

MANAGING YOUR MUSICAL MIX FOR SUCCESS

Managing your mix is an old maxim in sales. At its simplest, it recognizes that everyone in sales is selling a mix of products: some are high margin and some are low margin. You can't succeed in business if you're only selling low margin products!

Let's start with the simplest comparison. What are the highest and lowest margin products you have? If you're like most independent musicians, the highest margin is the physical CD with a gross PM of 75 to 80%. The lowest profit margin is streamed music on digital streaming sites like Pandora that only pay you less than a penny a song play. In between is everything else, especially the digital music sellers like iTunes, Amazon and Zune.

Success dictates selling in all channels and emphasizing the high profit products. In order of priority they are:

1. Market and sell your physical recordings. It goes without saying that you'll do this at your own gigs or concerts, but also focus sales energy on selling CDs from your own web site where you can build your fan base and maximize your profit margin.
2. Sell you albums and tracks in MP3 format from your own web site. In contrast to the digital music sellers, you retain 100% of the sale, rather than giving up fees. You also are building your brand and fan base by enabling your fans to buy from and support you directly.
3. Market and sell your other physical products (T-shirts, mugs, etc.) on your own web site. While the margins are lower than your CDs, they're usually equal or better to your profit from digital resellers, and they also build your brand and your fan base.
4. Sell your albums and tracks in MP3 format on the digital reseller sites (iTunes, Amazon, Zune, etc.) You give up their fees, but some of your fans will prefer to buy there. They won't do much for you in terms of visibility and promotion, but you have to be there for those customers who prefer to use them.
5. Be judicious about consignment sellers like CD Baby or Amazon Advantage - they don't do much for you and there can be lots of hidden costs. Both expect you to consign inventory. Neither do anything significant to promote you or your music.....unless you want to pay for it! In the case of Amazon Advantage, they not only expect you to consign inventory, they take a distributor discount of 55% and expect you to pay shipping to their warehouse--that can net out at 65% discount!
6. Offer streaming music samples and judicious offers of free low res tracks on your site to defend against piracy and streaming sites that will pay you almost nothing. It also builds you brand and fan base!

Direct vs. Indirect

The internet music "trap" is to assume that it's all digital. Music delivery is still a mix of physical and digital, and it's a mistake to focus on the digital side and not emphasize the physical. Quality is a factor in this equation. CDs are encoded at 1,020 kilobits/sec, and most download stores sell files at 128 kbs to 320 kbs-as low as one tenth the quality of the original. There are still plenty of customer who want that quality level, as well as the liner notes booklet & lyrics that accompany a physical CD. And, most fans still own cars that play CDs but don't have an input for an MP3 player!

The second dimension is selling direct vs. selling through a reseller. Whether it's a digital music seller like iTunes or Amazon, or a distributor for physical CDs, they're both taking a portion of the profits for the services they provide. You may want or need to use their services and give up that profit to extend your reach and build your brand, but that decision shouldn't come at the expense of maintaining your own direct sales channel.

In summary, managing your mix isn't just about balancing high, medium and low margin products. In this digital internet music market we're in, it means you need to work hard to establish the largest percentage of direct sales that you can, since they will always have the highest profit margins.

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