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New York Daily News - <http://www.nydailynews.com> A Music Industry Case Study

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A look at a mythical rock band's earnings, with actual figures compiled from industry sources:

New York City's hottest new band is Grunthead, a four-piece hard rock group from Maspeth. Because they've got buzz, the band gets a 15% royalty rate, a few points above the usual amount for a new artist.

Its debut, "Gruntastic," goes gold – only 128 of more than 30,000 records reached that level in 2002.

The Gold Record Gross: 500,000 albums sell at \$16.98 = \$8,490,000 The Grunts' royalty is 15% of retail. That's \$1,273,500.

But the Contract calls for "packaging deductions" of 25%, so the gross drops to \$6,367,500. Then there's promotional albums and giveaways the labels give to wholesalers, retailers, radio and the press. That's a "free goods" charge of 15%, so the gross drops another to \$5,094,000.

So, the band's royalty is actually: \$764,100. The record company keeps the packaging and "free goods" funds. After collecting a \$9.99 wholesale price, it also reaps an additional \$829,900. The \$3,500,000 balance goes to retailers, assuming they sell the record for list price.

Because the band was hot, they got an advance from the record company of \$300,000. They spent \$200,000 of that recording the album, which included a \$50,000 advance to the producer. They pocketed the remaining \$100,000. Additionally, the label spent \$100,000 making the band's first video, which got them played on MTV2. The band owes all of this money back to the label.

So the royalty drops to \$364,100.

But the band's producer also earned a 4% royalty of \$203,760, of which he already received \$50,000. So the band has to pay him an additional \$153,760, reducing their royalty to \$210,340.

After pocketing \$310,340 (which includes the remaining \$100,000 of the advance), the band has to pay their manager 15%, or \$46,551, and give 2% of the total deal, or \$101,880, to the power lawyer who got them the deal in the first place. That takes the band down to \$161,909.

That's not bad money, but it's split four ways, or \$40,477.25 each, about the same as a city sanitation worker with two years' experience, without health benefits, vacation and retirement fund. But with, of course, groupies.