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Magnatune bucks industry trends

By Dan Farrand, CORRESPONDENT

BERKELEY - John Buckman does not consider himself a revolutionary.

Splitting all album and licensing sales with musicians 50-50, letting artists maintain the rights to their music, and allowing customers to hear an entire album before purchasing it seemed perfectly sane to Magnatune's founder and chief executive.

Magnatune's musician- and consumer-friendly policies are rare, according to Buckman, and his actions at his Berkeley-based online record label have forced the Recording Industry Association of America to take notice.

"One of the great things about creating music is that there are so many ways and models to get that music to our fans," RIAA spokesman Jonathan Lamy said when asked about Magnatune's business model. "To each his own."

And while the RIAA continues to sue its customers and lock artists into restrictive long-term contracts, Magnatune is instead appealing to clients by providing them with something that is truly revolutionary: a choice.

"The label structure is unique," said Artemis Robison, a local electronic pop artist who signed with Magnatune just months after the company began operations in 2003. "I wasn't signing my rights away to promote the album, which was a great feeling."

Magnatune allows customers to stream — or listen online — all 4,871 tracks of its 190 artists from its Web site Magnatune.com free of charge. The artists play music in eight different genres ranging from classical to electronica.

"What he does is incredible," Hanneke van Proosdij, a Dutch harpsichord musician currently living in the Bay Area, said of Buckman's business model. Proosdij said Magnatune's use of the Internet has expanded her fan base, locally and internationally.

The Internet also has enabled Magnatune to avoid hefty distribution costs, keeping prices reasonable for customers, and to become a global company from the start. Forty percent of Magnatune sales come from outside the U.S.

Customers also are given a choice with regard to price. Prospective purchasers can pay between \$5 to \$18 for a downloadable WAV file or a CD of a selected album. Strikingly, the average purchase price at Magnatune is only \$8.20.

Buckman's explanation for this phenomenon is simple: Customers want to support the artists.

"Customers see that's where the money goes," Buckman said. Magnatune explains its 50-50 policy clearly to buyers on its Web site with a hypothetical \$8 purchase. Four dollars go to the artist and \$4 to the label.

"People love what we are about," Buckman said. "Just like Linux's fight



Cliff Tune of Oakland is just one of 190 artists to sign with online record label Magnatune since the Berkeley company was founded in 2003. (Greg Tarczynski)

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with Microsoft has meaning — it's the same thing with Magnatune."

Magnatune, like Linux, is solidifying itself and forcing industry giants to take notice. The four-employee startup record label, which has offices in Berkeley and London, posted its first profitable year in 2004 and, much to Buckman's pleasure, has avoided taking on any venture capital. Magnatune also receives over 700,000 hits on Google, evidence of its growing popularity.

Buckman recently sold his 1994 software startup Lyris Technologies for \$31 million, allowing him to focus solely on developing Magnatune.

The infant label is adding between five and 10 new artists a month, mostly in more obscure genres, but Buckman is not opposed to signing mainstream artists, particularly those who have been hurt by the "system."

Buckman knows the major record labels are watching him and his young label as Magnatune develops a positive brand image.

"While major labels are angering their client base, we are generating excitement among ours," said Buckman, adding that he is constantly being contacted by major recording labels inquiring about his business model.

"The music labels aren't stupid," Buckman said. "They are very open to change as long as there is money involved for them."

Magnatune's corporate statement, "We are not evil," is insight into Buckman's mind. His plight and animosity with the music industry is genuine, especially after his wife, Jan Hanford Buckman, lost the rights to her music for 10 years after signing with an independent record label in the UK.

Despite selling out the first two pressings of her album, the label refused to print any more copies, leaving the Buckmans helpless for seven more years.

His experiences and observations with the actions of the recording industry motivated Buckman to develop an alternative for aspiring musicians.

"The behavior in the recording industry has been consistently evil," Buckman said. "This is my reaction to it. Treating everyone ethically does not seem revolutionary, except in the music industry."

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