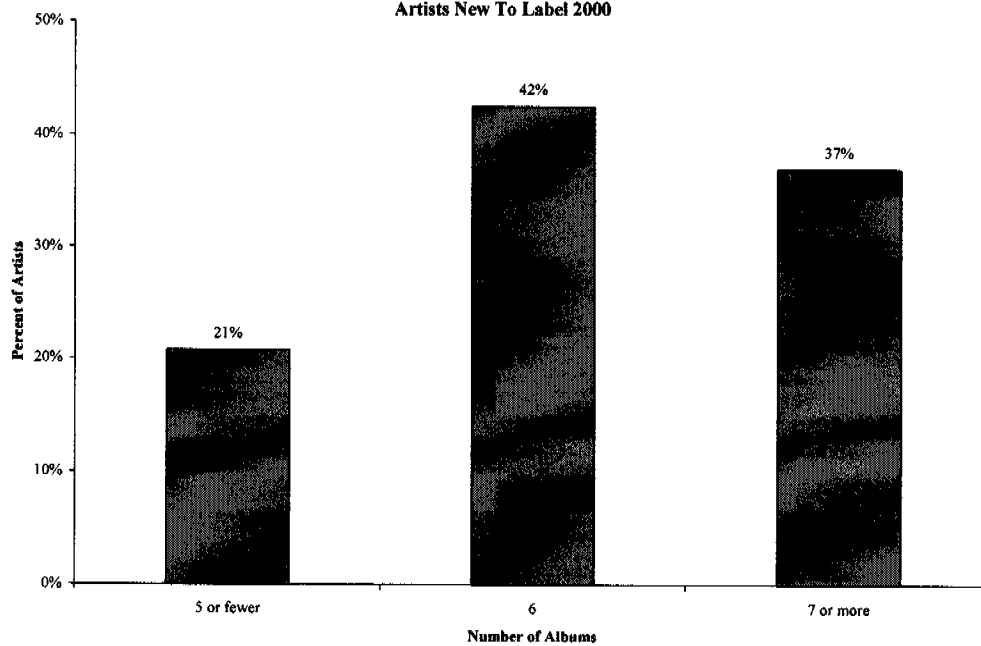


Figure 2
Album Commitment
Jazz Artists New To Label 2000
(Total Artists: 13)

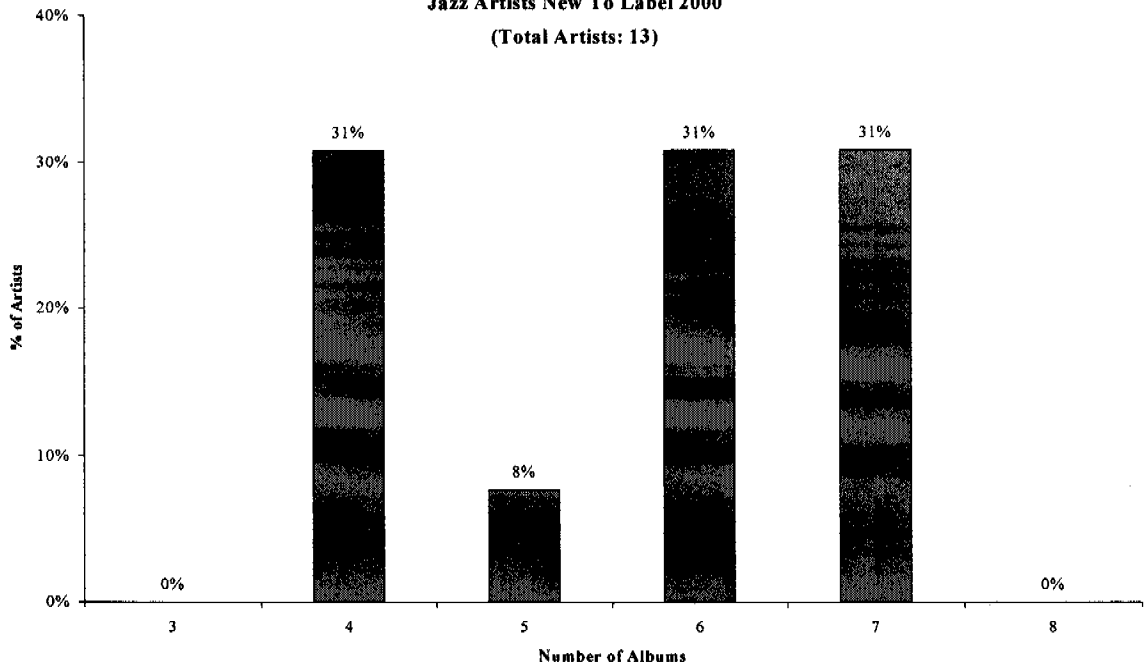


Figure 3
Album Commitment
Pop Rock Artists New To Label 2000
(Total Artists: 67)

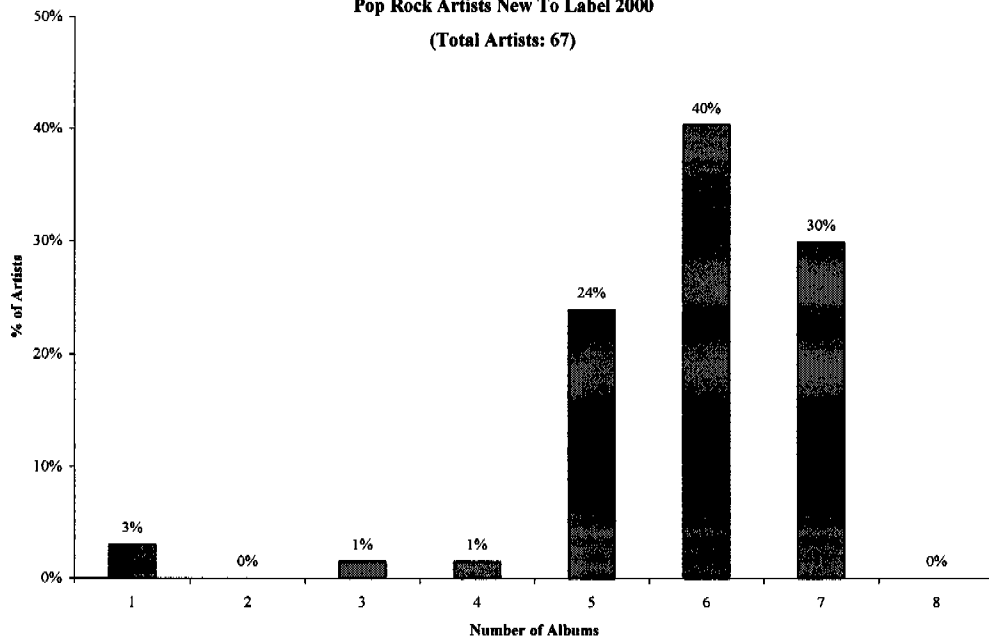
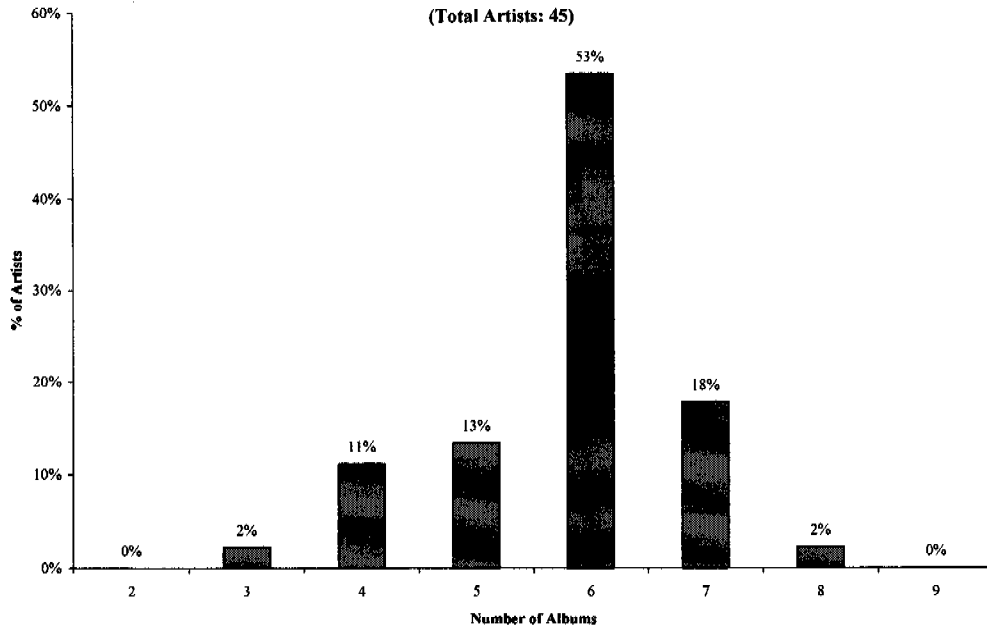


Figure 4
Album Commitment
Rock Artists New To Label 2000
(Total Artists: 45)

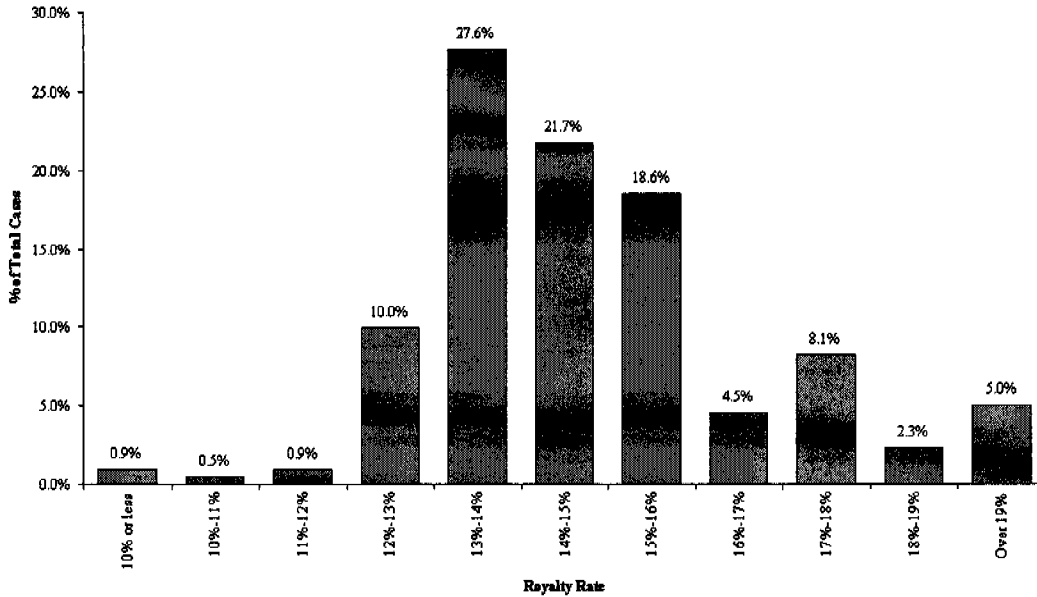


A comparison of the number of albums potentially required to be delivered for artists new to their labels in the year 2000 contracts with the number of albums specified in the 1994-1996 contracts shows that on average year 2000 contracts required 0.6 fewer albums than did the 1994-1996 contracts. The overall shape of the distribution for 1994-1996 contracts is similar to that for the year 2000 distribution (see Appendix, Figures A.3.i and A.4.i), but shifted somewhat to the right.

Artist Royalties. Contracts with artists specify royalties to be paid as either a percentage of the retail price of an album or as a percentage of the wholesale price charged retailers. Most contracts specify a base rate that applies to the first

500,000 albums sold in the U.S. and royalty rate escalators that kick in at specified sales thresholds after that. Base rates typically increase with each successive album released under a contract. The frequency distribution for base royalty rates for first albums that were applied to retail album prices is presented in Figures 5 for artists new to their labels in 2000. As with album commitments, the range is considerable, varying from 4% to 20% with a mean of 15.2%.

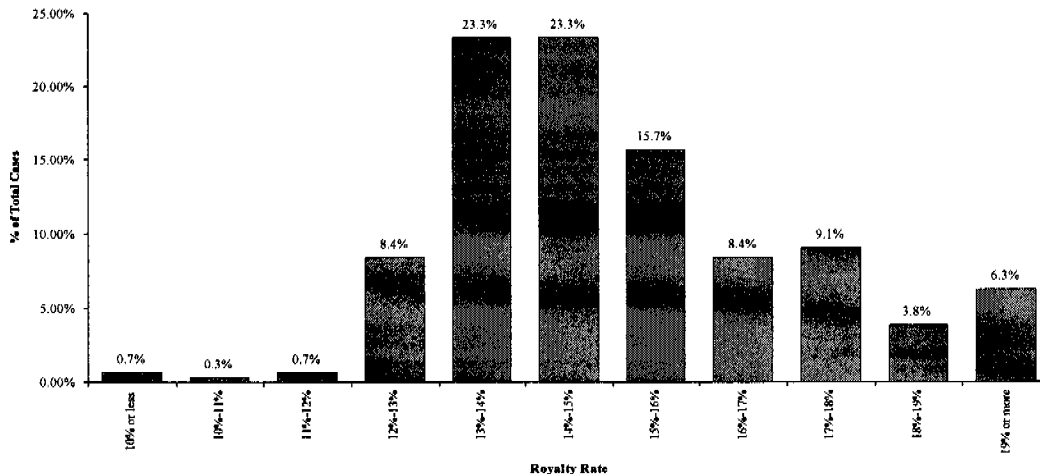
Figure 5
1st Album Base Retail Royalty Rates
Artists New To Label 2000



While royalty rates are based on retail prices for most artist-label contracts, a substantial minority of contracts calculated royalties on the basis of wholesale prices. Three labels accounted for all of these contracts. To preserve the confidentiality of the royalty data for these contracts, wholesale-based royalty

rates for the contracts were converted to their price-based equivalents.⁸ The distribution for the set of combined actual and converted-from-wholesale retail rates is presented in Figure 6. Its shape is similar to that for the distribution of actual retail rates and its mean of 15.6% is close to the mean of 15.2% for royalties based on retail prices.

Figure 6
1st Album Base Retail Royalty Rates Including Converted Wholesale Rates
Artists New To Label 2000



⁸ According to Donald Passman, the retail price equivalent of a royalty rate based on wholesale prices can be approximated by taking half of the wholesale-based rate because wholesale prices are approximately half of retail prices. Passman qualifies this rough formula by saying that the equivalent retail rate will probably be somewhat more than half the wholesale rate because wholesale album prices are actually somewhat more than half of retail album prices. Donald S. Passman, All You Need To Know About the Music Business, New York: Simon & Schuster, 2000, p. 90. In converting wholesale-based royalty rates to their equivalent retail-based royalty rates, we used the inverse of the ratio of an average wholesale royalty rate to an average retail royalty rate for the contracts in our data set on the assumption that wholesale and retail prices for CDs are the same, regardless of which formula is used to calculate royalties. For the year 1994-1996 contracts, the ratio of the average retail-based royalty rate to the average wholesale-based royalty rate was 0.5201. For the year 2000 contracts, the ratio was 0.6476. These ratios are consistent with the relationship described by Passman. I used the simple average of these two ratios, 0.5339, to convert royalty rates based on wholesale prices to projected royalty rates based on retail prices.

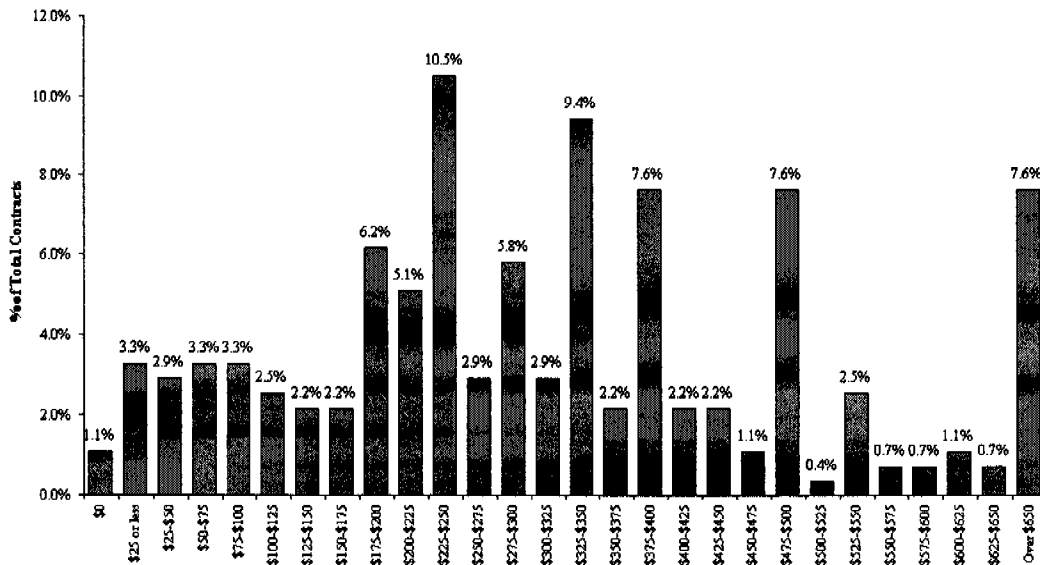
It is clear from Figures 5 and 6 that royalty rates are fairly broadly distributed over a substantial portion of the overall range of observations. A comparison with the distributions reported in Appendix Figures A.5.i and A.7.i for contracts signed with artists new to their labels during the 1994-1996 period shows that they are similar to the royalty rate distributions for year 2000 contracts. The same pattern is evident in the royalty rate distributions described in appendix Figures A.5.ii, A.6.ii, A.7.ii and A.8.ii for artists signing their first contracts with labels, and in Figures A.5.iii, A.6.iii, A.7.iii and A.8.iii for artists new to their labels who previously were under contract to another label.

Upfront Commitments: Artist Advances and Recording Funds. Artist contracts commonly specify both an advance to be paid the artist once the contract is signed or upon commencement of recording of a particular album (the artist advance) and a fund against which the artist may draw to cover the costs of recording an album (the recording fund). Contracts may also provide for advances to be paid once one album on a contract is completed but before work on a subsequent album has begun. Artist advances and recording funds are both financial commitments made by labels to artists that are paid out before the recording of an album is finished. The sum of the recording fund and the artist advance for an album was employed as a measure of a label's upfront financial commitment to an artist for this analysis.

Figure 7 shows the distribution of upfront financial commitments by labels for the first albums in contracts signed by artists new to these labels in 2000. Upfront commitments range from less than \$25,000 to well over \$1,000,000.

(The upper end of the distribution is collapsed into the \$650,000 and above category in Figure 7.) The distribution of upfront commitments is remarkably diffuse. There is at least one contract falling within each \$25,000 interval from \$25,000 to \$650,000 and no single interval accounts for more than 10.5% of the observations. As can be seen from appendix figures A.10.ii and A.10.iii, the distribution for all artists new to their labels shown in Figure 7 is similar to the distributions for artists signing their first contracts with a label and artists new to their labels but not new to the industry, which together comprise all artists new to their labels. Similar patterns are evident in appendix Figures A.9.i, A.9.ii, and A.9.iii, which show the corresponding upfront commitment distributions for the new contracts signed from 1994 through 1996, although upfront commitments were smaller on average during this period than they were in 2000.

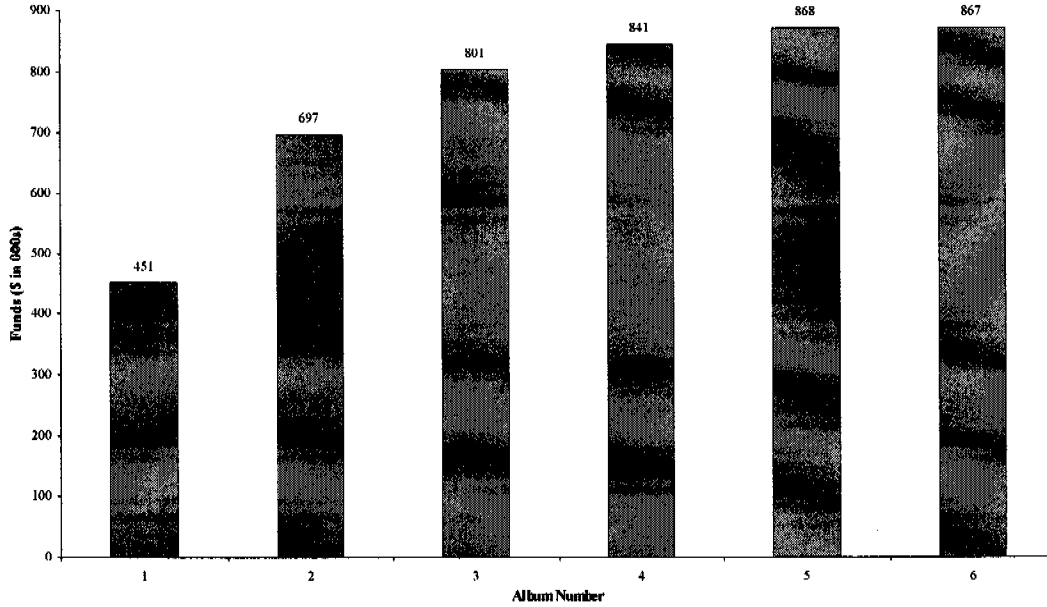
Figure 7
1st Album Upfront Commitments
Artists New To Label 2000
(\$000s)



Upfront commitments and royalty rates tend to increase with each successive album delivered under a contract

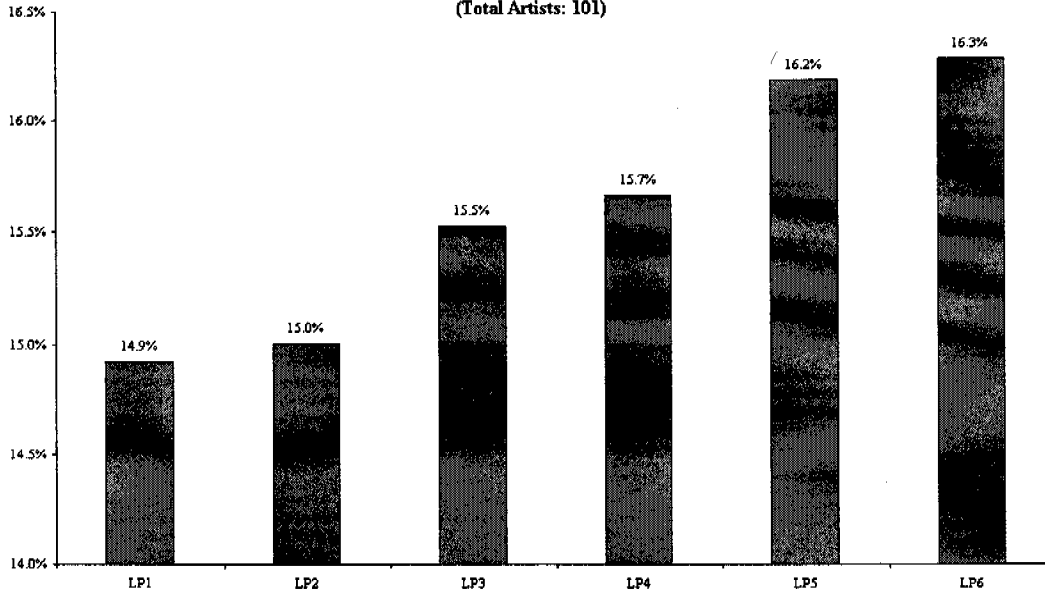
Upfront Commitments. While some contracts specify a fixed amount, contracts typically set maximums and minimums for a label's contribution to the cost of recording an album, with the exception of the first album under a contract for which a single figure for the label's commitment to production costs is commonly specified. Both the maximum and the minimum funds for recording tend to increase with each successive album specified in a contract. Adding artist advances to maximum and minimum funds to calculate maximum and minimum upfront commitments revealed that per album upfront commitments also increase with each successive album in a contract. The general pattern is illustrated in Figure 8, which shows the trend in the average maximum upfront commitment per album for artists newly signed by their labels in 2000. The patterns for contracts with different numbers of albums, for both the 1994-1996 period and for 2000, are shown in Appendix Figures A.15.c.i through A.15.d.iii and A.16.a.i through A.16.d.iii, respectively.

Figure 8
Per Album Maximum Commitments (\$000s)
Artists New To Label 2000



Royalty Rates. As with recording funds, royalty rates per album typically increase with each successive album released under a new artist's contract.⁹ The general pattern is illustrated in Figure 9, which shows the average base royalty rate per album for the labels' contracts with newly signed artists in 2000 for which six albums were specified.

Figure 9
Retail Royalty Rates
Artists New To Label 2000
(0-499K units)
(Total Artists: 101)



Other Contract Terms. Additional information was provided in response to the request that labels identify other contractual obligations besides those specified above. Items identified included commitments to fund the production of the music videos that are a common vehicle for promoting new releases, independent promotion costs, living expenses, marketing expenses, artwork expenses, and tour support. The individualized nature of the responses to this open-ended question precludes representation of the information provided in a table or chart, but the answers did show that record labels incur substantial costs for newly signed artists over and above those that might be covered by artist advances and recording funds.

C. The Contracting Process

Combined, the two data sets yield some interesting insights on the nature of the contracting process in the recording industry, including events that trigger renegotiations, ways that contract terms change as contracts are renegotiated, the movement of artists among labels, and artists' reliance on counsel in negotiations with labels.

Artists who produce hits typically renegotiate with their labels

The contract histories for the 244 newly signed artists from 1994 through 1996 support the common belief that new artists renegotiate their contracts after they have a hit album. Twelve of these artists released at least one gold or platinum album, and every one of the twelve renegotiated their contracts. Of the 232 artists who did not release a hit album, only four (about 1.7%) renegotiated their contracts.

Renegotiated contracts provide for improved financial terms for artists, but do not dramatically increase the number of albums required to be delivered

A comparison of contracts for newly signed artists in 2000 with contracts signed by established artists who renegotiated contracts with their labels in 2000 shows that upfront commitments and royalty rates are substantially higher in the renegotiated contracts. The basic relationships are illustrated by Table 5, which compares upfront commitments, retail price royalty rates for first albums, and the numbers of albums specified in contracts for artists new to their labels and artists who renegotiated their contracts in 2000. The same relationships are evident in

the data for second and subsequent albums, which is also reported in Table 5. Table 5 also compares the numbers of albums potentially required to be delivered in new-artist contracts and renegotiated contracts. It is interesting to note that while renegotiating artists committed to fewer albums than did new artists in 2000, the reduction was less than one whole album.

Table 5

Comparison of Terms for New Contracts and Renegotiated Contracts in 2000

Artist	Average Upfront Commitment	Average 1 st Album Retail Royalty Rate	Average Album Commitment
New	\$450,554	15.2%	6.04
Re-signed	\$3,725,206	16.9%	5.18

An artist who leaves one label frequently signs with another

Eighty-eight (36%) of the 244 newly signed artists from the 1994-1996 period had previously worked with another label, which suggests that the end of a contractual relationship with one label is not a barrier to developing a new contractual relationship with another label. To make possible a more systematic investigation of this relationship, the labels were asked to provide information on subsequent relationships with other labels for their 1994-1996 artists whose contracts were terminated before the end of 2000. The labels responded to this request by checking SoundScan data for releases by their departing artists under other labels. The results of this analysis are reported in Table 6.

Table 6

Subsequent Contracts With New Labels

Artist Category	Number of Artists	Released With Subsequent Label		No Release With Subsequent Label	
		number	percent	number	percent
New To Label	219	81	37.0%	138	63.0%
New To Label But Not Industry	79	42	53.2%	37	46.8%
New To Label And Industry	140	39	27.9%	101	72.1%

219 of the 244 artists signed by the labels providing this information had ended their contractual relationships with these labels by the end of 2000. Of the 219, 81 (37.0%) subsequently released an album with another label. As the table shows, based on the 1994-1996 contract data, artists who had previously worked with another label (new to label but not new to industry) were nearly twice as likely (53.2% vs. 27.9%) to subsequently release an album with a new label than were those 1994-1996 artists signing their first contracts with a label (new to label and industry). These figures undoubtedly understate the frequency with which artists whose relationships with one label do not work out are able to find other labels with which to work because they count only artists who have

released albums, rather than all artists who have signed contracts with new labels. Artists who signed contracts but did not release during this fairly short period of time were therefore not counted. Nevertheless, these figures clearly show that an artist who demonstrates promise may have multiple chances with multiple labels. For each of the forty-two artists identified as new to their labels but not new to the industry in this sample of departing artists, their subsequent contracts were at a minimum their third contract with a record company.

Almost all new artists are represented by counsel

237 (97.1%) of the 1994-1996 new artists had representation when they signed their contracts. Only one artist (0.4%) signed during the 1994-1996 period had no representation when signing a recording contract. There was no information available for the remaining six (2.5%) 1994-1996 artists. All of the 290 artists newly signed in 2000 had representation. 278 (95.9%) had their own attorneys and 12 (4.1%) were represented by agents or organizations with experience in the industry (e.g., production companies) that presumably had their own counsel. Thus, 527 of the 528 artists for whom there was information about representation had representation.