



CARTEL MANAGEMENT AUSTRALIA

Do Artists Need Record Labels?

The role of a label, the different types & whether their structure supports artists.

The purpose of this article is to discuss the role of record companies in the 2023 music market. We want to discuss the different types of labels, their specific roles, parts of the processes that works, and also highlight parts of the process that aren't necessarily beneficial to the growth and sustainability of an artist project.

Please note: This article is an opinion piece and not an answer on whether or not artists should sign to a record company. Every artist project is different, and everyone has access to different resources, whilst also harnessing different strengths and weaknesses. Ultimately, it is up to the discretion of the artist as to whether a recording deal is worth it to them.

Let's start by defining the different types of labels:

Major

A major label is a world-wide conglomerate with many resources within the business. These labels are led by a board of directors and executives, like the president and vice president of the company. The board of directors oversees everything and has the final say on major decisions. Major labels operate within a corporate structure with internal departments such as - label liaison, artist and repertoire (A&R), marketing, creative services, sales and distribution among others.

Subsidiary / Affiliate

Often referred to as 'sub labels', these types are often labels that sit under the umbrella of a major that specialize within a particular genre or artist type but can pull from the resources of its major connection.

Independent

The true definition of an independent label is fairly complex. Some labels affiliated with major companies are still considered independent. Often, independent labels use distribution services provided by major labels. The real difference between a sub-label from a non-affiliated independent label is whether a label shares their services with a major label (under an umbrella of sorts).

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What all record labels have in common overall is that they operate as a third party to assist in the creation, distribution and promotion of any particular work in exchange for a cut of the master recordings and often investment within the artist development and project, depending on the deal. There are many different ways that record companies monetize their business but the most common is when artist music is purchased or licensed for use. When an artist gets signed to a label - they get money, called an 'advance,' to make a record. When the record is released, the label keeps all the money until they have recouped their expenses which includes the advance, recording costs, promotion, and legal fees. For more information on royalties, and artist finances please read our [Understanding Music Finances](#) article [here](#).

Now that we have briefly defined the different types of labels, their role & how they make money let's discuss their relevance to artists in the 2023 music industry.

The simple reality is that when physical distribution (Vinyl / CD's / Cassettes) were the prime consumption for music, record labels were absolutely vital to the success of an artist project. Not only did they have the resources to help develop the music but they also had the knowledge, funding and resources to distribute and promote the artist music to audiences. With the rise of digital distribution (iTunes into streaming etc.) the resources for artists to develop audience and distribute music themselves became more accessible. In 2023 an artist has everything at their disposal to create and distribute their music to digital platforms with the click of a button.

So the question is, what is the benefit of a record company in today's market?

The answer to that question is.. It's complicated.

As stated above, each artist project is different and each has different strengths and weaknesses in terms of the actual development process for audio and the entire project's growth. Where some specific artists may benefit from the structure a record label can provide, others prefer to keep control of all aspects and utilise the resources available to them to grow meaningfully. Both options are viable to grow and is ultimately at the discretion of the artist to decide.

The one aspect of a label that would benefit almost all artists is a relationship with an A&R (artists and repertoire). At the most basic level, an A&R representative is responsible for finding promising new artists for a record label or music publisher to sign. Further to that, (and more importantly for artists) a 'good' A&R representative will also work with the artist creatively to ensure that the music being released is the best that it can be. They often have a deep understanding of music and the resources available to achieve the best possible result. For artists outside of a label setting, it is important to have people you can creatively bounce ideas off to ensure that your releases are the best they can be.

Another resource offered by labels (particularly majors) is money (advances) to be able to finance artist projects and releases. This comes in the form of an advance, which is a sum of money given by the label to the artist for artists to live off while producing music, which then has to be paid back from sales of those releases before any royalties can be claimed. It is very important for all artists to understand that this is not free money. an advance is essentially a loan that needs to be repaid via your royalties. Often when advances are given out the label would also own a larger percentage of the master recordings that are being released, leaving the artist with cash to begin with but no real control over their art. If the release does not recoup, the artist doesn't receive any payment for their music. Although a viable option for some, many artists jump into deals that offer them obscene amounts of money that they are very unlikely to recoup (within a reasonable period of time) which leaves them stuck within a label system and more often than not, shelved for artists who are recouping with royalties.

Taking the above into account, recording companies generally do have greater access to resources and more in depth knowledge of resources than the artists themselves and although its great to have a team who understand their areas of expertise, it often comes at the expense of the artist, who then do not upskill themselves in those areas because *"they have a team for that"*. That is an outdated and lazy way for artists to think and leads them nowhere meaningfully in the long run. Although these labels can grant access and so have teams of 'experts' its never been more vital for artists to have at least a base level understanding of every aspect of their own release.

Apart from what is discussed above, **independent artists have access to exactly the same resources as labels**, and can quite successfully release and build on their own. Where labels provide structure, the independent option offers autonomy and, depending on the focuses, resources and knowledge - both are viable options.