

# The rise of the nonprofit popular music sector – the case of netlabels

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In several countries, nonprofit institutions play a key role in providing high art products and services to the public. Opera houses, philharmonic orchestras and theaters are publicly funded, state-owned institutions or private organisations, which often receive some sort of public support. One of the economic justifications of this support is the existence of positive external effects generated by the provision of high art. Economists argue that since art can be viewed as a public good, then a lack of public support would result in the underprovision of artistic works, which would deprive society of a potentially positive external effects generated by high art (Fullerton, 1991; Frey, 2003). This has conventionally not been the case within popular music, in which the provision of cultural goods is left to companies competing for profit.

It is important to emphasise that “the music industry” is a very broad term, which in a perhaps simplistic way implies an homogenous unit with common goals and interests. According to Williamson and Cloonan (2007) the fact that for several years the recording industry was the most important part of the music industry has led to common belief that both terms are synonymous. They argue, however, that during the last few years domination of the recording industry has become less obvious, especially if one takes into account development of the legal download industry (eg. iTunes), fast growth of the exploitation of publishing and synchronisation rights and the live music industry. One could add here also associated industries such as music education, music technology and

instruments manufacturers, which have become big businesses in some countries. Detailed discussion of the structure of the music industries is beyond the scope of this article. It is, however, important to emphasise that, apart from the fact that in most of the capitalist economies “serious music” will be preferred to “popular music” when it comes to distributing public support, at the same time, the recording industry is less likely to receive subsidies than, for example, the live music industry. Institutions representing the latter can sometimes benefit, for example, from programs aimed at supporting festival tourism (Felsenstein & Fleischer, 2003; Tohmo, 2005). Popular music record labels usually have no such opportunities.

For several decades, limited availability of public support, combined with high costs of production, promotion and distribution of physical records made it difficult for popular music record labels to operate as non-profits. This is not to say that there were no cases of nonprofit approach to popular music in the twentieth century. The existence of DIY record labels (discussed later in this article), community music projects or development of fan labor are good examples of non-market activities related to music production and distribution. The advent of the Internet and digital technologies (eg. mp3 files) however, has made it much easier and less costly to record and distribute music, resulting in the unprecedented development of what might be termed a nonprofit popular music sector. Although this sector is very diversified and the list of potential research topics is long, it seems to go rather unnoticed in academic writing (for exceptions see, eg., Baym & Burnett, 2009; Bloemsaat & Kleve, 2009; Foong, 2010).

This article attempts to fill part of this gap by presenting the results of research on netlabels (also called virtual record labels, web labels or MP3 labels) which promote and distribute free music over the Internet. Music distributed by netlabels is released under Creative Commons licenses, which means that it can be download free of charge, while at the same time an artist retains copyright. As shown in this paper, virtual record labels very rarely have any chance to earn money and do not aspire to do so. The aim of this article is to identify key characteristics of netlabels, show how they differ from traditional record labels and outline the motivations of their founders. The paper is organised as follows: the relevant literature on music marketing is reviewed in section 2, the concise definition of a netlabel is presented in section 3, research methodology is discussed in section 4, results are presented in section 5 and conclusions are presented in section 6.

## The popular music industry as a for-profit industry

A brief examination of literature on the music business shows that it is commonly accepted that record labels are perceived as strictly profit oriented enterprises. Some authors offer on an in-depth analysis of specific aspects of the music business, eg. law (Krasilovsky & Shemel, 2000; Passman, 2000) or history (Sanjek & Sanjek, 1991; Gronow & Saunio, 1999), while others provide more comprehensive information on the organisation of the recording industry (Hull, 2004; Knab & Day, 2007) or the application of corporate strategies by the major record companies (Negus, 1999). Several ‘how-to’ guide books offer practical tips for promoting and distributing recordings (eg. Hall & Taylor, 2000; Lathrop & Pettigrew, 2003; Rudenske & Denk, 2005) with newer ones – not surprisingly – paying more attention to how music should be marketed on the Internet (Hutchinson, 2008; Owsinski, 2009; Hutchinson *et al.*, 2010). Whether academic works or self-help books for musicians, most of these books have one thing in common: they perceive the relationship between record labels, artists and listeners through the prism of earning money. They inform readers that “everything about a musician’s life concerns money” (Boomla, 1991: 266). The music business is about selling records (both physical and digital), which should lead – if artists and record labels are successful – to profits. For example, in one book, we read that:

“[m]aximizing the sales and exposure of music is the bottom line of music marketing and promotion. Put differently, marketing and promotion are systematic approaches to following the money trail of commercial music – and doing it with as much precision and skills as a symphony conductor pulling musical riches from an orchestral store”. (Lathrop & Pettigrew, 2003: 1.)

It should not come as a surprise that most of the music business literature concentrates on selling records and not giving them away free. After examining the history of the music business, it can be seen that although the recording industry’s products, target markets, competitive regimes and sound carrier technologies have been systematically changing (Huygens *et al.*, 2001), from its very beginning, it has been operating as a for-profit industry.

Despite the dominance of profit-oriented models of record companies – both major and independent ones, in the twentieth century, there

was one type of popular music label, which resembled some aspects of a nonprofit organisation. These labels have their roots in the punk rock movement, which, in late 1970s and early 1980s, attempted to democratise the recording industry by building alternative systems of music production, promotion and distribution. Although a few labels, which were started as do-it-yourself (DIY) organisations, ended up being commercially and artistically successful record companies (at least for some time) (Hesmondhalgh, 1997; Hesmondhalgh, 1999), most of the DIY labels did not want their primary goal to be to earn money. What was important to them was authenticity, political engagement and “doing-it-yourself”, that is providing “a social and lifestyle infrastructure that supported the development of their record labels, concerts, events, and publications” (Webb, 2007: 131). One such label was Crass Records, established by the members of British band Crass. Webb (2007: 142) notes that “[i]t is clear that making money and having fame afforded by the music industry were not their goals”. This approach allowed them to make rather unusual actions such as putting out “singles and albums that had ‘pay no more than...’ labels on them to keep the price down” (Webb, 2007: 141). Such attitudes, looking from the conventional profit-oriented record labels’ point of view, could be regarded as bizarre. First, it meant that the label voluntarily gave up part of the profit that could have been made if the records were sold at the “normal” market price. Second, this approach was possible only when costs were kept low, which meant that certain levels of sound quality, achievable only in state of the art recording studios, were very difficult to reach. Contrary to the mainstream recording industry, however, this was not a big problem to DIY labels as for them “the importance did not lie in the end product but in the very means of production” (Spencer, 2008: 289). Instead of gaining mainstream attention and earning a profit, what mattered was celebrating “the amateur approach to music making” and offering their listeners “a wider choice than mainstream rock stars were offering” (Spencer, 2008: 235). Similar approach was represented by “micro-independent record labels” analysed by Strachan (2007) and musicians interviewed by Moore (2007).

Consequently, it can be argued that DIY labels should not be evaluated on the basis of their (lack of) financial success, but should rather be perceived through the prism of making an impact on youth culture, local music scenes, lives of their founders and artists, and so on. It remains an open question as to whether these small, independent record labels

would have achieved wider recognition if not for the cost barrier they had faced. Although the cost of music production, promotion and distribution in the late 1970s and 1980s had been falling (which fostered the development of the DIY scene), it had still prevented most of the small record labels from reaching international audiences without abandoning their idealistic approaches (that is, without cooperation from the major record companies, see Hesmondhalgh, 1999). The next section discusses how nowadays, social, economic and legal factors make it much easier for small record labels to distribute widely.

### **Reasons for the development of the nonprofit popular music sector**

Two main reasons for the development of the nonprofit popular music sector can be identified. First, the economic constraints of the production, distribution and promotion of music are changing, which creates a new array of possibilities for artists and changes the ways in which they think about their careers. This results also in blurring the division between producers and consumers and creates new forms of participation of fans in the process of popular music production, promotion and distribution (Baym & Burnett, 2009; Cole, 2011). Second, new legal solutions emerge, which facilitate cooperation between artists and listeners on the Internet. Creative Commons and similar types of licenses help protect artists' rights without criminalising filesharing, which enables building alternative, fan-based networks of distribution. A brief discussion of these two reasons serves as the basis for analysis of development of netlabels, which is conducted in the next section.

The traditional music industry is described by industrial economists as a sector in which the minimum efficient scale (MES) is high. The minimum efficient scale (MES) is a term used in industrial economics to denote "the output level at which long-run average costs are minimized" (Hirschey, 2009: 300). The MES determines the structure of an industry: many firms can exist if the MES is relatively small compared to total market size, the opposite happens when the MES is large. It is caused by the existence of several types of economies of scale, which offer an advantage to big players (Burke, 2003). Additionally, the traditional music business is characterised by the existence of several barriers to entry,

which make it difficult for new entrants to succeed without making significant initial investments. Prior to the advent of the Internet, any record label entering the market had to spend substantial sums of money on the production, promotion and distribution of records, which made surviving in a market without earning profits hardly possible. Consequently, it comes as no surprise that, in the twentieth century, cases of record labels operating as nonprofits were limited and, even though DIY record labels mentioned in the previous section resembled some aspects of nonprofit organisations, they were not able to provide consumers with access to music, free of charge.

However, the situation changed in the late 1990s, when the advent of the Internet and digital music files reduced the cost of music marketing. While several traditional record labels have had problems implementing new business models (McLeod, 2005; Galuszka, 2009), the Internet is becoming a platform for developing entirely new forms of organisation of music enterprise based on a more direct relationship between artists and listeners. This is facilitated by economic factors – nowadays artists can use computers to record their songs at home and distribute and promote that music directly to their fans on-line, at very low costs (Fox, 2004; Bockstedt *et al.*, 2006).

Easier access to technologies, which were previously controlled by record labels, results in the wide availability of recorded music. Since most of the new acts have no chance of securing radio airplay for their tracks, they try to promote them using the Internet. This is usually done by giving listeners unlimited access to their music, which can be streamed or downloaded free of charge (Baym, 2011). Consequently, those artists who do not have the promotional support of a record label do not compete for listeners' money, but for their attention. Decisions to give away music for free may look like a dramatic attempt to gain recognition, but in fact, it is not as difficult as it might have been 15 years ago. The reason for this is simple – it is much cheaper to record and distribute music in the form of digital files than it was in the case of physical records. Listeners benefit from lower (or no) prices and easier access to new music, while artists have to look for other sources of income, like live gigs, publishing or merchandising income. When artists manage to build a loyal fan base, they sometimes try to charge listeners for new tracks or ask them for donations.

This is however, one – economic – side of the story. The nonprofit popular music sector would probably not have developed so fast if it had

not been for the emergence of legal solutions, which reflected the challenges of the Internet era. On the one hand, artists would not be willing to release their songs on the Internet if that meant losing all the rights to their works. On the other hand, new types of recording organisations (netlabels, music portals) would not be willing to distribute the music for free, if that means being liable for copyright infringement. Consequently, it could be argued that the development of the nonprofit popular music sector became possible only after the emergence of legal solutions, which balanced the benefits of copyright protection with the freedom of the public domain. The most popular of these legal solutions is Creative Commons licenses.

Creative Commons licenses are copyright licenses proposed by Creative Commons, the U.S. nonprofit organisation founded in 2001 (CC, 2012). Artists, who decide to release their music under one of these Creative Commons licenses, give permission in advance to use their content in a way that is specified by the version of the license they choose. The most restrictive license allows listeners to download music and share it with others as long as they mention the author, but it does not allow downloaders to change or use artists' work commercially in any way. Other license versions may allow using the work commercially or remixing it as long as credit is given to the original creator (Bloemsaat & Kleve, 2009; Foong, 2010). All of the six most popular Creative Commons licenses give licensees the right to redistribute artists' works free of charge, which means that even if the track is released under the most restrictive license, listeners are free to download it and share it with their friends. In such cases, artists get the chance to reach a wider audience in exchange for giving up some potential profits, which may translate into future profits (eg. when an artist manages to license a track for commercial use). Obviously, artists may be more willing to reject income from selling records if they can be sure that releasing music free will not deprive them of other potential sources of copyright income. In other words, music released under Creative Commons licenses may be used as a kind of promotional vehicle that allows artists to reach those listeners who would rather not pay for their records in the hope that at least some of listeners will become their fans (and, for example, will attend their concerts). The following sections demonstrate how netlabels are involved in this process.

## Defining netlabels

The literature on netlabels is limited. This is because the development of netlabels is a relatively new phenomenon. Additionally, as netlabels are non-commercial organisations, they do not attract the attention of scholars who write about developments in the digital music market. The most significant piece of writing about netlabels is provided by Michels (2009), who examined them from an anthropological perspective. Netlabels are also mentioned by Sauer (2006), whose practice-oriented book brings together several tips for musicians who would like to self-distribute their music via the Internet. Apart from that, a case study of two netlabels based on small research project, which preceded the study presented in this paper, was published in 2011 (Galuszka, 2011).

Michels (2009: 64) defines netlabels as “non-commercial platforms, on which music is offered for free download on the Internet”. This definition is specified by *Phlow* (2010), the biggest Internet magazine devoted to free music, which argues that a model netlabel should distribute quality music in the form of free downloads and should have more than one artist and two releases on the label.

Based on these definitions and the research presented in this paper, netlabels can be defined as platforms for online distribution and promotion of music released under Creative Commons or similar licenses. While netlabels may vary, what distinguishes them from traditional record labels is that they distribute music free of charge and they seek no financial gain. They can operate as nonprofits because they have much lower costs than traditional record labels. This is because usually they do not release physical records (hence they do not have to invest in pressing and distribution) and they employ low cost guerilla marketing methods (which, taking into account costs of traditional radio or television promotion, saves them a lot of money). Finally, their relationships with artists are different – since artists retain copyright to their recordings, netlabels do not have to pay them any royalties. In a way, both sides of the relationship benefit but since no music is sold, they rarely gain directly anything in monetary terms. The following sections provide more insights into the character of this relationship. A comparison between traditional and virtual record labels is provided in Table 1.



Table 1. Comparison of traditional and virtual record labels

<b>Analysed criterion</b>	<b>Traditional record labels</b>	<b>Netlabels</b>
Aim	Commercial	Usually non-commercial
Preferred sound carrier	CD, music file	Music file
Distribution	Traditional and on the Internet	On the Internet: websites, P2P networks
Preferred forms of promotion	Both traditional media and the Internet	Promotion almost exclusively in the Internet
Price	Set on market	Zero
Relations with artists	Almost always regulated with contracts	Rarely regulated with contracts
Control over sound recording	In the case of major record companies rights to sound recording are controlled by the label	Artist retains copyright
Organisational structures	Hierarchical, simple (in the case of small labels), complex, vertically integrated (in the case of major record companies)	Small organisations based on informal networks of connections and cooperation

It is important to note that allowing listeners to download music for free is not synonymous with nonprofit orientation. Netlabels are one of several new forms of organisation of phonographic activities, which have emerged in recent years (Burkart, 2010). The advent of the Internet and digitalisation has resulted in the proliferation of new types of quasi-record labels, the engagement of Internet portals in music distribution and the development of self-distribution. For some of these organisations and artists, free music distribution is an element of the profit-oriented business model (Belsky *et al.*, 2010). This is also true in the case of several artists who release their music with netlabels. As explained in the previous section, releasing music under Creative Commons does not mean depriving oneself of all the potential profits and it can certainly be done for tactical reasons (a good example is American band Nine Inch Nails, which released parts of their album *Ghosts I–IV* for free to enhance sales of physical records (see Wikström, 2009)). Netlabels are different from other new types of quasi-record labels because they not only distribute

music for free, but also, in most cases, do not seek financial profit. It is also important to note that, in some cases, the difference between profit-oriented and nonprofit labels is blurred. The remaining part of this paper shows that although the majority of netlabels perceive themselves as nonprofit organisations, there are a small number of virtual record labels, which do not exclude the possibility that they may want to earn profits in the future. It is probable that the evolution of the music market will enable netlabels to implement profit-oriented business models one day, which would lead to a convergence of netlabels and traditional record labels into some form of new record label. Today, this scenario is rather improbable as most netlabels draw a symbolical division between themselves and the traditional music business, which is discussed in the following sections.

## Methodology

The research consisted of two parts: quantitative and qualitative. The first, quantitative part of the research enabled gathering general information about netlabels, especially their attitudes towards traditional record labels, relationship with artists and their preferred promotion and distribution techniques. The second, qualitative part of the research deepened information gathered during the first part of the research, which helped explain and interpret the ways in which netlabels operate.

Choosing an appropriate data collection method in the quantitative part of the research was difficult as there is neither one central registry of netlabels nor one comprehensive source of information about them. Since there was not enough information about the structure of the netlabels scene, it was impossible to get a representative sample. Therefore, a complete enumeration-based Internet survey was chosen – a questionnaire consisting of 26 questions was sent to all the netlabels that were identified in the first research period, which lasted from September 2008 to January 2009. The biggest challenge was to make sure that the survey was sent to all the world's netlabels. Two main sources of information about netlabels were used to gather their e-mail addresses: *Phlow* netlabel catalog and *Rowolo* catalog (later renamed to *clongclongmoo.org*). These address lists were supplemented with information gathered from three other sources: *Sonicsquirrel.net*, *Last.fm* and *Archive.org*. The careful

construction of an address list guaranteed that most of the netlabels listed in mentioned sources were invited to take part in the research. It should be noted however, that it is possible that there were some netlabels, which were not registered in any of databases. Although it is highly improbable that any netlabel wants to remain unnoticed (and not being present in any of the mentioned catalogs would mean just that), it should be noted that netlabels from countries that use non-Latin alphabets (eg. China), may not be registered in any popular databases because of the language barriers. More precisely, if there are, for example, netlabels that produce websites in Chinese only and do not use any of the five mentioned services, there was practically no way they could have been informed about the research. Similar doubts can be raised in the organisational context – it is possible that non-profit record labels, which do not call themselves “netlabels”, emerged somewhere in the world but for any reason decided to avoid association with virtual record labels. Since netlabels are believed to deal mostly with electronic and experimental music, it is perhaps reasonable to assume that musicians representing different genres may want to avoid being labeled that way. Therefore the results of the quantitative part of the research should be treated only as an illustration of the state of that part of the nonprofit popular music sector, members of which define themselves as netlabels.

Another problem is that the average life of netlabels seems to be quite short and despite maintaining websites, they may not have released any music for several years. Contacting the owners of such netlabels was impossible as any emails sent to them returned a “mailbox unavailable” message. In addition, sometimes netlabels do not publish any contact data on their websites. That is why 66 netlabels from the address list did not receive the questionnaire.

Detailed information about the number of netlabels that took part in the first part of the research is presented in Table 2. The response rate of 59.6% was achieved which – taking into account that Internet surveys are usually characterised by low response rates – should be considered high. It must be noted however, that when a complete enumeration-based survey is used, any response rate lower than 100% generates the risk of negative bias due to incomplete coverage. Consequently, despite high response rate, results may not be entirely representative.

Table 2. Exact information about respondents

Total number of netlabels	650
Netlabels which had been closed before the research began	15
Netlabels which could not be contacted (no contact information on netlabel's website or wrong e-mail address)	66
Netlabels that received the questionnaire	569
Netlabels that did not complete the questionnaire	230
Netlabels that completed the questionnaire	339

The second, qualitative part of the research lasted from November 2008 to February 2011. It consisted of 19 in-depth interviews conducted personally or via Skype and 19 e-mail interviews with owners of netlabels or other persons important for netlabels' scene (full list of interviews is available in Appendix 1). Interviews took on average one hour, the longest one lasted more than 90 minutes, the shortest one approximately 30 minutes. The selection of speakers was based on the results of the first part of the research in order to guarantee that the representatives of various types of netlabels would be interviewed. E-mail interviews were in most cases short and consisted of a few specific questions, for example regarding number of visits on netlabel's website or numbers of downloads. Apart from that, significant observations were made during Netaudio Festival, which took place from the 8th to the 11th of October 2009 in Berlin and gathered several artists and netlabel managers in one place. Additionally, several secondary sources, reports and netlabels' websites were analysed.

## Results

As was mentioned in section 3, changes in the marketing environment of the recording industry made the existence of netlabels possible. The economic and legal factors behind these changes empowered individual listeners, artists and small-scale cultural entrepreneurs by giving them tools, which made starting one's own (virtual) record label simpler than ever. To a certain extent, an analogy between having a netlabel and writ-

ing a blog can be drawn – both can be done by anybody who has a great deal of energy and free time but has no money to invest.

Answers provided by respondents in the quantitative part of the research confirm that the phenomenon of netlabels is based on the voluntary work of individuals or small groups of music enthusiasts living in various countries: most netlabels are run by one (42.6%) or two persons (32.9%). Only 7.1% of respondents declared that there are five or more persons involved in their netlabel. Most respondents come from Europe (76.4%) and the U.S. and Canada (14.7%). There are 11 “international” netlabels, with founders based in two or three countries (in all cases they were located in Europe).

The quantitative part of the research shows that 86.1% of netlabels were started after 2002 (the oldest two were started in 1995). Growth in the number of netlabels started after 2002, and was probably a consequence of the introduction and growing awareness of Creative Commons licenses. Some respondents claimed that the oldest netlabels have their roots in tracker scene, demoscene, tape labels and the DIY movement (interview 7; interview 8). A good example of a person with long experience in pre-netlabels times is Björn from Textone netlabel who recalls:

After I was in the tracking scene for a while I got more interested in music and together with some friends we started buying studio equipment, and we'd make, we'd start to produce electronic music with regular studio equipment ... there we started in the early days to make demo tapes, cassette tapes, that then you'd give out later on and turn into CDs and at some point mp3s. (Interview 12.)

Björn's words show the first of two main motivations to start a netlabel: being an artist who wants to popularise his or her own music. This motivation was important for example in the case of apogsasis netlabel, the founder of which stated that “the idea to start a label was driven by the willingness to publish our own music” (interview 17) or in the case of Brennessel netlabel whose founder said that “we indeed wanted to do it only to become known with our band – KAMP – but it later turned out to be a bigger thing” (interview 19).

The second motivation to start a netlabel stems from being a fan, which may push people to start a label just because of fun and their love for music or because of the belief that certain type of music or artists should get more attention from the audience. In some cases this is also accompanied by the belief that netlabels, compared with the tradi-

tional recording industry, provide artists and listeners with more freedom, especially in the context of the copyright law. This attitude is well summarised by Marco from Rec72 who explained his engagement in his netlabel with the following words:

supporting good artists, giving them a platform to distribute their music worldwide and to provide my audience, people who come to my website, who know it, to provide them free music without legal issues, copyright issues, we don't want that anymore, it's time for a change. That's my motivation, why I do the netlabel thing. (Interview 6.)

It should be noted that being an artist is often related to being a fan and that these two roles often overlap. Therefore, it may be impossible to separate willingness to promote one's own records from desire to promote music or the idea of "free culture" in general.

Most netlabels deal with new music, although exceptions such as So Healthy Music which deals with re-releasing Cologne underground bands from the 1980s (interview 8), should be noted. The quantitative part of the research suggests that netlabels' repertoire is dominated by electronic (89.4%), experimental (76.0%) and industrial/dark ambient (38.1%) music. The most probable explanation for the dominance of these genres lies in the low costs of producing such music. Since it is cheaper to record electronic music than rock or jazz, artists find it easier to release such tracks for free (interview 11). It should be noted however that there are netlabels which specialise most of all in non-electronic music (interview 13). Awareness of their existence is growing:

if you listen to some several releases on the *Phlow* magazine, then there are indie, singer – songwriter music, it's growing, and hip hop releases ... some people are also doing a little bit like a free jazz or art music ... I think it's getting more diverse. (Interview 3.)

Although artists who release their tracks with virtual record labels may not be excluding the possibility of selling their music in the future, they seem to realise that cooperation with netlabels is based mostly on noncommercial principles. Nevertheless, some netlabels publish on their websites various kind of manifestos in which they emphasise their nonprofit orientation, for example by stating, "we believe and support files sharing" (Selva Elettrica, 2010; original spelling) or "[w]e make our releases available for free and legal download. We also allow it to be shared and used in any non-commercial way" (Rain Netlabel, 2010;

original spelling). Consequently, a majority of netlabels try to distinguish themselves from traditional record labels: 62.5% of respondents claim that the term “firm, business, traditional record label” does not describe their netlabel at all (only 3.5% claim it describes it very well). They would rather see themselves as a “nonprofit organization which deals with music” (57.0% of respondents claim this definition describes their netlabel very well, only 6.1% claim the opposite), or “do-it-yourself micro-independent record label” (45.5% of respondents claim this definition describes their netlabel very well, only 8.2% claim the opposite).

How netlabels carry out their nonprofit mission can be understood by analysing the process of working on a new release. It can take several steps and it may look different, depending on the size of netlabel or music genre in which it specialises, but in general, the process includes three phases.

1. Listening to submitted demo records to choose which are good enough to be released. In the case of most of netlabels it is a painstaking process, since – as noted by the interviewees from Qunabu netlabel – artists who submit their music rarely pay attention to whether a netlabel is specialising in certain genres. Interviewees found it frustrating because about 95% of the submissions they receive are not suitable for their label, which makes it easy to “miss good things” (interview 18). It may also happen that netlabel owners, disappointed with the quality of submissions, prefer to release invited tracks:

in five years I think I received, let’s say, 20 giga[bytes]s of music, and yes, most of it was trash or something but I also received great music and I actually released some of that submissions but I must say that I think that 70% of music I released on Zymogen was music I asked for ... but it also happened that big name got in touch with me and asked “oh your project is very nice, it’s very professional, let’s do something together”. (Interview 11.)

2. Preparing the release, which usually means encoding mp3 files, uploading tracks to servers, preparing artwork, discussing promotion strategies with artists, etc. Marco from WM Recordings explains the process of working with artists on the new release in the following way:

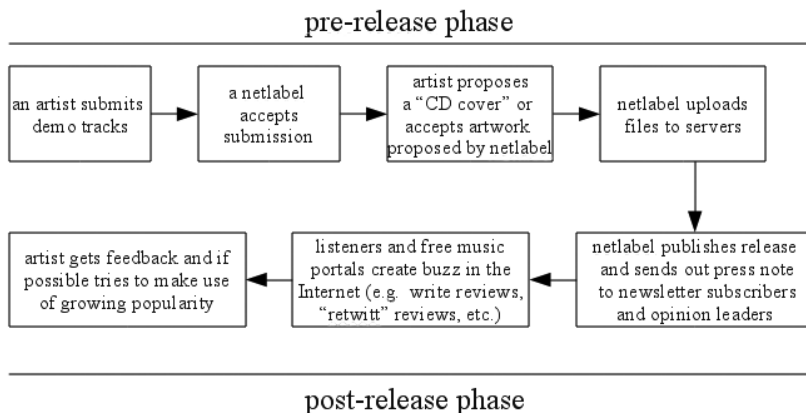
I’m giving them this checklist: “OK, I need some artwork in this and this format, I need the mp3s, I need biography, I need some press pictures” or whatever. And then we start to work from there and some

already have artwork, and others I have to ask a few times at least. I notice I have one line of info and I ask them “OK, I need a little bit more, you know”, sometimes I did the text myself, sometimes they have a good text, so it depends on how they deliver it. (Interview 13.)

3. Promoting the release of an album. Netlabels differ in their engagement in promotion of their releases. The minimum that they can offer to artists is promotion on netlabel’s website and/or social networking sites (see also table 4). Apart from that, some netlabels have a newsletter, blog, network of promotional contacts on the Internet and – in exceptional cases – in the traditional media. Any experience that netlabel owners have because of their former careers as artists or expertise in the field of marketing can be beneficial when it comes to promoting releases. Henk from ON-Mix Music explained how his experience with web marketing and search engine optimisation helped him not only to promote music released by his netlabel but also to build awareness of the netlabel itself:

we are very strong at – let’s say – being ambassador of our own label and attracting other ambassadors – people who write about us, people who tweet about us, people who put our songs on their MySpace page. And that has helped us a lot. I think we attract about 15000 to 16000 unique visitors a month. (Interview 14.)

The sample process of releasing an album with netlabel is shown on Figure 1.





The benefits that artists gain from their cooperation with netlabels are a function of netlabels' promotional influence and the size of their audience. It is, however, extremely difficult to measure any of them. In general, older netlabels tend to have more releases (quantitative part of the research show that there is correlation of 0.43 between the number of years of netlabel activity and the number of its releases) but it does not mean that they are more popular among listeners. The data presented in Table 3 shows that the largest netlabels have released more than 50 records. It is, however, important to note the ambiguity of this data – a large number of releases can mean that a netlabel is popular among listeners and artists, or that it is not very critical when it comes to choosing which submissions should be released.

<b>Number of releases</b>	<b>Number of netlabels</b>
1-5	51
6-10	52
11-15	48
16-20	31
21-30	52
31-40	22
41-50	25
51-100	33
More than 100	23
No data	2

Table 3. Number of releases. N=337

It would be better to evaluate popularity of netlabels based on number of downloads. However, some respondents found it very difficult to give exact numbers of downloads, either because releases are often kept on external servers which do not provide them with such data or they are simply not interested in recording such information (interview 4; e-mail interview 13; e-mail interview 16; e-mail interview 17). Statistics of one of hosting services suggest that the most popular releases can be downloaded more than 100,000 times (Archive.org, 2011). These numbers are impressive, even if one takes into account that listeners do not pay for the tracks they download. Of course, only those artists who release their

music with the most respected netlabels can count on such popularity. Releasing music with small or relatively unknown netlabels can give artists only a few hundred downloads each quarter (e-mail interview 10; e-mail interview 15).

As mentioned before, netlabels care about the quality of their releases and usually they do not release all the music that is submitted by artists. Mechanisms of repertoire selection differ depending on each netlabel's policy but, in general, owners of netlabels seem to be aware that the more critical they are about the quality of music they release, the more respected by listeners they become. Although it may seem that downloaders are attracted to netlabels mostly because they provide the music free of charge, the fact that the music is pre-selected is equally important. From the listener's point of view, downloading music recommended by a netlabel has one major advantage over randomly browsing MySpace, Jamendo or other sources of free music – it saves a lot of time. That is why, in the long run, the netlabels that release all the music submitted by artists (or “wannabe artists”), will not attract as many listeners as netlabels that have strict quality control policies. For the same reasons, the best artists will choose those netlabels that are respected for the quality of their releases as it will give them not only access to large groups of potential listeners but, also, the prestige of being released by recognisable netlabels.

Any artist who has their music released by a netlabel (apart from getting immediate access to the netlabel's newsletter subscribers), can expect that the netlabel will engage in further promotion of the release. As mentioned before, netlabels differ in the ways in which they engage in promotion but the general rule is that they do not invest anything except time and effort. Therefore, if artists do not have videos to promote their new releases, the netlabel will not help make them. Instead, the netlabel will try to promote new releases using viral marketing or other costless techniques. Table 4 shows the different promotional methods preferred by netlabels. The data reveals a strong preference towards those promotional techniques that can be implemented cheaply and easily by anyone who has access to the Internet.

Form of promotion	1	2	3	4	5	Mean average
Internet forums	5.9%	9.9%	22.8%	26.3%	35.1%	3.75
Internet chats	45.0%	26.6%	17.5%	5.3%	5.6%	2.00
Social networking sites	5.5%	8.5%	16.3%	27.1%	42.6%	3.93
YouTube channels (artists' or labels')	44.9%	25.8%	15.0%	7.6%	6.7%	2.06
Internet radio	16.7%	21.9%	29.2%	19.9%	12.3%	2.89
Internet portals	7.0%	14.8%	26.1%	29.9%	22.1%	3.45
Blogs	5.0%	11.4%	28.0%	30.6%	25.1%	3.59
Traditional radio stations	37.4%	33.2%	18.8%	7.9%	2.7%	2.05
Traditional TV stations	77.9%	16.5%	3.8%	0.9%	0.9%	1.30
Traditional press and magazines	40.6%	30.1%	20.2%	7.6%	1.5%	1.99

Table 4. How often netlabels' releases are promoted in the following media  
Answers were given on a rating scale where 1 (never) is the lowest and 5 (very often) is the highest. Numbers were rounded, N=339.

Although netlabels compete with each other for listeners' attention, there seems to be no strong competition among them. On the contrary, a spirit of cooperation seems to be preferred to competition. 81.2% of respondents claim to cooperate with other netlabels. The quantitative part of the research did not measure strength or scale of such cooperation but the interviews conducted during the qualitative part of the study suggest that it would be an overstatement to interpret cooperation between netlabels as a manifestation of the emergence of one big, well organised community of netlabels. Instead, they form several loosely connected groups organised around portals and magazines dedicated to free music (such as *Phlow*, *Sonicsquirrel.net* or *Netlabelism.com*) or simply cooperate to facilitate promotion. Such cooperation may take the form of exchanging links, cross promotion of new releases, exchange of information and split releases, etc. While exchanging links can be regarded as a weak form of cooperation, it helps netlabels build networks of contacts, which may have a significant impact on the promotion of their releases. First, any link exchanged improves a netlabel's Google page rank. Second, it facilitates the exchange of information, especially if one takes into account the growing popularity of social networking sites. In 2008, respondents declared that their netlabels had profiles in MySpace (76.9%), *Phlow's* netlabel catalog (68.7%), Archive.org (65.9%), Last.fm (59.6%) and

Facebook (14.5%). Today, especially with the massive popularity of Facebook, the standard practice for netlabels is to have their profiles in all of the most important social networking sites. For example, one of the respected netlabels – Tokyo Dawn Records – maintains active profiles in Facebook, Twitter, Myspace, Last.fm, YouTube, Flickr, Soundcloud and Mixcloud. It contributes to building netlabel contact networks, which can help significantly to promote netlabel artists, as information about each new release goes directly to potential downloaders through several Internet services.

It is important to note that although, in terms of promotion, netlabels are present most of all on the Internet, their owners, artists and listeners communicate also in non-virtual worlds. 36.4% of respondents claim that they “often or very often” communicate with listeners personally (non-virtually). Such non-virtual contacts are a consequence of the fact that owners of netlabels are people who are particularly interested in music, and, having a netlabel is a kind of side effect of their love for a particular music genre. It is especially true in the case of those owners of netlabels who are artists actively performing live. Stoffel from *der kleine grüne Würfel* said that although he receives about 10 e-mails from people from all over the world each month (which is the thing he likes), he cannot say much about who are people who download his music. On the contrary, he knows a lot about the people who come to live concerts:

I had one experience when I played in February on the campus party, then a lot of people came to me and said “oh this is great, this is good stuff, and keep on the good work and grüne Würfel and yeah!” and stuff like that ... this is very important for me to have a personal contact and after the parties or after the concerts to see how is the reaction. (Interview 4.)

Owners of netlabels meet other listeners during festivals, live performances and parties, etc. Having a netlabel helps them, during such occasions, to gain recognition and become a part of the musical establishment which before was restricted only to artists, media representatives and venue owners. Table 5 shows that the proportion of non-virtual contacts facilitated by being “a netlabel person”, is significant. Not surprisingly, 67.2% of respondents declared that “recognition from musicians, fans and virtual communities of listeners” is an important or very important motivation for having one’s own netlabel. It explains the phenomenon of netlabels very well, especially when one takes into account that the “pos-

sibility of earning money” is an important or very important motivation for only 13.4% of respondents. In other words, most of netlabels exist not to earn money but to give their owners satisfaction and the possibility of being recognised and appreciated among their peers and within their favorite music scene.

Artists	82.6%
Music industry representatives	23.9%
Traditional media representatives	29.5%
Founders of other netlabels	64.6%
Listeners, music fans	76.5%
None of above	10.62%

Table 5. Number of respondents who declare that having a netlabel facilitated establishing non-virtual contacts with under mentioned groups. Numbers were rounded, N=339.

## Conclusion

This paper attempts to fill the gap in the literature regarding the music industry by presenting results of research on netlabels. Although the research reveals enough information to define netlabels and place them within the context of the global music business, it also raises several questions, which should be answered by further studies.

First, one should ask whether netlabels have a permanent place on the music scene or are they an ephemeral fad? During the last 10 years, the recording industry has been subject to several upheavals which makes it very difficult to anticipate its future. The history of netlabels, compared to the history of traditional record companies, is so short that predicting their future is almost impossible. Although some netlabels had a very short life there are a few that have been active for more than 10 years. On the one hand, for some who own netlabels, it is a kind of hobby, which may turn out to be too time consuming in the future. On the other hand, netlabels (contrary to traditional record companies) cannot go bankrupt. As long as their owners are enthusiastic about free music and artists want to have their music released by netlabels, there will be a

place on the music scene for them. Therefore, the discussion on the existence of netlabels in the future should concentrate on the sustainability of their organisational form, rather than questioning the continuing desire for the availability of free music.

Second, there is a question about durability of netlabels' nonprofit orientation. Most respondents see themselves as nonprofit organisations, but a small number do not exclude the possibility of implementing some profit-oriented business models or are even actively trying to do that. Although today, for most of the respondents, having a netlabel is an addition to their full time jobs, for at least some of them the prospect of making their living from having one's own record label must be thrilling. Even though it is difficult to imagine how netlabels in their current form would be making money, the crisis of the recording industry shows that there is also a need for a new type of record label. Such future record labels may not be radically non-commercial, like most netlabels today, but may implement some elements of for-profit and nonprofit models. It is also possible that netlabels will not substitute, but supplement, traditional record labels. There are several forms of cooperation between netlabels and traditional record labels, which can be realised easily – even today. For example, netlabels could become virtual A&Rs (Artists and Repertoire), which help traditional record companies find new talent.

Third, there is a question of how people involved in netlabels perceive the traditional recording industry. The majority of respondents in the quantitative part of the research, as well as most of the interviewees in the qualitative part, draw a symbolical division between netlabels and the traditional music business, but how this corresponds to the anti-establishment attitudes of the DIY record labels of the 1970s and 1980s remains an open question. Even though most of respondents emphasise differences between netlabels and the traditional recording industry, a large part of them do not care about the traditional music business that much. Compared to the 1970s and 1980s the recording industry is not that strong anymore and it is rather discussion of copyright law than struggling with record distributors that focuses attention of people involved in netlabels.

Finally, one could ask a question about the influence of netlabels on mainstream music. Can netlabels help an artist become a superstar, like in the case of MySpace or YouTube? Alternatively, will they always remain a niche phenomenon, recognisable only to dedicated electronic music fans? Even if netlabels were technically capable of helping a pop

artist to achieve massive popularity, would such an artist be willing to continue cooperation with their netlabel, taking into account the possibility of signing lucrative recording deals with profit-oriented major record companies?

Additional research on netlabels will not only help answer these questions, it should also help redefine our understanding of the recording industry. The advent of the Internet and digitalisation showed that the concept of the traditional record label is outdated. One day it may transpire that netlabels were only a dead end in the evolution of the recording industry, but they are certainly worth further analysis.

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## Appendix 1

List of in-depth interviews (date, name of netlabel, place or “Skype” in the case of Skype interviews, netlabel’s website)

- 1) 18.11.2008 – Phlow, Cologne, Germany, <http://phlow-magazine.com/> and <http://phlow.de> (Phlow is not a netlabel but the internet magazine, which publishes reviews of the most interesting releases. The interview was conducted because the main person behind Phlow – Moritz “Mo” Sauer – has been involved in running a netlabel for several years and has very wide knowledge on that scene.)
- 2) 22.11.2008 – FOEM, Cologne, Germany, <http://foem.info/>
- 3) 23.11.2008 – 2063music, Cologne, Germany, (2063music is currently off–line, catalog can be found here <http://sonicsquirrel.net/detail/label/2063music/>)
- 4) 24.11.2008 – der kleine grüne Würfel, Cologne, Germany, <http://www.derkleinegruenewuerfel.de/>
- 5) 02.12.2008 – Zimmer Records, Cologne, Germany, <http://www.zimmer-records.org/>
- 6) 04.12.2008 – Rec72, Cologne, Germany, <http://rec72.net/>
- 7) 05.12.2008 – id.eology, Cologne, Germany, <http://www.ideology.de/>
- 8) 08.12.2008 – So Healthy Music, Cologne, Germany, <http://www.so-healthy-music.com/>
- 9) 23.02.2009 – op3n.net: mixtape netlabel, Skype, <http://www.phlow.es/op3n-releases>
- 10) 30.07.2009 – Yellow Bop Records, Skype, <http://yellowboprecords.com>
- 11) 14.03.2010 – zymogen.net, Modena, Italy <http://www.zymogen.net/>
- 12) 12.05.2010 – Textone, Berkeley, California, (Textone Netlabel is off–line, catalog can be found here <http://www.discogs.com/label/Textone>)
- 13) 19.06.2010 – WM Recordings, Rotterdam, The Netherlands, <http://www.wmrecordings.com/>
- 14) 23.06.2010 – On-Mix Music, Utrecht, The Netherlands, <http://on-mix.com/>
- 15) 24.06.2010 – Narrominded, Amsterdam, The Netherlands, <http://www.narrominded.com/>
- 16) 08.12.2010 – AudioTong, Kraków, Poland, <http://www.audiotong.net/>
- 17) 14.12.2010 – apogsasis, Skype, <http://apogsasis.org/>
- 18) 20.12.2010 – Qunabu, Skype, <http://netlabel.qunabu.com/>
- 19) 28.01.2011 – Brennnessel, Łódź, Poland, <http://www.brennnessel.pl/>

List of email interviews (name of netlabel, netlabel’s website)

- 1) 13.02.2009 Rack & Ruin records, first interview, <http://www.rackandruinrecords.com/>
- 2) 13.02.2009 The New Melodies Community, <http://www.myspace.com/mynewmelodies>
- 3) 16.02.2009 51beats, <http://www.51beats.net>
- 4) 16.02.2009 31337 records, <http://31337records.com/>
- 5) 16.02.2009 Stasisfield, <http://www.stasisfield.com/>
- 6) 19.02.2009 Subsource, <http://www.subsource.de>
- 7) 25.02.2009 lescristauxliquident, (<http://www.lescristauxliquident.org> is off–line, catalog can be found here [http://sonicsquirrel.net/detail/label/les\\_cristaux\\_liquident/](http://sonicsquirrel.net/detail/label/les_cristaux_liquident/))
- 8) 15.03.2009 TEST TUBE, <http://www.monocromatica.com/>

- 9) 19.07.2010 Rack & Ruin records, second interview, <http://www.rackandruinrecords.com/>
- 10) 09.12.2010 Handy.Tec, <http://www.handy-tec.org>
- 11) 09.12.2010 3STYLE Records, <http://www.myspace.com/3stylerecords>
- 12) 11.12.2010 Mixgalaxy Records, <http://mixgalaxyrecords.com>
- 13) 12.12.2010 No-Source netlabel, <http://full-source.com/nosource/netlabel/>
- 14) 13.12.2010 Control Valve netlabel, <http://www.controlvalve.net/>
- 15) 13.12.2010 Ninjah lab netlabel, <http://www.ninjahlab.net/>
- 16) 14.12.2010 M-REC, <http://www.m-rec.eu>
- 17) 24.12.2010 49manekinow, <http://www.49manekinow.net>
- 18) 29.12.2010 Burning Cicada, <http://burningcicada.com/>
- 19) 14.02.2011 3LOOP Rec, <http://3loop.org/netlabel.php>