

Possible Savings from Internet Distribution of Recorded Music

William Fisher

Distribution of the SRLP of a Typical CD

[deductions for production, "packaging,"
"free goods," "breakage," "reserves,"
recording costs, promotion]

Music Publisher: 4%

Recording Artist: 12%

Retailer: 38%

RC Profit: 1%

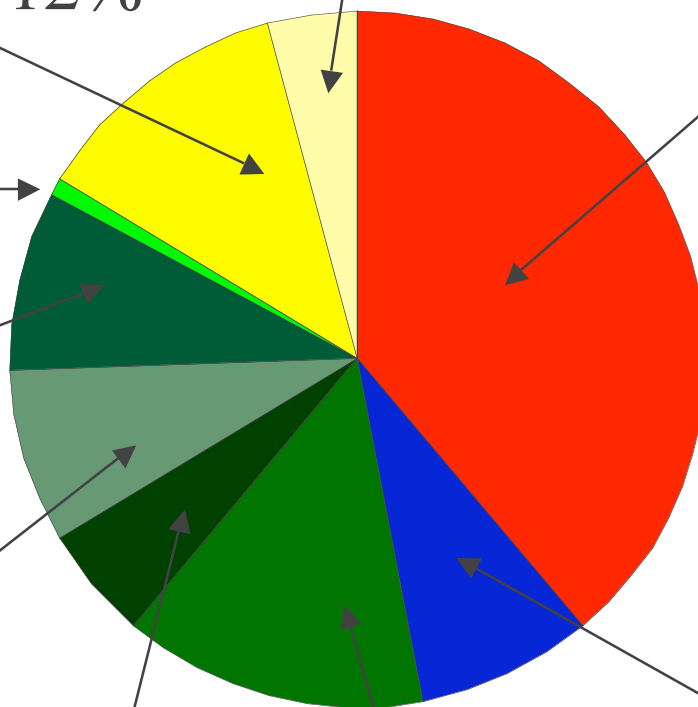
Manufacturer: 8%

Marketing: 8%

Distributor: 8%

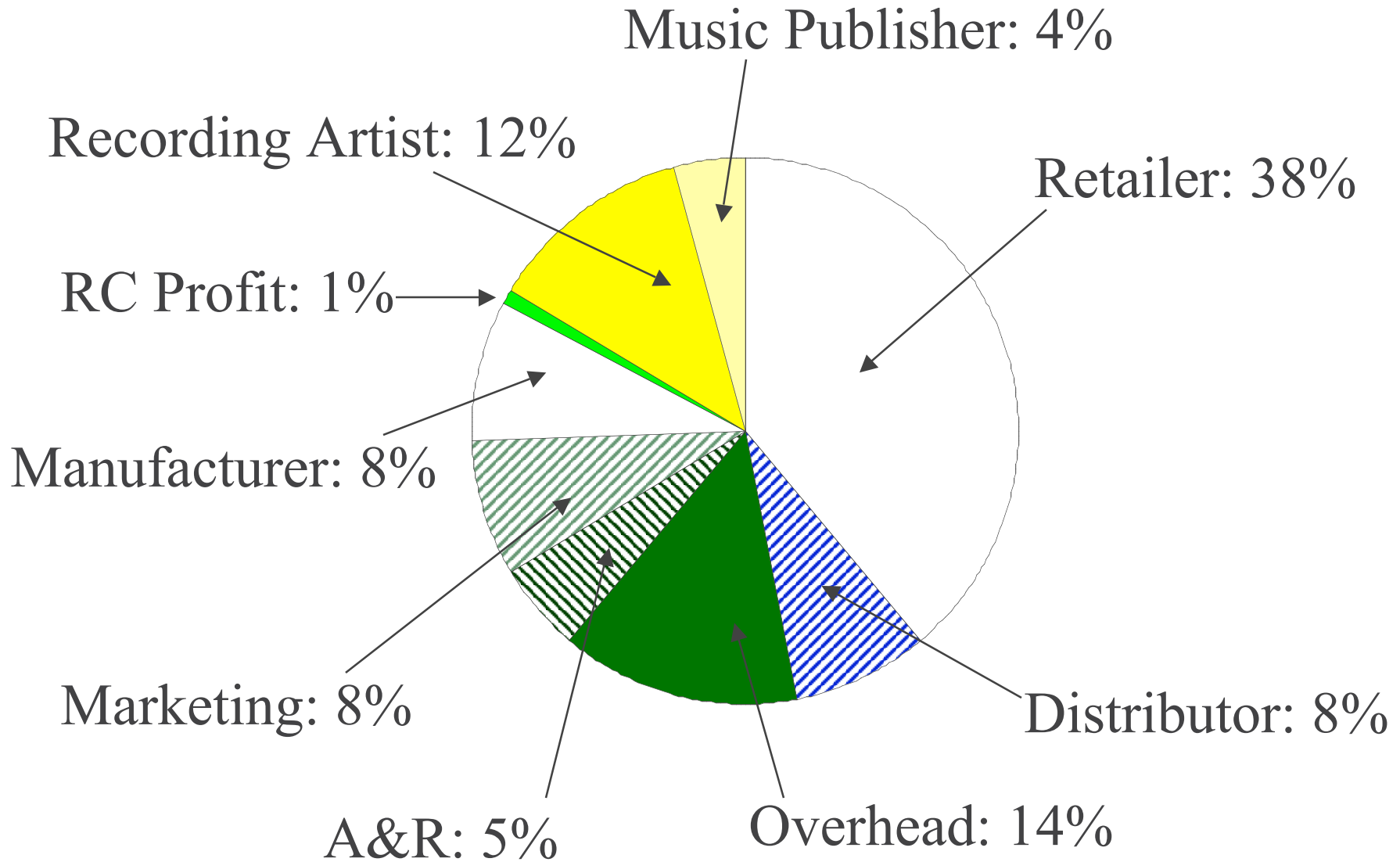
A&R: 5%

Overhead: 14%



Internet Distribution

Results: increased revenues for writers and artists, decreased prices for consumers, or both



Functions of Record Companies

- ☛ A&R (Artists and Repertoire) → Rapidly dropping studio costs
- ☛ Production → Less dependence on (expensive) radio promotion
- ☛ Promotion → Inexpensive distribution through the Internet
- ☛ Distribution → Fewer “losers”; less need for insurance
- ☛ Risk Spreading