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5PM  
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## What's an Album Worth?

Amazon's \$3.99 deals are pushing prices down a slippery slope, and labels are pushing back.

By Miles Raymer

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JASON WYATT FREDERICK

**The Age of the Album**—which lasted a little more than 30 years, from the late 60s till the early aughts—was a very good time for the business of selling music. The album format had a much higher profit margin than the previously dominant single, and it funded a period of music-industry excess that seems positively Caligulan, especially from the vantage point of the relatively austere Age of the Download.

These fat years were possible largely because physical formats offered record labels such a high level of control. In the bygone days before the Internet, most customers had only two options: they could dub somebody else's album to cassette or they could buy the damn thing themselves. This allowed labels to set prices at the very limit of what consumers were willing to accept. After CDs became the standard, major labels soon raised their suggested retail price to almost 20 dollars—engaging in practices that in the eyes of the Federal Trade Commission amounted to price fixing—even as the cost of manufacturing the discs dropped from \$3 or \$4 apiece to below a dollar.

This tactic stoked a fair amount of animosity, which found an outlet in 1999—the year Napster made it possible for huge numbers of consumers to decide that "free" was a fairer price for an album. The format took another hit in 2003, when the iTunes Store gave consumers the option to pick only the good tracks from an album at 99 cents apiece. Over the past several years, the practice of de facto industry-standard album pricing has continued to crumble, eroded by hip-hop-style giveaway mix tapes, name-your-price downloads, and a growing number of innovative pricing plans. It's a good time to ask what an album is really worth and why.

One answer, according to some labels under some circumstances, is \$3.99. That's what Amazon's MP3 store has been charging for select new releases, including albums by big-name indie acts like the Arcade Fire and Vampire Weekend as well as mainstream stars like Taylor Swift and Kanye West. Deals like these help keep Amazon's digital-music store competitive against the more popular, more expensive iTunes, and they were definitely part of the reason Vampire Weekend and the Arcade Fire debuted at number one with their latest. But for record labels they're potentially double-edged. On one hand, Amazon can't sell a release for \$3.99 without the label's permission, and the retailer pays out the same amount per unit as it would if the albums were at full price. On the other hand, such deep discounts seem likely to influence consumers' expectations about what an album should cost and further drive down the amount they're willing to pay.

Asthmatic Kitty agreed to let Amazon debut Sufjan Stevens's recent *The Age of Adz* for \$3.99, but the label was ambivalent about the deal. "We love getting good music into the hands of good people," reads an e-mail sent to a Sufjan fan list prior to the release, "and when a price is low, more people buy. . . . But we also feel like the work that our artists produce is worth more than a cost of a latte." (The e-mail recommends buying *Adz* through independent digital retailer Bandcamp for eight bucks.)

Music-industry folks already unsettled by the \$3.99 album must have shuddered when they heard that Kanye's *My Beautiful Dark Twisted Fantasy* was basically selling for 99 cents for its first week of release. Not only was it the featured cheap album on Amazon, but through November 29 Amazon was also offering a free online coupon good for \$3 in MP3s. Detailed sales figures aren't available yet, but a significant fraction of the half million Americans who bought *Fantasy* that week got it for less than the price of a candy bar.

Even considering the low overhead costs associated with digital distribution, four dollars an album isn't enough to sustain record labels as we know them. It seems likely that as the music business evolves to accommodate the imminent dominance of the digital marketplace, the traditional mass-market label will become obsolete. If any labels survive at all, they'll probably do so by catering to the record geeks who bought 2.5 million vinyl records in 2009.

If that's how things go, Jack White's Third Man label will almost certainly be among the survivors. Third Man specializes in vinyl records in editions of as few as 100, with packaging a notch or two fancier than average—that

is, total geek bait. Like most purposely rare products they tend to end up on eBay, where they're bid up far above their original price. Recently White drew fire for selling some Third Man releases directly through eBay—an atypically forward-looking approach for a guy whose label cuts vinyl masters directly from analog tape and packages records in hand-painted sleeves. If people are willing to pay 300 bucks for a limited-edition White Stripes album with a \$20 sticker price, he reasoned, why shouldn't that extra money go to the label and artist (and in this case to charity) instead of to the "flipper" who bought the record intending to turn right around and sell it for a profit?

"It's hard to fault him," says the Numero Group's Ken Shipley. "I have a strong affinity for what he's doing over there." He says Numero got into the eBay game last year, after picking up the remaining inventory of defunct salsa label Ebirac. "We got all of their dead stock," he says, "and we decided that we were going to sell 200 on our website for 30 bucks apiece, which seemed kind of reasonable, right? Then we were seeing them on eBay three days later, after we shipped them out, for three, four hundred dollars."

Shipley and his comrades chose to get in on the action. "We had to do the same thing and go to eBay and say, 'Look, there are going to be people out there just buying them to flip them.' I see no reason why we should be propping up an entire secondary market." Numero's Ebirac records fetched around \$200 until the \$100 "Buy It Now" price depressed their value. The label's eBay store is empty now, waiting for the next stock worth auctioning.

Shipley says Numero wouldn't let Amazon sell one of its new releases for \$3.99, and adds that he considers digital files essentially worthless—Numero, like Third Man, has decided that the best way to preserve the value of an album now that the music itself is trivially easy to pirate is to make the object itself beautiful or interesting. "What we're doing over here is making a record we think is worth 16 dollars," he says. "You go into Reckless and you see very few of our records come through used, because people who plunk down 16 dollars for a record have made the decision that this is something they actually want to own. Somebody who downloads something has made the decision that they want to listen to something, but they don't necessarily want to own it."

It's obvious that not everyone's records are worth 16 dollars, though—or rather that not everyone can get away with asking 16 dollars for them. Dischord Records, cofounded by Ian Mackaye of Fugazi in 1980, has always been concerned with what labels *should* charge, not with what they can. Throughout its history Dischord has printed a suggested retail price directly on its album covers, making it harder for sellers to mark up the product. If anyone has set a benchmark for how little an honest, thrifty, and smartly run label can ask for its products and still thrive, it's Dischord. Their prices, consistently lower than the industry average, now range from seven dollars for a digital album to 11 for an LP. How much does Mackaye think a label can expect a listener to pay for an album now? "That's actually an interesting question," he says. "You know, I'm thinking about it, because we're working on a project that we're trying to come up with some pricing for. It's going to be an Internet-only thing, and it's complicated because, you know, some person wants to get it for free." He says that in general an album should cost about as much as a ticket to a movie. But he accepts that there will always be people who choose not to pay, and that there's not much that he or anyone else can do about it.

"What's music worth to the artist?" Mackaye asks. "Everything. What's it worth to the people who love it? Everything. What's the monetization of it? Eh, that depends on the circumstances."