

SEPTEMBER 8, 2003

DEFYING ALL LABELS

It's a familiar tune in the music biz: falling sales, angry artists and Internet piracy. But Wind-up Records is winning by giving artists and fans what they want: more control over the music.

BY JOHNNIE L. ROBERTS

AMID THE USUAL SKINFEST of top female stars at the MTV Video Music Awards last week, one artist stood out. Amy Lee, lead singer for Evanescence, the year's hottest debut rock act, strolled the red carpet in a modest skirt and top, about as rare a sighting at the show as a rap star sans rap sheet. Lee is not without fashion sense, and she has griped about all the cleavage in the business. "I am sick and tired of seeing girls get up here and show their t--s," she once yelled during a concert. Evanescence was vying in two categories, and Lee presented in another. The band didn't get a statuette. But music insiders got a glimpse of something new: the first female lead singer of a hit rock band in years, and a relatively covered-up one at that.

The real breakthrough act in the business these days, however, is the group's backer, Wind-up Records. With artists like Evanescence and Creed, it's become the most buzzworthy label in music for its talent-spotting. It's proving that the path to profits may lie in turning industry custom on its ear. While most of the struggling big labels are forever at odds with artists over contracts, and drop them in a beat for not delivering hits, Wind-up is like a proud, supportive parent. The seven-year-old label, which has annual sales over \$100 million, even copyrighted its motto: "Developing Career Artists."

Yeah, lots of labels say it, but Wind-up does it. It signed Evanescence in 2000, but thought the group's 18-year-old cofounders had led sheltered lives back home in Little Rock, Ark. So Wind-up packed them off to L.A. for more than a year to gain life experience, all on the label's tab. There, Evanescence wrote two hit singles, including "Bring Me to Life," for its 6 million-selling debut CD, "Fallen." The band didn't even have a manager when it signed on. "It was a miracle we signed without getting screwed," Lee says. "They were like family people, not scary corporation people."

Other examples of Wind-up's unconventional wisdom: health insurance for its artists, and more. When Dave Williams, lead singer of its breakout band Drowning Pool, died suddenly of natural causes last year, the label gave his parents \$250,000 for the dream home he promised them. Wind-up lets its 16 bands mature, giving them sev-

eral chances to make a hit CD, not dropping them after a cold start like big labels do. "We guarantee them a shot," says president Steve Lerner. Wind-up assumes huge financial risks by distributing tens of thousands of copies of a new artist's early releases so that fans won't have trouble finding stores that stock them. Yet it deliberately stopped promoting Creed's first album after 6 million copies sold, forgoing sales of maybe another 2 million. Why? "We didn't want to be famous," says Scott Stapp of Creed, the label's first band. Its fans thought otherwise. Creed's three CDs have sold more than 30 million copies. Wind-up acts Seether and Drowning Pool have also debuted big. Says Lyor Cohen, CEO of Island/Def Jam: "Their batting average is unreal."

Wind-up's executive suite has a certain unreal quality, as well. In fact, it may be the only label where artists warmly describe the boss as "eccentric." That's the chief talent scout, the woman with the golden ears: Diana Meltzer, a motherly ex-model who's



ROCK SOLID: Evanescence at the VMAs, and their fans (left to right): Alan and Diana Meltzer, and Steven Lerner

fond of black-fishnet fashion, speaks in stream-of-consciousness babble and likes rock music wall-thumping loud. She's so passionate about the music that she entered therapy when the public didn't immediately embrace Wind-up's band Finger Eleven. "They're such amazingly good musicians," she says. Evanescence's Lee says of Meltzer: "She's a complete and total trip. But for Diana, it's about the bands."

The left-brain part of the label is Diana's husband, Alan Meltzer, whose business smarts are as bankable as his wife's knack for spotting talent. In the 1970s, he bought 100 secondhand vinyl albums and opened a used-music store. Two decades later it evolved into CD One Stop, the industry's largest wholesaler of CDs to small retailers. In the early 1990s, Meltzer invested \$2 mil-

lion in a start-up company called CDNow. He also purchased Grass, a small label. Then with his partner, Lerner, he relaunched it as Wind-up.

At the heart of Wind-up's success is a finely tuned sense of knowing what to control and what to let go. The staff includes business whizzes who massage spreadsheets and measure all sorts of data, correlating album sales to tours, radio play and e-mail traffic. The label encourages the artists to make records economically, sometimes by avoiding costly studio sessions. But it doesn't try to control the bands or customers. While most labels feared or ignored the Internet, Wind-up embraced it. In 2000, just as MP3 was becoming must-have technology, Wind-up offered downloads to promote its "Scream 3" soundtrack. Technology also helped propel Creed's third album: Wind-up developed software that produced a flashing icon and a guitar riff to alert fans of new Creed offerings. Clicking on the icon would ultimately yield Creed content such as music previews and behind-the-scenes videos. Wind-up customized a "Creed pager" for 300 radio stations, whose deejays would in turn direct listeners to the station Web sites to get it. Wind-up's rivals quickly copied its moves.

Wind-up execs are more guarded about how they fight piracy. "We have proprietary ways of protecting our repertoire," Lerner will only say. But one band manager says Wind-up has figured out how to flood the Internet with thousands of bogus versions of songs, inserting weird sounds. "Gettysburg Address, car horns—fun stuff," the manager says. "If you're a kid trying to download an album, you get frustrated."

Many bigger labels would love to buy out the Meltzers. "There would be a line at the door to say, 'How much?'" says Rick Dobbins, a top executive of music giant Sony Records, which Wind-up pays to distribute its music abroad. But a major-label deal is not in the cards, says Alan Meltzer. It is looking at potential partners outside the industry, he says, like film companies, computer-game firms and major Internet sites that might have some smart new thoughts on the future of the business. Meanwhile, Diana Meltzer keeps her ears tuned to future stars. Her latest discovery: a 14-year-old from Florida, who writes her own music and can sound like Joni Mitchell one minute and Janis Joplin the next. The label hasn't signed her yet, and right now she's a household name only in her family's home. But if Wind-up's track record holds, that will likely change.

With ISOLDE RAFTERY