

Setting Up Your Own Label - Getting Started in the Music Business

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How do I set up my own label?

1. Read each of these books:

Hustwit, Gary. *Getting Radio Airplay: The Guide to Getting Your Music Played On College, Public and Commercial Radio* (New York, NY: Incommunicado Press, 1998; third edition)

Hustwit, Gary. *Releasing An Independent Record: How To Successfully Start and Run Your Own Record Label* (San Diego, CA: Rockpress International, 1998; revised, sixth edition)

Passman, Donald. *All You Need To Know About The Music Business: Revised and Updated For the 21st Century* (New York: Simon & Schuster, 2000; revised and updated edition)

Rapaport, Diane Sward. *How to Make and Sell Your Own Recording* (Englewood Cliffs, NJ: Prentice-Hall, 1999. fifth edition)

Sweeney, Tim and Mark Geller. *Guide to Releasing Independent Records* (Torrance, CA: TSA Books, 1996; call 310-542-6430)

*Visit your local bookstore or library and select at least one book about "How To Start A Small Business". There are many to choose from.

2. Intern or work part-time for at least two of the following types of businesses: record label, record distributor, radio station, and record store.

3. Begin writing a business plan.

A. Key elements should include: 1) recording costs; 2) manufacturing costs; 3) marketing costs; 4) distribution costs; 5) publicity costs; 6) administrative costs; 7) travel costs; 8) labor costs.

B. Key questions to address: 1) How many records will you release each year? 2) How much collateral do you have? 3) Where will you find investors? 4) What local resources are available for business plan preparation assistance?

4. Business plan research

a) Talk with independent label buyers in the record stores in your area and discuss your idea with them; ask them which distributors they like to work with, and which ones they don't.

b) Talk with distributors in Texas and around the US; determine terms and costs.

c) Assess foreign markets for possible export or licensing.

d) Discuss your ideas with other independent record labels in Texas and US.

- e) Call five CD plants and cassette duplicators to get bids for your first year's release schedule.
- f) Call at least five recording studios to get bids for your first year's release schedule.
- g) Determine two years worth of rent.
- h) Determine how you want to structure your business. Once you've reached the draft stage of your business plan, sit down with a CPA and have him/her review your plan.

How do I finance the recording?

The typical sources of financing, such as banks or venture capital firms, are generally reluctant to loan money or invest in record label projects. Loans to record labels are highly speculative. Banks are often reluctant to fund labels and bands because the chance of failure is so great. Most labels thus start through loans from family and friends or by bands themselves. Some first steps to take in financing a record label and/or a new recording are:

1. Go to the library or bookstore and select a "how to start a small business" book. There are numerous ones to choose from. Each should have a section on writing a business plan. Traditional funding sources -- as well as family and friends interested in investing -- require a business plan. Writing one is also an excellent means of analyzing exactly how much money you need. Familiarize yourself with the different types of loans banks offer and the typical requirements for loan applications. For example, in order to receive a personal unsecured business loan, you will probably need your last three tax returns, as well as collateral equal to or greater than the amount of your loan.
2. Have an accountant with experience with record labels review your business plan. If you can't afford an accountant you can get in touch with the Texas Accountants and Lawyers for the Arts affiliate in your area. You may also want to contact your local Chamber of Commerce, or local office of the Small Business Administration for business plan review and analysis.
3. Make sure that you keep excellent records of the income and expenses for your band. Be prepared to demonstrate how well you have kept track of your band's business, how business has improved over a given period of time, and why starting your own label and/or releasing another record makes good business sense.
4. Grants are awarded to individual artists or to state/federal non-profit organizations, never to businesses. If you are interested in a grant, contact your nearest "foundation library" for assistance. [The Texas Music Office does not issue grants of any kind.] The Texas Commission on the Arts is the only state agency that issues grants to artists; it takes more than one year for a grant to be awarded.
5. Talk with as many bands and small record labels as you can. Ask what their strategies were to get started, what mistakes they made, how they set up their accounting system, what were there initial source(s) of capital, etc.

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