**Music label forsakes CDs**

**Cost-cutting firm's young fans are online**

By Associated Press  |  December 27, 2005

LOS ANGELES -- In 1978, Devo front man Gerald Casale spotted his band's debut LP in a record store bin for the first time. He was struck by an undeniable thought: The band had made it.

"It's what you've been busting your butt for and finally, it happens," Casale said.

Seeing the latest release by his new group hit a virtual bin as a digital file on Apple Computer Inc.'s iTunes Music Store was less than exciting. "This time it's like window shopping," Casale said.

His new music is distributed by Cordless Recordings, a new breed of label that has dumped CDs and other traditional formats in favor of offering music only online.

The strategy is meant to cut the cost of catapulting a new artist to fortune and fame by tapping the medium where young fans are finding music.

"When you look at the cost of a major label signing an artist, it costs about a half-million dollars," said Jac Holzman, who founded Elektra Records in 1950 and now oversees Cordless, a unit of Warner Music Group. He said Cordless does it for "significantly less," but wouldn't be more specific.

Even in today's iPod-centered music scene, it's hard to say how far the all-digital strategy might take an artist. There's no CD box, no liner notes, and very little in the way of traditional promotion.

But one thing's for sure: Sales of digital music are growing. They are projected to double in the United States this year from the $189 million generated in 2004, said Michael Goodman, senior analyst for the Yankee Group. The average number of tracks downloaded by each consumer, however, has stayed between seven and eight since the second quarter of 2005, he said.

CDs still account for 95 percent of all music sales. So it's no surprise that many artists consider online releases not a ticket to fame and fortune but rather a means to land a deal for a CD.

"In all practical purposes there hasn't been an artist that has only broken online," said Matt Kleinschmit, an analyst with market research firm Ipsos Insight.

While a few major artists such as Prince and a number of independent bands have put their music on the Internet to lure fans, major labels have stuck to the CD as the main means of distribution.

With so many portable music players on the market, and music-oriented social networking sites such as MySpace.com and PureVolume.com proving key vehicles for music discovery these days, the industry saw an opportunity.

Cordless has released online "clusters" of two or three tracks by each of its six artists. The label, launched last month, emphasizes speed to market and spending money to promote artists rather than the manufacture of CDs.

"When an artist is releasing an album, every two years would be amazingly speedy," Holzman said. "When you're coming out with a cluster every three to four months, the flow of money is fairly continuous, and I think that's better for an artist." Artists signed to Cordless also keep the rights to their master recordings.

"In those old deals, record companies owned your masters in perpetuity," said Casale, whose new band is Jihad Jerry & The Evildoers. "They were pretty nasty deals." •

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