



# investing in music

How music companies discover, nurture and promote talent



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# introduction

by Plácido Domingo, chairman of IFPI



I am fortunate to have had a career of more than 50 years in music. I have worked with people of exceptional artistic talent and I continue to work today to try and help young musicians fulfil their ambitions and creative potential as opera singers.

There are many qualities required to develop a successful career in music. Talent, of course, tops the list. Also crucial are ambition, passion, boundless energy and a relentless commitment to hard work. This is true across the different musical genres, from opera to folk music, from jazz to pop, from the rock band to the chamber ensemble. The sheer effort and drive needed by an artist in search of success are illustrated in many of the case studies detailed in this report.

But there is another story to tell as well. It is about collaboration and investment. Working behind the scenes for many a great performer is a supporting infrastructure offering funding, expertise, resources and advice.

Oftentimes this infrastructure is provided by a record company that advances recording funds and royalties that most artists need, especially early in their career. The recording industry also offers artists the assistance of professionals to help promote the artists, produce their recordings, license the distribution of the finished product and find opportunities for funding, be it in sponsorship, live performance or brand partnerships.

Other collaborations are also possible, for example between the artist and a management company. But all these efforts to promote music depend on the protection of the copyrights and intellectual property of the musicians and the producers of the music. Without such protection, investment will not be forthcoming.

Collaboration and investment are defining qualities of the music industry and play a vital role in helping artists pursue their career.

Of course, the digital era has brought dramatic changes, but I do not believe it has made the investors in music any less important. Even in the age of the internet, where self-publishing is so much easier for artists than in the past, technology alone cannot ensure an artist's work is heard and appreciated. That is why artists continue to work in partnership with record companies, management and others to develop their careers and bring their music to the widest possible audience.

This report by IFPI tells the story of those who invest in and support artists. It is also about the economic importance of a sector whose investments have an enormous ripple effect in society, bringing growth and jobs to many industries and enriching national music cultures across the world.

There is important material for governments in this report as well. Copyright laws protecting artists' and producers' rights are being reviewed in many countries. *Investing in Music* reminds us of the endeavour, creativity and industry that goes into producing culture. This can never be taken for granted or produced for free. That is why the rights of artists and producers must be paramount in the continuing debate over copyright in the digital age.

As chairman of IFPI, I am pleased to introduce a report illuminating an industry that remains an important and vital investor in artists and talent.

A handwritten signature in black ink, appearing to be 'Plácido Domingo', written in a cursive style.

A video introduction to *Investing in Music* from Plácido Domingo can be seen at [www.ifpi.org](http://www.ifpi.org)

# commentary

By Frances Moore, CEO of IFPI and Alison Wenham, chairman of WIN



*Investing in Music* highlights what, for those working inside the music business, will seem a simple truth – that behind the highly visible world of artists and performers who touch people's lives is a less visible industry of enormous diversity, creativity and economic value. This report shows in particular the role record companies, major and independent, play around the world in discovering, nurturing and promoting artistic talent.

Investing in music is, quite simply, what record companies do. No other parties in the music business do it with the same scale or focus, or take the same responsibilities and risks for backing artists – seeking the benefits of shared success but also accepting the financial consequences of failure. At a time when record companies remain under great pressure from digital piracy, they continue to be committed to investing in talent. In a highly competitive market, breaking new artists is the ultimate ambition for many working in record labels.

Artistic talent has and will always need investment and funding. History has provided different means to achieve this, from the private patronage of earlier centuries to the heyday of large advances and global superstars of the late 20th century. Today, the relationship between the artists performing music and the investors supporting them has subtly changed and is continuing to evolve. The traditional model of significant advances and marketing support from larger recorded companies to artists remains widely in place, but there is now a greater emphasis on partnership, shared skills and shared revenues.

Record companies' services and skill sets are adapting to what most artists want and need to sustain a career. Within record companies, digital marketing and promotional activity is now a mainstream function. While many record companies have been forced to reduce their workforce as overall revenues have declined, the shift to digital has also created new jobs and business models across the sector.

Some claim that artists can forge a career in music through live performance alone. There is little empirical evidence to support this argument. While some established artists, who have benefited from years of investment by record labels, can enjoy a successful career by performing their back catalogue, few developing artists can achieve scalable success without the attention generated by their recorded music.

It is true that the digital world has helped empower artists and greatly widened their options and opportunities without a label. Yet a glance at the charts in every market worldwide shows that if an artist wishes to sell their music in significant volume and attract large audiences, they need the support of a major or independent record company. This is not surprising for anyone working in this business, who understands the fundamental and lasting relevance of companies whose expertise is in unlocking commercial value from the talent of artists.

*Investing in Music* sets out how major and independent record companies use all the tools at their disposal to help develop artists' careers. It explains why artists need help and support from a dedicated team that will champion them and their music. It shows how record companies operate today, so that people can clearly see how they have transformed to meet the digital age.



# the cycle of investment

**US\$4.5 billion invested in new talent: 26% of revenues • 5,000 artists on major labels, tens of thousands with indies • One in four is a new signing • Seven out of ten unsigned artists want a record deal • Breaking an artist in a major market can cost US\$1.4 million**

Record companies discover, nurture and promote artistic talent. They are by far the largest upfront financial investors in artists' careers. They also bring a huge range of expertise and experience to bear in any campaign to bring a new artist to a broad audience. No other industry player currently offers access to such levels of investment or skills.

Behind the breaking of a new artist is a dynamic combination of creativity, talent, teamwork, strategy, finance and, of course, luck. Each project requires significant investment in research and development, as well as marketing and promotion.

In 2011, record companies are estimated to have invested US\$4.5 billion worldwide in artists and repertoire (A&R) combined with marketing. This represented 26 per cent of industry revenues. The four major labels combined have around 5,000 artists on their rosters and tens of thousands more artists are signed to independent labels. New talent is the lifeblood of the industry and one in four of these artists (23%) are new signings (signed in the last 12 months). Record labels are able to reinvest the proceeds of successful campaigns in the discovery and nurturing of the next generation of talent.

**"Any manager could put a team of people together around their artist to do the various roles of a record company. But then they'd just be a record company."**  
**Hamish Harris, artist manager, UK**

The majority of artists still aspire to be signed by a major or independent record company. Both research and a multitude of anecdotal evidence support this. A 2011 survey of unsigned artists in the US by ReverbNation and *Digital Music News* found that three-quarters (75%) wanted to sign to a record label. In May 2012, IFPI partnered with *The Unsigned Guide* – an almanac of information for unsigned artists. Seven in ten of the unsigned artists in the UK (71 per cent) said they wanted a record deal, while three-quarters (75 per cent) believe a record deal is important to an artist's career. The most cited factors for wanting to be signed included promotional support (76%), tour support (46%) and payment of an advance (35%).

Very similar evidence of the importance of a record company to unsigned artists comes from Germany. In September 2012, IFPI's affiliate Bundesverband Musikindustrie conducted a similar study in cooperation with five independent bodies – Popbüro Region Stuttgart, VW Sound Foundation, Popakademie Baden-Württemberg, Local Heroes and SoundGroundBerlin. They found 80 per cent of unsigned artists with professional ambitions wanted a recording deal. The top reasons cited as 'very important' were marketing and promotional support (71%), TV and radio contacts (58%), the ability to focus on the creative process (50%), tour support (46%) and payment of a financial advance (45%).

## A record deal matters, say unsigned artists

Unsigned artists aiming to be signed by record company	71%
Unsigned artists thinking a record deal is important in developing a career	75%

Source: Survey of unsigned artists in the UK compiled by IFPI and the *Unsigned Guide*, May 2012

The findings are supported by countless personal accounts provided in this report and articulated by the editor of the *Unsigned Guide* addressing its thousands of members: "Without significant investment, industry expertise and creativity (the business) and obviously your talent (the music), it is extremely difficult to break an artist or band into popular culture or the mainstream music markets. So where DIY demonstrates your ability to approach the industry in the correct manner, there is still no substitute for the experience of the industry to move your project forward."

Artists approach labels wanting different types of support. This may be career development, financial support or a team to champion their creations. Hugo Scherman, creative director of Cosmos Music Group, the biggest independent music company in the Nordic region, says: "We want to help, whether it is assisting in the creative process, opening doors for them to work with great producers or supporting them with the right marketing campaign or distribution strategy."



Shakira



Ed Sheeran

Filippo Sugar, president of Italian independent label Sugar Music, believes artists benefit from the support of a label across the breadth of their career. "Artists need a lot of people to help them create a record and then promote it. They need champions. They need people who believe in them. It is the recorded music we produce and the synch deals we strike that drive our awareness of our artists and interest in their live performances."

The financial muscle of record companies enables them to invest in artists that could not finance themselves. Atlantic Records UK has signed artists including Ed Sheeran, Plan B and Rumer. "Our artists come from every section of society", says its chairman, Max Lousada. "We give artists a shot and a chance to change their lives, which is an incredible opportunity for a society to have."

"In the last 30 years, we made more than 80 per cent of our revenues in 10 countries. That will all change in the next 30 years as emerging economies overtake established markets." **Max Hole, chief operating officer, Universal Music Group International**

While the way artists are marketed and promoted has changed in the last decade, the costs involved in breaking an act remain high. Julie Greenwald, chairman and COO of Atlantic Records in the US, who works with artists including Bruno Mars and B.o.B, explains: "We're involved in every part of our artist's career. There are so many more avenues we have to go down now, including digital and social marketing."

The costs involved in breaking an artist also remain constant according to Greenwald. "Our costs have not reduced dramatically because we've reallocated the funding and now, for example, we are spending more than ever on tour support. Atlantic believes in long term artist development and keeping artists out on the road, connecting with their fans – but that is not a cheap ticket."

Record companies have adapted to a changing environment in the last 10 years and there is no sign this process will slow down. Martin Mills is chairman of the independent Beggars Group of record labels, to whom Adele, the world's biggest album seller, is signed. Adele achieved spectacular success in 2011, with the album *21* topping the charts in more than 30 countries.

Mills foresees a mix of continuity and change for record labels. "Artists will always need people to do the things that record companies currently do for them. The market could become more diverse. You could see companies working with artists that you wouldn't currently define as a record company. You could see record companies becoming something new."

Hamish Harris, owner of Twist Management, who works with artists including Tyson and Jamie Woon, believes that while labels are evolving, performers will always need support. "Any manager could put a team of people together around their artist to do the various roles of a record company. But then they'd just be a record company."

#### **New services to artists**

As the industry changes, so too does the model for investing in music. A new generation of deals between labels and artists is evolving, with record companies maintaining their ability to invest in talent by securing a share of a broad range of revenue streams.

For many decades, most record labels operated a model that saw them pay an advance to an artist and hope to recoup that investment through sales of albums and singles. The label would also spend heavily on marketing and promotion to drive sales and maximise the possibility of recouping their investment.

Today, label investment incorporates a much wider range of services, such as live or merchandising, and the relationship has evolved into a more flexible "partnership", with revenues shared across a wide range of new activities. New broader rights partnerships reflect an expanded role for record companies and recognition that the upfront investment required by artists is less likely to be recouped from sales of albums and singles alone.

"If you stop investing, you kill the business."  
**Jesus Lopez, chairman and chief executive, Universal Music Latin America**

#### **Local repertoire, global reach**

The recording industry is global in scale, but it is local repertoire in which it predominantly invests. In seven of the top 10 markets for recorded music, local repertoire accounts for more than half the sales of the top 100 albums (see table opposite).

The industry is also increasingly investing in new parts of the world, focusing on artists in developing countries, and using its skills to aim for international audiences. Max Hole, chief operating officer, Universal Music Group International,





says investing in local repertoire in emerging markets is a key priority. "In the last 30 years, the industry made more than 80 per cent of its revenues in 10 countries. That will all change in the next 30 years as emerging economies overtake established markets."

"No other industry even begins to take the level of R&D risk that we do". **Nick Gatfield, chief executive, Sony Music UK**

One example of this developing investment strategy is China, which has been hampered by high levels of digital piracy. Universal Music has operated for some time in Beijing and has built a significant roster of artists singing in Mandarin, which helps to develop local production and A&R expertise. Hole says: "The best way to prepare for a better environment is to invest in our Mandarin artist roster. We're thinking and investing on a five to 10 year basis."

### Maintaining investment in A&R

New talent is the lifeblood of the music industry and A&R is one of its crown jewels. A&R budgets are fiercely defended from budget cuts that have been forced on record companies due to declines in revenue in recent years. Jesus Lopez, chairman and chief executive, Universal Music Latin America and Iberian Peninsula, explains: "If you stop investing, you kill the business. The margins may be lower and we have had to go through a painful process of reducing our overheads and losing staff, but we have struck the right balance."

#### Investing in local repertoire

Country	Local repertoire as a percentage of top 100 album sales 2011
USA	62
Japan	77
Germany	55
UK	53
France	54
Brazil	88*
Italy	74

Source: Nielsen SoundScan US, Oricom (all CDs), Media Control, Official Chart Company (all albums), SNEP, ABPD and GfK  
\*Based on top 20

This approach has been replicated by record companies in key markets around the world. Nick Gatfield, chief executive, Sony Music UK, and a former member of the band Dexy's Midnight Runners, says: "Nothing has changed in terms of our level of investment in artists. In fact, in some countries we're increasing investment in new talent. It's the lifeblood of the business, building the catalogue, building the legacy. No other industry even begins to take the level of R&D risk that we do."

Recorded music is an investment-intensive business. The proportion of revenues invested by record companies in A&R activity remains exceptionally high compared to almost any other industry's investment in R&D. According to data from its members, IFPI estimates that record companies worldwide invested 16 per cent of their revenues in A&R activity in 2011.

By comparison, an EU study published in 2011 – *The EU Industrial R&D Investment Scoreboard*, covering industries in the EU, US and Japan – showed that even the pharmaceutical and biotechnology sector globally only invested 15.3 per cent of its revenues in R&D in 2010.

#### How music's global 16% A&R investment compares with other sectors' R&D investment

Rank	Sector	Overall sector R&D intensity %
1	Pharmaceuticals & Biotechnology	15.3
2	Software & Computer Services	9.6
3	Technology Hardware & Equipment	7.8
4	Leisure Goods	6.2
5	Healthcare Equipment & Services	6.1
6	Electronic & Electrical Equipment	4.2
7	Automobiles & Parts	4.1
8	Aerospace & Defence	4.0
9	Chemicals	3.1
10	Industrial Engineering	3.0

Source: The 2011 EU Industrial R&D Investment Scoreboard, European Commission



Adele



Boyz n the Banda



Tour support can cost a major record company **US\$100,000** or more if a backing band or orchestra is required

### The funding of talent – how it breaks down

While each recording deal is different, there are common areas of investment that usually feature, particularly in an agreement involving emerging artists. These are the payment of an advance, the funding of a recording, music video production, tour support and promotional costs.

Pop acts usually require the largest investment to develop. They tend to involve multiple songwriters, higher recording costs, more expensive photos and videos, the placing of stylists on the payroll and often higher travel costs, perhaps covering parents and chaperones as well as the artists.

Other genres, such as dance, urban and classical music, have different cost profiles.

In contrast with pop is the development of artists performing folk, alternative and rock music. It is cheaper to record; there are smaller marketing costs, no stylists and generally less expensive videos to produce. In addition, fans of these genres usually buy albums, rather than singles, so it can be easier to secure a return on investment in a folk act.

### Payment of advances

Competition between record labels to sign certain artists can be intense. This inevitably drives up the levels of advance on offer. The payment of an advance typically enables an artist to give up their day job and concentrate on writing, rehearsing, recording and performing music. Advances are recoupable against an artist's royalties from sales, but they are not recouped if sales fail to reach a certain level. Thus it is the record company that primarily bears the risk on the investment. A typical advance from a major label for a new pop act in a major market is estimated to be around US\$200,000 and can go much higher in competitive situations. In other cases, advances can be very small or non-existent, with the artist benefiting more from revenue-sharing than upfront expenditure by the record company.

### Financing of recording costs

Recording costs can vary widely between individual projects. The involvement of producers, session musicians, professional mixers and studio engineers can all have an effect on the costs. Investment in recordings benefits a wide community of musicians and technicians. Recording costs incurred in major markets can vary between US\$200,000 and US\$300,000 on a significant project.

### Production of videos

Video costs can range widely from project to project. Some of the most expensive can involve high-profile directors, large crews and days of filming. It can cost between US\$50,000 and US\$300,000 to produce two or three videos to promote tracks from an album in major markets. Such high expenditure is not always needed and videos can be produced much more cheaply. The approach will depend on the needs of the individual project.

### Tour support

Emerging artists often need to be heavily supported by record companies. The level of tour support required is highly dependent on the nature of the artist. Typically, tour support is the one area where rock acts require greater investment than pop acts. Artists who require a backing band or orchestra can drive the highest costs in this area. Tour support can cost a major record company upwards of US\$100,000.

### Marketing and promotion

Marketing and promotional costs are usually the largest expense for a record company. It is this heavy promotion that brings an act to a wide audience, enabling them to develop a broad fan base and opening up the opportunity for an artist to secure revenue from a wide range of sources from live touring to merchandising. A record company can spend between US\$200,000 and US\$500,000 trying to break an artist in a major market.

### Typical investment by a major record company in a newly-signed artist

The investment made by record companies in new artists will vary widely from country to country and in individual cases. A typical range of the cost of breaking a new pop act in a major market is set out below.

Advance	US\$200,000
Recording	US\$200,000-300,000
Two or Three Videos	US\$50,000-300,000
Tour Support	US\$100,000
Marketing and Promotion	US\$200,000-500,000
<b>TOTAL</b>	<b>US\$750,000-1.4 million</b>

### A competitive market

The recorded music market is competitive and high-risk. Only a minority of acts who are signed achieve significant commercial success. Estimates of the 'success ratio' vary across the industry. However, the most common estimate cited by senior music company management is a success ratio of one in five. This is more than the commonly estimated one in ten ratio of a decade ago, reflecting a generally higher success rate than was previously the norm.

The definition of commercial success varies. Some say it is breaking an artist to Gold or Platinum status in an individual market, others believe a campaign is only a success when the upfront advance has been recouped. Others believe success is simply a satisfied artist and the bills paid.

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# discovering and signing talent

“No matter how we find talent, it’s about someone making music and someone feeling the emotion that it creates.” **Afo Verde, chairman and CEO, Latin Region, Spain and Portugal, Sony Music**

Discovering and signing the best artistic talent is the motor that keeps a record company running. “Breaking acts and protecting A&R will always be the lifeblood of our culture. It’s at the heart of every conversation we have”, says David Joseph, chairman and CEO of Universal Music UK.

There is fierce competition between record companies to discover and sign the best new artistic talent. A&R teams are constantly scouting for performers that have the potential to develop their career in music to the highest level. Traditional A&R methods are today complemented by other ways of finding and signing talent.

“The way to find talent nowadays is completely different from 25 years ago when bars or small venues were the places to find artists and musicians”, says Afo Verde, Sony Music’s chairman and CEO for the Latin Region, Spain and Portugal. “Now there are a multitude of different ways. But at the end of the day, no matter how we find talent, it’s about someone making music and someone feeling the emotion that it creates.”

“The internet has made pre-selection much easier. Instead of having to travel to every gig, you can do a lot of the groundwork online, checking out bands on their homepage, Myspace or YouTube.”

**Andreas Weitkämper, A&R director, Warner Music Germany**


The internet is often the first port of call for an A&R executive looking to find the top performers of tomorrow. Andreas Weitkämper is A&R director for Warner Music Germany whose artists include Peter Fox and Udo Lindenberg. He says: “The internet has made pre-selection much easier. Instead of travelling to every gig, you can do a lot of the groundwork online, checking out bands on their homepage, Myspace or YouTube.”

Beggars Group is an international independent label with a range of artists, including Adele, who had the best global selling album of 2011. Simon Wheeler, director of strategy, says: “The internet is where you first hear of a buzz around an artist. We’re not the sort of label that looks for someone who’s got two million hits on YouTube, but we do look for an online buzz.”

While the internet can cut out some of the legwork for an A&R executive, viewing artists online is no substitute for seeing them live and developing a personal relationship with them. Evaluating artistic talent is a subjective process, but label executives agree they are looking for something beyond technical competence when searching for an act to sign.

Glen Barros, president and chief executive of Concord Music Group, a US independent label whose artists range from The Jayhawks to Esperanza Spalding to Sir Paul McCartney, says he is looking for an artist that can move music fans. “I’m looking for empirical evidence of a connection between the audience and the artist.”

Teresa LaBarbera Whites, senior vice president of A&R at Columbia Records, who has worked with artists including Beyoncé, Britney Spears and P!nk, says it is vital that an artist has ‘star appeal’. “You want to not be able to take your eyes off them. You want to hear everything they are going to sing. Those with star appeal have a raw emotional and human connection that makes them a star regardless of formal music training.” Andreas Weitkämper of Warner Music Germany also looks for signs of drive in an artist. “First and foremost you need a distinctive voice, but you also need to have the right personality and a strong will to push forward your career.”



The internet is no substitute for seeing **artists live** and developing a personal relationship

Some record labels specialise in a particular genre of music, while others want a broad roster of artists. Colin Barlow, managing director of RCA UK, says: "My belief is that a great record label is broad. I've got a varied record collection and I think it is important that my label has a variety of artists signed to it."

### Signing a deal

Most ambitious artists are looking for a record deal. "There is an invisible line in this business between amateur and professional", says Keith Harris, who has more than 30 years' experience in artist management, working with performers such as Stevie Wonder. "Until someone has invested time and money in you – it could be an agent, a manager or a record company – you are on the amateur side of the line. And the truth is, no one is interested in an amateur, they're interested in a professional."

Artists typically have both a manager and a lawyer in place to help them negotiate the best recording contract possible. These deals have evolved fast in the last few years. Many record labels now offer greater upfront support in a variety of artists' activities in exchange for a share of revenues from a broad range of income streams.

"Until someone has invested time and money in you – it could be an agent, a manager or a record company – you are on the amateur side of the line."

**Keith Harris, artist manager**

Andreas Weitkämper of Warner Music Germany sets out the thinking behind such contracts. "All measures used to build and establish an artist – from recording to live concerts and merchandising – interlock and promote the overall product. Every investment by a label is a risk that needs to be justified. So you need to consider all sources of income from the start."

Tony Wadsworth, BPI chairman and formerly chairman and CEO, EMI Music UK & Ireland, echoes the point. "Once an artist is successful, the label earns more on recorded music sales, but the artist can generate many types of income: synch deals, live touring, performance rights, corporate gigs, merchandising and others. Yet the pivotal act is the breaking of the artist on record. Once that happens, the Aladdin's Cave is open, for the artist and label!"

## no substitute for personal contact

Digital channels enable A&R executives to cut out some of the legwork in their jobs, but there is still no substitute for personal recommendation as the case of Jan Lisiecki proves.

Lisiecki is a Canadian classical pianist who, at age 14, came to the attention of Berlin-based Ute Fesquet, vice president, A&R, Deutsche Grammophon, after being alerted by a talent scout.

"Digital channels help in gaining a first impression of artists, but ultimately your network, or a personal impression are still crucial." **Ute Fesquet, vice president, artists and repertoire, Deutsche Grammophon**

Fesquet says: "After we received a tip-off about Jan, we checked him out online and then established contact. Digital channels help in gaining a first impression of artists, but ultimately your network or a personal impression are still crucial."

After attending numerous concerts and meeting with Jan personally, she signed Lisiecki to the Deutsche Grammophon roster. The label worked to nurture his talent. "We are involved in building artists from the ground up and strive for a long-term partnership, hand-in-hand with their stage career. We have a great responsibility to the artists, which we strive to live up to."

Jan was delighted to be signed to a label with such heritage. "I feel happy and privileged to record with a company that has a catalogue reaching back over 100 years, containing the names of some great performers that have left some of their artistic souls with us."

Now 17, he has performed in venues from Carnegie Hall to the Seoul Arts Centre, sharing the stage with artists including Emanuel Ax and Pinchas Zukerman. His debut album features Mozart piano concertos performed with the Symphonieorchester des Bayerischen Rundfunks. Other performance highlights include performing in the Orchestre de Paris season opening concert with Paavo Jarvi, making his New York Philharmonic subscription debut and performing recital debuts in Berlin, Brussels, Hamburg, Munich and Zurich.

## unlocking talent in france

Sexion D'Assaut is a French urban hip-hop collective. They came to the attention of Stéphane Le Tavernier, managing director of Sony Music France, after releasing a mix tape.

Le Tavernier says: "Sexion D'Assaut is one of the most creative, innovative bands I have seen for a very long time. I was delighted when they signed with us and pleased we were able to help take them from a mix tape that sold 10,000 copies to a first album that sold more than 300,000 copies."

Sony Music France ran a conventional media and marketing campaign, but also helped them create videos to bring their music to fans using online social networks. The band has a massive online social media presence, with one of the largest Facebook followings in France of more than 3.2 million.

"We're looking to use our position as a global company to partner them with the best international talent to advance their career beyond France." **Stéphane Le Tavernier, managing director, Sony Music France**

The record company also financed their fashion venture Wati B, which has become one of the most talked about youth fashion brands in France.

Le Tavernier says: "The band has just released their second album and it's on track to sell more than 800,000 copies. We're looking to use our position as a global company to partner them with the best international talent to advance their career beyond France. These guys are so talented the sky is the limit. It is very exciting to be in at the start of the story with such artists."

Eliza Doolittle



Professor Green



Despite the rise of broader rights deals, there is still no homogenous model for the deals done between artists and labels. Not all record companies have chosen to adopt broader rights and, in fact, artists now have more choice than ever, as to how they want to kick-start their careers.

“The pivotal act is the breaking of the artist on record. Once that happens, the Aladdin’s Cave is open, for the artist and label.” **Tony Wadsworth, chairman, BPI**

Some record companies place great emphasis on the “tailoring” of services to the needs of individual artists, whether it is help for established artists with the new areas of brand engagement or the traditional full-service support required by developing artists. Andria Vidler, chief executive, EMI UK & Ireland, says: “Our deals range from our work with Professor Green, where every aspect of the campaign is handled in-house, to the artists that we work with through our Music Services team, such as Noel Gallagher and Peter Gabriel, who don’t need A&R support, but who see a real benefit from the other services we can offer them.”

**Marketing without a label? Myth vs Reality**

There is a misconception by some that in the age of digital self-publishing, a developing artist no longer needs a record company to build a career in music. In fact, it is still extremely rare to see an artist build a career without the support of a label. Established acts have, of course, long been able to generate income simply from live touring, benefiting from a brand that had been built up throughout their recording career.

Max Lousada of Atlantic Records UK says most artists are realistic about the need for support from a record company. “The new generation of artists understand the value and amplification that record companies can provide. They see that internet buzz doesn’t generate a career and realise they need expert help to break them out of that environment and reach a mainstream audience.”

Recording is  
**the springboard**  
to a successful  
live music career

It is true that some artists now approach record labels at a slightly later stage in their career, having generated interest in their performances and maybe having released their own recordings. “You can see videos on YouTube put together by young artists that have been using this technology since they were 11”, says Teresa LaBarbera Whites of Columbia Records. “This generation has unprecedented resources at their fingertips to help develop their craft.”

One well-worn myth is that artists can survive on live performance income without needing to pursue a recording career at all. Yet in reality recording is the springboard to a successful live music career, and the overwhelming beneficiaries of live music income are established legacy acts. Manager Keith Harris says: “The live industry has thrived on established artists that have benefited from investment to take them to that level. If you took those artists out of the live industry, it would collapse.”

**Top live acts of 2011**

Rank	Artist	Year first album was released
1	U2	1980
2	Bon Jovi	1984
3	Take That	1992
4	Roger Waters	1967 (as a member of Pink Floyd)
5	Taylor Swift	2006

Source: Billboard

It is a view echoed by Martin Mills of Beggars Group. “You can make a career from live music, but promoters want to see artists have a record deal, they want to see activity; it makes it easier for them to sell tickets.”

Recorded music also offers an artist the chance to build a legacy. Glen Barros of Concord Music says: “Some artists can survive on live performance, but if they want to leave a legacy that endures, that survives past their lifetime, it’s through their recordings.”

“You can see videos on YouTube put together by young artists that have been using this technology since they were 11.” **Teresa LaBarbera Whites, senior vice president, A&R, Columbia Records**





## signing frida gold

Warner Music discovered four-piece pop band Frida Gold thanks to a tip-off from its A&R man Stephan Mattner. After looking at the band's website, the label realised it was dealing with an exceptional sound and a unique voice, as well as great German lyrics that captured the spirit of the times.

The team went to see Frida Gold open a concert for Bosse. Andreas Weitkämper, director of A&R for Warner Music Germany, says "Even today, seeing artists live is an irreplaceable experience."

After a demo deal, Warner and Frida Gold agreed to produce an album together. The label then used its network to further develop the act. It found the right producer who suited both parties and actively involved the band in the process. Weitkämper says: "With Frida Gold we were looking for a unique international pop sound that no other bands have."

Warner Music uses its network - songwriters, publishers, producers, bookers and live experts - to play a vital role in the long-term career planning for its artists. The company actively promotes artistic encounters by introducing performers to each other, such as Udo Lindenberg and Jennifer Rostock. Weitkämper says: "Whether they eventually end up working together is of course up to the artists."



# nurturing talent

“A&R is the most important part of our process. This is so important that you’re never not going to spend the money on this.” **Julie Greenwald, chairman and COO, Atlantic Records**

While record companies are always looking to discover and break new talent, they also want to develop long-term relationships with the artists they sign. Part of the role of an A&R team is to help its successful artists develop their career in music.

Record labels can help developing artists by opening the door for them to work with the best talent in the music business. Their backing can reassure studio producers, session musicians and other featured artists that a project is worth becoming involved with. Max Lousada of Atlantic Records UK explains: “Others in the industry know that we will bring a serious, thoughtful and creative campaign, and that gives confidence to the outside world.”

“Others in the industry know that we will bring a serious, thoughtful and creative campaign, and that gives confidence to the outside world.” **Max Lousada, chairman, Atlantic Records, UK**

In the US, Atlantic Records decided to partner Bruno Mars with B.o.B. and Travie McCoy, in projects that would introduce him to the public. Julie Greenwald of Atlantic says: “Our A&R guys heard Bruno in the studio and thought he would be great to pair up with B.o.B, which then helped to generate a lot of interest in him. People wanted to know more about the man with the great voice singing the hooks on the song *Nothin’ on You*. The process was repeated with Travie McCoy when they recorded *Billionaire*. It meant we could start a digital campaign around Bruno a year before his debut album was released.”

Such collaborations can transcend geographical borders as well as artistic boundaries. In Brazil, country singer Paula Fernandes had achieved a number one hit in her home country, but is now working with overseas artists to expand her fan base. “She performed a duet with American singer Taylor Swift, which helped introduce Taylor’s music to Brazilian fans and built awareness of Paula in the Anglo world,” says Jesus Lopez of Universal Music Latin America and Iberian Peninsula. “She also performed a duet with Colombian artist Juanes, helping her reach Spanish-speaking Latin America and increasing his profile in Portuguese-speaking Brazil.”

Paula Fernandes says:

“The experience of singing with Taylor and Juanes was very important to me. Seeing how music moves and unites people of different cultures is groundbreaking for an artist. And when there’s that click, both personal and musically with the artists, the writing process flows and it shows on the final result. This exchange with the artists and conquering new markets strengthens your song writing. It was a pleasure working with such talented and sensitive people, with brilliant and successful careers. My fans received them with a warm welcome; our paths now are a two way street.”

Juanes adds: “To work with Paula Fernandes has been a wonderful, unique experience. Her powerful and sweet voice; in addition to her charisma and professionalism, have made this an unforgettable experience.”

Record labels can put promising young performers in a studio with established producers who can help develop their craft. In the UK, Colin Barlow, president of RCA UK, cites the example of Rebecca Ferguson who had come second in the *X Factor* television series in 2010. Barlow says: “What we unearthed with her was that she was an incredible narrator for her life. You didn’t see it in the TV series because she sang covers. To take someone from the TV series and believe in her as a songwriter is a huge risk.”

“We put her together with Eg White, an incredibly talented songwriter and producer. After four days in a studio with Rebecca, he said she’s interesting and agreed to executive produce the whole album. Now she’s sold more than half a million records in the UK and is breaking globally in countries from Italy to Australia.”



Record labels can help developing artists by **opening the door** for them to work with the best talent

Julie Greenwald of Atlantic Records says this process is at the heart of what record companies do. "A&R is the most important part of our process. It is the ability to allow artists to go in with fantastic songwriters and producers, or even just to have the time to write on their own, as was the case with Bruno Mars. This is so important that you're never not going to spend the money on this."

### Shaping an album

Record labels work with developing artists and help them put together a body of work. This may involve developing tracks the artist has written, commissioning new music from songwriters offered by music publishers, or creating a cover version in which the artist brings their qualities to a track that has been previously recorded.

Sometimes this process can involve a frank exchange of views. Glen Barros of Concord Music says: "Sometimes people around an artist will be afraid to speak up if they believe the artist is heading in the wrong direction. But we feel that we have to give them open and honest – but respectful – feedback. There has to be an objective view. It's the only way we'll achieve mutually aligned goals and, quite simply, it's in everyone's best interests."

### Developing long-term relationships

Record companies want to develop long-term relationships with the artists they sign. The role of successful A&R teams is to help the artists they work with develop their musical careers. Many labels are also conscious that they want to further develop a historic catalogue that has been built up over many years.

Colin Barlow of RCA says: "We are building on a heritage that includes Elvis and Louis Armstrong. Today, we're working in America with artists such as Alicia Keys, Beyoncé and P!nk who will all be around for a long time. In the UK, look at Paloma Faith, an artist who I believe could be signed to RCA for the next 20 years. We need artists with longevity who are constantly evolving and that you want to go on that journey with."

Atlantic Records is building a relationship with singer-songwriter Ed Sheeran, a British artist who had released on his own and grown up with social media, but understood he could not convert millions of YouTube views into a career without the support of a label. Max Lousada says: "Our role is to understand the artists' wishes and the opportunities available to them and make our global infrastructure work for them."

Helping artists break into new markets is a major way in which labels can add value to artists' careers. Alejandro Sanz, a Spanish artist who Universal Music signed in 2011, wanted to break in Latin America. The decision was taken to launch an album there in autumn 2012, but in the meantime Sanz became a coach on the Mexican version of television show *The Voice*. Jesus Lopez says: "He was able to build revenues from that role and a series of private performances, putting him in a strong position to launch his album."

## partnership in action: a swedish indie speaks

Hugo Scherman, creative director of Cosmos Music Group, the biggest independent music company in the Nordic region, and previously of Family Tree Music, has been involved in discovering, nurturing and breaking great talent for more than 10 years.

Scherman says the companies he has worked for appeal to artists who want to deal with one broad ranging company which takes a small proportion of a wide range of revenue streams, rather than several companies that need to take a greater share of individual revenue streams to be economically viable. Conversely, some artists prefer not to rely on the opinion of one person or company when forging their career.

"They know that we'll do all we can to push and promote the album."  
**Hugo Scherman, creative director,  
Cosmos Music Group**

He works with a large number of mixers and producers, as well as performers which means he is in an ideal position to bring talented musicians and producers together. "If we have a project that doesn't have a big budget, we can ask the mixers and producers that we work with and aren't engaged elsewhere to get involved. They know that we'll do all we can to push and promote the album, so will get involved."

An example of this approach was the recent collaboration between Swedish singer Andrea Kellerman, known as Firefox AK, who was signed to Family Tree Music and has a worldwide licensing deal with Four Music, and producers Lasse Mårtén and Björn Yttling, who had produced hit albums for Lykke Li and Sarah Blasko. The resulting album *Color the Trees* attracted Four Music in Germany to sign an international distribution deal.

Scherman says: "It was a symbiosis between us, the artist and the producer. It was a creative process of people helping each other and also giving each other time to develop."



## the right partnership: an italian case study

Raphael Gualazzi was 28 when he signed a deal with the Italian independent Sugar Records.

Filippo Sugar, chairman and CEO of Sugar Music, says: "He had worked with another label, but they tried to package him too tightly as an Italian cliché. We realised he was an incredible talent and enabled him to make the sort of record he wanted."

Gualazzi made a jazz influenced album and Sugar Records worked with him to find the right song to bring his music to a broader audience. The resulting single, *Follia d'Amore*, won and received critical acclaim at the Sanremo music festival.

"We realised he was an incredible talent and enabled him to make the sort of record he wanted." **Filippo Sugar, chairman and CEO, Sugar Music**



By helping artists break into new markets, labels can

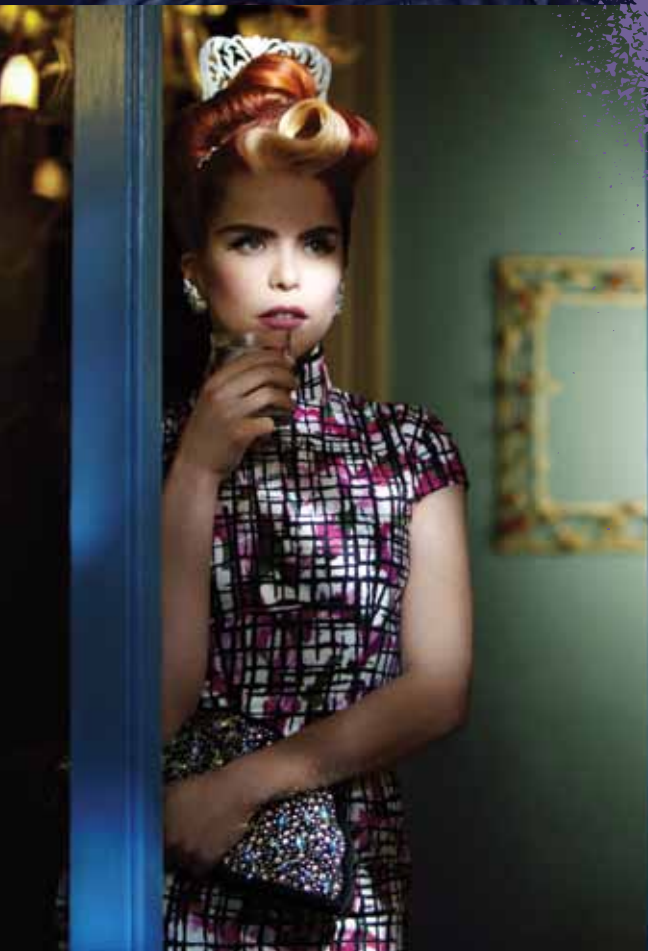
### add value

to an artist's career

The label secured three synch deals for Gualazzi; partnering him with oil and gas company Eni; car manufacturer Fiat and Telecom Italia. It also entered him for the Eurofestival, where his music stood out because it was so different, winning him second place. The label coordinated more than 100 live performances across Europe.

As a result of the attention generated by his live performances, the synch deals set up by Sugar Records and an appearance in the Eurovision Song Contest, Gualazzi's album *Reality and Fantasy* went Platinum in Italy and sold well across France and Germany.

Sugar says: "It was the first time in several years that a new Italian artist had broken outside of Italy. He has come a long way in a short time. We're looking forward to working with him on his next album."





# promoting talent

"If it were so simple to promote an artist and get their music heard then everyone would be doing it." **Martin Mills, chairman, Beggars Group**

The marketing and promotion of artists is one of the largest items of spending in a record company's budget. In a competitive market it is essential for an artist to enjoy promotional support if they are to have an opportunity to connect with a wide audience.

The media mix used to promote artists to existing and potential fans has changed dramatically over the last few years. Social media channels now complement traditional gatekeeper media such as radio and television. The head of one record label estimates that just four years ago 80 per cent of his marketing spend was aimed at broadcast advertising, but this proportion has now fallen to 60 per cent as resources are diverted to online promotion and that he expected the balance between broadcast and online would be 50:50 before long.

"The wonderful thing about the music industry is there is no formula. It's about instinct and it's about taking risks."

**Colin Barlow, president, RCA**

Dion Singer, senior vice president, international artist development at Warner Music, who has worked with artists including Michael Bublé, Green Day and Josh Groban, reflects on the change. "Social marketing is constantly evolving. When we released Green Day's album, *21st Century Breakdown* in 2009 we drew up a list of the top ten things we needed to do to promote it – the YouTube video, the Facebook campaign, certain kinds of viral marketing. Seven of the channels did not exist when their previous album, *American Idiot* had been released five years earlier. This was also true when we released their latest album *¡Uno!* In September, we again had to add several more new platforms to the mix."

The growth of online media has meant that record companies have to spend increasing resources to supply the content that these channels need. Colin Barlow of RCA says: "The content that you have to create in the digital world is probably double what it was four years ago; people are so hungry for it."

Julie Greenwald of Atlantic Records agrees. "You have to be clever when you do social marketing for an artist, it has to be real, it has to be organic. It has to come from the artist.

It can't be just what a corporation feeds out to the fans. What's the message, who is it coming from, how does it get to the consumer? We used to have 25 in the digital department, we now have 50 people. There is so much we can be doing with our artists, their content and their music."

David Joseph of Universal Music notes that new media channels offer the opportunity for a dialogue with fans. "The internet has become the new television, with immediate feedback and reaction."

No two promotional campaigns are the same. Colin Barlow of RCA says: "The wonderful thing about the music industry is there is no formula. It's about instinct and it's about taking risks. Why record companies are so relevant is that these bastions of music can take more risks than anybody else can."

Promotional activity can often cover a broader range of activity than was traditionally the case. Many artists want to become involved in a range of areas, according to Andria Vidler of EMI. "Some of our artists want to create clothing ranges, so we're bringing in fashion experts. Tinie Tempah, Pro Green, Swedish House Mafia, they all wanted this sort of advice. So we invested. We're testing and learning."

The investment has worked well for Tinie Tempah and his involvement in the Disturbing London fashion range. "I'm overwhelmed and delighted at the response and feedback from the public, my contemporaries and people I admire in the world of fashion", says the artist.

## New skills in marketing classical music

Record companies are extending successful techniques of pop to other genres – including classical. Max Hole of Universal Music says: "The marketing of classical music was old fashioned in many ways. Those involved were great at marketing to the



The global success of  
**music television**  
programming has  
provided a new platform  
to promote artists



core audience, but were not promoting artists to new audiences. We're trying to rejuvenate the way we promote classical music, reaching a wider audience without sacrificing quality."

This approach seems to be paying dividends for young classical artists such as Montenegrin guitarist Miloš Karadaglić, who is on the company's Deutsche Grammophon label. Hole says: "We're bringing more orthodox pop promotion to bear. Miloš recorded an album, promoted it and then toured it. That didn't always happen in the classical world. His debut album, *The Guitar*, sold more than 165,000 copies, while debut classical artists used to typically sell about 10,000 copies of their album."

"I work for months to record an album, putting my energy, heart and soul into it. I then work with my team to ensure it resonates with the public." **Shy'm**

Creating content for new media channels involves a partnership between artists and labels. Antoine Gouiffes-Yan, marketing director at Warner Music France, cites the example of the pop and R&B singer Shy'm who has worked with the label to create Shi'Minutes, a dedicated web TV channel that is present on YouTube and social networking sites. "Shy'm has committed to keeping the channel fresh and updated. It's about regularly producing great content that can go viral." The artist praises the collaboration: "I work for months to record an album, putting my energy, heart and soul into it. I then work with my team to ensure it resonates with the public. Such teams make record companies a vital ally for artists."

The potential of social networks as a means of promotion is particularly visible in Asia, where use of social media has exploded in recent years. Sandy Monteiro, president of Universal Music South East Asia says: "We've signed distribution deals with Korean indies and taken their artists into other markets where there has been no airplay, but where music and concert sales have gone through the roof."

It is a phenomenon that has also been noticed by Hugo Scherman of Nordic independent company Cosmos Music Group. He says a promotional push on digital platforms such as Spotify or WiMP can help a song surge on those services. "If you push a song through banner ads on Spotify and people start linking to it from their Facebook page or Twitter feed you can see a surge in interest. It was this effect on Spotify and social networks that helped break Swedish language R&B; radio only picked up on it once it was popular."

### Growth of brand partnerships

Brand partnerships are increasingly important to artists and record companies, not just as a source of revenue, but as a way of positioning a performer and introducing them to new audiences.

Andria Vidler of EMI Music is convinced this approach can pay dividends. "The right placement with the right brands can really help an artist. Artists such as Professor Green and Eliza Doolittle made money before their first albums were released, and their brand partnerships helped position them with fans. Now Pro Green is an iconic British urban act that is looking to go global, and brand partnerships were part of the mix to help him achieve that. The PUMA deal is not accidental."

Professor Green says of the brand partnership: "My relationship with PUMA UK continues to grow and develop, but of late I'm seeing increasing interest from outside the UK. From my side, it increases my international exposure and allows me to enter markets I may not have the opportunity to do so regularly."

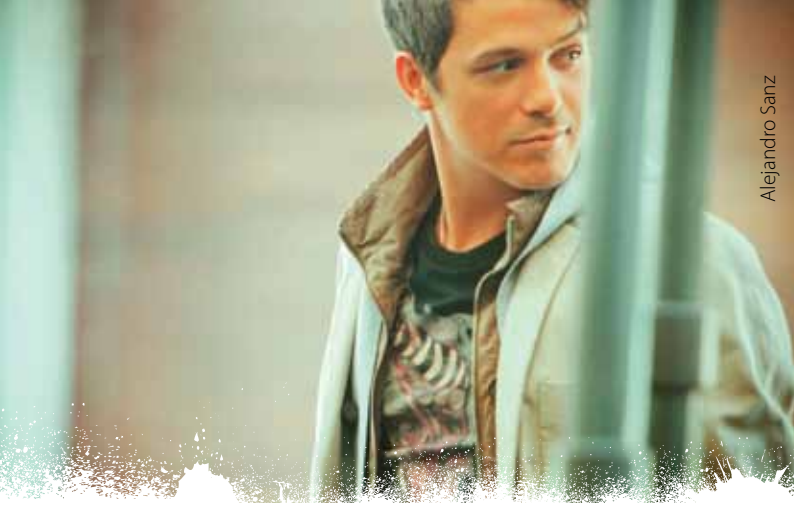
"We wouldn't sign a branding deal just for the money. It's not worth it." **Andrea Vidler, chief executive, EMI UK & Ireland**

Vidler cautions that this is not a market for record labels to become involved in without a clear idea of what they want to achieve for their artists. "It's not easy; you reject as many deals as you accept. We wouldn't sign a branding deal just for the money. If it's not right for the artist's career, it's just not worth it."

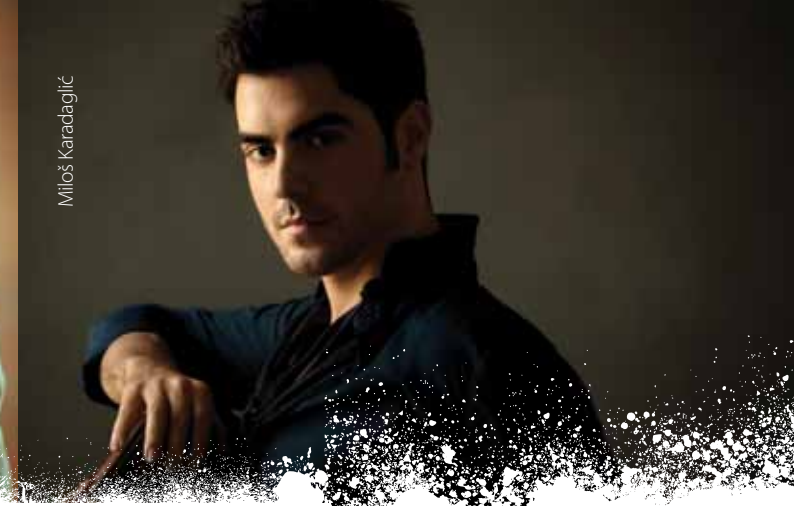
Antoine Gouiffes-Yan of Warner Music France takes a similar stance. He notes that when Shy'm won *Dance Avec Les Stars* and a NRJ Music Award many brands became very interested in her, but that the company was only interested in ones that gave her creative input. "We signed a deal with Yot, the watch company, and Shy'm became a brand ambassador and worked with them to create Shy'm branded watches. She has been fully involved in the deal and engaged creatively. We weren't interested in signing deals with brands that just wanted to use her image."

Brand partnerships are not only struck by major labels. Martin Mills of Beggars Group says: "We want to see brand partnerships deliver value for our artists and there has to be a decent level of compensation all round. The credibility of the artist is the most important thing and it cannot be undermined."





Alejandro Sanz



Miloš Karadaglić

### Synchronisation deals go mainstream

Synchronisation deals have grown dramatically in the last few years. These commercial arrangements see music used in films and television programmes, as well as advertisements. Record companies' income from synchronisation deals increased in 2011 by 5.7 per cent to US\$342 million, accounting for 2 per cent of their overall revenues.

**"The right synch deal can take an artist or a song at warp speed, when otherwise it might have taken a longer time to break them." Andrew Kronfeld, president, global marketing, Universal Music Group**

Andrew Kronfeld, president, global marketing, Universal Music Group says: "Synch deals are a good platform. The right synch deal can take an artist or a song at warp speed, when otherwise it might have taken a longer time to break them."

The case of Ellie Goulding highlights the power of synchronisation deals. Her first album, *Lights*, went Platinum in the UK but had started to come to the end of its initial sales cycle. Universal Music then sold department store chain John Lewis the concept of Goulding singing a cover of Sir Elton John's *Your Song* as part of a bespoke synchronisation deal. The track was added to the album which went on to sell another 400,000 copies and go triple Platinum.

Dion Singer notes that synchronisation deals can also provide greater financial security for an artist. "One of the most synched bands we work with was sitting in the camper van, touring the States, when we landed them a US\$100,000 deal. They said that turning that down would be crazy and have since used synch deals to help boost their financial security."

In Malaysia, independent label KRU Studios benefits from being an entertainment company that also produces films. Norman Halim, an artist who is now also executive president of the KRU Studios, says this means he can synch his artists' music to the latest films he is producing. "We signed Jaclyn Victor, a former winner of *Malaysia Idol*, and were able to put her music on two films. One was an English-language film aimed at the international market, offering her the opportunity to reach a new audience."

### The success of TV platforms

Record companies have played a key role in the rise of global music television franchises that are effective platforms for new talent and also showcase established artists.

Music on television was rebooted in 2001 with the modernisation of the talent show format by the programme *Pop Idol*. The *Idol* franchise is now established in almost 40 countries, with programmes ranging from *American Idol* to *Vietnam Idol*. "The *Voice*, *Idol* and any number of developing platforms enable us to discover new talent, take existing talent and put them in front of new eyeballs", says Andrew Kronfeld, president, global marketing, Universal Music Group.

The *X Factor* franchise launched in 2004 and is now in 40 countries, including India where its audience tops 200 million. *The Voice*, which originated in the Netherlands, is one of the latest international franchises and it airs in almost 40 countries worldwide.

Nick Gatfield of Sony Music notes that TV platform acts are also capable of breaking in to more than one market. He cites the recent success of the band One Direction, put together for the *X Factor* in the UK, who went on to top the *Billboard* album chart in the US. "We've seen successes from television shows before, but they are often confined to their own markets. We've taken One Direction to become a global phenomenon based on our worldwide platform."

**"We've taken One Direction to become a global phenomenon based on our worldwide platform." Nick Gatfield, chief executive, Sony Music UK**

Norman Halim of KRU Studios says an increasing amount of artist discovery in Malaysia involves TV platforms such as *Akademi Fantasia* with which he was involved. He has introduced artists who sung cover versions on such shows to his in-house team of songwriters and producers, enabling them to forge a career by performing original material. "Talent scouts recognise the role of reality TV in Malaysia and are riding that wave. In the future, there may be other sources and record companies will continue to adapt to reflect that."



David Guetta

## breaking the US market: "you need an army"

David Guetta is an international superstar, but that didn't mean it was easy to break him in America, the world's largest music market.

Greg Thompson, executive vice president, marketing and promotion, EMI Music North America says: "Electronic dance hadn't enjoyed the same success in the US as it had in Europe, so we had a process of continuous investment in promotion. To break an artist in the US, you need an army of executives to focus on it, sometimes for a couple of years."

EMI worked across the traditional broadcast and print media, as well as engaging music fans through social networking channels. Thompson says: "The fragmentation and geography of the US make it more difficult to cross the sales threshold needed to break. We bring the best research to bear, finding out where artists connect and we analyse different groups to look for the next opportunity."

Guetta toured the US, performing at festivals such as Coachella in California. Thompson adds: "We helped make his performances events that were seen by lots of gatekeepers. We signed retail partnerships and released numerous singles to show he is the ultimate hit producer."

One hurdle that had to be overcome was Guetta's own diary. Thompson explains: "David has a massive global franchise and worldwide touring commitments. It was a question of balancing out his time."

The campaign paid off with Guetta's fifth studio title *Nothing But The Beat* becoming his first top five album in the US.

## Taking talent to a global audience

Many artists signed to record companies want to have an international career. International success is also vital to the commercial music economy, helping create the revenues that can be ploughed back into developing new acts.

Artists want global success, says Afo Verde of Sony Music Latin Region, Spain and Portugal, who has helped bring artists including Shakira and Ricky Martin to a worldwide audience. "It's the dream of every artist to have his work known all over the world. It is the enthusiasm and hard work of the rest of the company worldwide that helps make this a reality."

Artists often perform in more than one language to help them build an international fan base. Hugo Scherman of Cosmos Music Group says artists that approach his independent label want to reach the broadest possible audience. "If Swedish artists sing in English their ultimate aim is to get their music released internationally. If they want to be an artist, they want to be an artist worldwide, not just in Sweden."

Many artists want to break in the US, the world's largest music market. Sandy Monteiro of Universal Music South East Asia says that Girls' Generation became the first K-Pop band to sell in the US, when they released their first single there in late 2011 and PSY has enjoyed massive success with his hit *Gangnam Style* in 2012. K-Pop stars and their record labels are also looking at breaking into other significant music markets worldwide. Universal Music recently brought a large number of K-Pop artists to venues in Brazil and the UK.

Many Spanish artists want to break into the Latin American market and can benefit from the infrastructure of an international record company. An example cited by EMI Latin America is Pablo Alborán, who had a successful career in Spain, but wanted to boost his profile in Latin America. EMI worked with the management company to crack the Latin American market. They invested in touring, promotion, merchandising, live tours and publishing rights.

Major record  
companies have the  
**infrastructure**  
to deliver a global  
campaign for artists

Pablo Alborán says: "My debut album, *Pablo Alborán*, has been promoted with a lot of hard work and close attention to detail resulting in achievements that perhaps would not have been possible without such support. I secured three Latin GRAMMY nominations and saw songs from the album placed in TV programmes in Argentina, such as *El Elegido* and *La Que No Podía Amar*. We made promotional visits to Argentina, Chile, Mexico, Puerto Rico and Miami, meeting with a great reception. My label has gone all out for me and truly believed in my music from the beginning. I will soon be visiting all these countries for the second or third time and there is an upcoming tour in the works. This is a dream come true."

"We live in a global market thanks to the internet. Once an act has mass appeal they can't live in a bubble." **Greg Thompson**, executive vice president, marketing and promotion, EMI Music

The nature of modern communications means it is easier to break artists internationally and there is additional demand to do so according to Greg Thompson, executive vice president, marketing and promotion, EMI Music North America. "We live in a global market thanks to the internet. Once an act has mass appeal they can't live in a bubble."

Record companies large and small have the ability to deliver a global campaign for artists. Belgian born singer-songwriter Wouter De Backer, known as Gotye, was signed to Eleven, an Australian independent label that Universal Music has a global distribution deal with. Andrew Kronfeld, president, global marketing at Universal Music, says: "We have a great relationship with the label and at an early stage they said he looks really good and our guys signed him for the rest of the world. He went on to have a number one single all over Europe and North America and it's started to happen for him in Asia. It shows what happens when our global network of A&R and marketing people take something from one market and make it global." *Somebody That I Used To Know*, Gotye's duet with New Zealand singer Kimbra Johnson, became the first single by an Australian-based artist to top the Billboard Hot100 US singles chart in 12 years.



Michael Bublé

## going global: "music is sold by people that turn up"

Michael Bublé hails from British Columbia in Canada, but his path to global fame was routed through South Africa.

Dion Singer, now senior vice president, international artist development, Warner Music, was working for the company in South Africa when he first heard Bublé's music. "I thought we have nothing like this. Some people wrongly identified him as a jazz singer, but he's not, he's a pop artist."

Bublé's album reached Gold status in South Africa and sold in Canada, Singapore, Australia and New Zealand. Singer thought the Canadian performer, with his quirky sense of humour, had an appeal in Commonwealth countries, but might not connect in Europe. Then Bublé's manager Bruce Allen, credited by Singer as one of the best in the business, said that his tour in Asia was wrapping up and he was sending him back to Vancouver.

"I called my people across Europe. I said: 'If I can get you Michael Bublé this weekend, what can you do with him?' My Italian guy called back and said he didn't have anything lined up, but he didn't want to miss the chance and would set something up. I trusted him and we put Bublé on a plane. We got him onto a leading Italian radio show. They loved his song and used it to promote the show. Suddenly *Moondance* was number one in Italy!"

"He became a real pop star in Italy. There were teenage girls screaming for him! So we figured, if he works in Italy, he might work in Spain. And sure enough, he did. And then we were able to use that momentum to go into even more markets." Michael Bublé has gone on to enjoy global success, selling more than 40 million albums worldwide.

Singer stresses his mantra is: "Music is sold by people that turn up. If you like an artist, we'll move heaven and earth to get them to you."



## korea and the k-pop explosion

K-Pop is a phenomenon that has swept Asia and is now being promoted worldwide, bringing K-Pop acts such as Girls' Generation and the recent phenomenon of *Gangnam Style* from PSY to a huge global audience.

Four years ago, the South Korean government introduced comprehensive measures to tackle digital piracy, creating a more positive investment environment. This helped labels to begin signing the acts that formed the second wave of K-Pop.

Many record companies are active in investing in K-Pop. In one example, Universal Music struck a partnership with independent label Cube in January 2010. Sandy Monteiro, president, Universal Music South East Asia, says: "The timing

was perfect. The measures brought in by the government had created a positive environment and it was at the start of the K-Pop explosion. We saw a return on investment within a year."

Universal concentrated on boy band Beast and girl group 4minute. They both went multi-Platinum in South Korea and sold Platinum and Gold across five markets in Asia on their first album. The second albums sold even more widely. Monteiro says: "We helped these bands by investing in the recordings, the music videos, marketing campaigns and distribution across Asia. K-Pop is all about the styling and fashion that goes with the music."

One recent phenomenon has been the emergence of K-Pop bands with non-Korean members, such as Miss-A, a K-Pop girl group signed to independent media entertainment company JYP, which consists of four members, two of whom are Chinese.

## new digital services

Digital has added a new dimension to the services record companies provide for artists. Digital accounted for 31 per cent of record companies' trade revenues in 2011 and the major services expanded their reach from 23 to 58 countries in the same year. While some services, such as AmazonMP3 or iTunes, effectively replicate the physical format market with consumers buying albums or singles, others, such as Deezer, Spotify and VEVO, rely on either advertising income, people paying a monthly subscription fee or some combination of both.

Such services are still in the early stages of development but offer the opportunity of global scale. Subscription services in June 2012 had an estimated 16 million subscribers globally, a number that has almost doubled in the last 18 months. Many streaming services are relatively recent start-ups. One of the largest services, Spotify, only opened in Germany, the world's third largest music market, in March 2012.

Spotify is most developed in Sweden, where large numbers of consumers use the paid-for subscription tier of the service. Hugo Scherman of Cosmos Music Group believes it has had a positive effect. "In Sweden, Spotify has changed the music business and made it a happy place to work again. Now large numbers of people have a premium account, the revenue stream is fantastic. People listen to an album or song and put it on their playlist. They won't stop listening to it. It'll be giving the artist and record company a revenue stream for years."

"People listen to an album or song and put it on their playlist. They won't stop listening to it. It'll be giving the artist and record company a revenue stream for years." **Hugo Scherman, creative director, Cosmos Music Group**

# performance rights

“Performance rights income is increasingly important to recording artists and those that invest in their recorded performances.” **Lindy Morrison**

Performance rights income to artists and record companies has increased sharply in the last few years. Music licensing companies, licensed by record labels, collect revenues from broadcasters and other commercial operators that use recorded music and distribute it to artists and producers.

Performance rights income now accounts for 6 per cent of record companies’ trade revenues worldwide and is of particular importance in some developing regions. In Latin America, revenues increased by 18 per cent in 2011 alone, although there are big disparities among some of the major markets. Performance rights income in Brazil and Argentina account for significant shares of overall revenues (15 and 8 per cent respectively). By contrast in Mexico, due to difficulties in enforcing rights, performers and producers earn much less from public performance and broadcasting.

For record companies and performers alike, receiving a fair return on the use of their music can never be taken for granted. Nowhere has the continuous fight for recognition of the value of music been better illustrated than in Australia. Australian artists seeking to benefit from their performance rights when commercial third parties use their music can register with the Phonographic Performance Company of Australia (PPCA). The organisation collects royalty payments and distributes them to the relevant record companies and registered Australian artists.

PPCA has undertaken a number of high-profile campaigns in recent years to ensure registered artists and labels fairly benefit when commercial third parties use their music. It has secured increased payments from nightclubs, fitness centres, restaurants and free-to-air telecasters that

use recorded music, enabling it to significantly increase its payments to registered artists and record companies. It is currently working to secure fairer payments from Australian subscription television broadcasters.

Lynne Small, general manager, PPCA, says the system can help artists unlock revenues they would not be able to access independently. “Most artists and smaller record labels would not have the administrative capacity to handle the 55,000 venues licensed for public performance in Australia. Equally, businesses such as the thousands of restaurants and hairdressing salons licensed by PPCA would not be able to identify, locate and deal with the hundreds of artists and labels covered by PPCA’s blanket licence.”

Small notes developing artists might find it difficult to separately negotiate fair payment from the corporate radio sector. “It would be hard for these performers to individually negotiate royalty rates with commercial radio stations, which use their music to attract listeners and generate advertising revenues, but who have the capacity to drop individual artists from their playlists. Conversely, it would be impractical and inefficient for radio stations to negotiate licences on a track-by-track basis. The breadth of the PPCA blanket licence allows them enormous flexibility to tailor and amend their playlists at a moment’s notice.”

Artist Lindy Morrison, formerly of the Go-Betweens, adds: “Performance rights income is increasingly important to recording artists and those that invest in their recorded performances. When we create music that is then used by businesses to draw in customers and increase their revenues, it is only fair that we are paid a reasonable amount for the benefits we have delivered.”



Swedish House Mafia

## the managers view

Keith Harris has worked in artist management for more than 30 years. He is perhaps best known for managing the legendary Stevie Wonder. His son Hamish has run his own company, Twist Management, for five years, working with artists such as Tyson and Jamie Woon.

Keith has spent much of his career across the negotiating table with record companies and believes they are transforming themselves to adapt to a new environment. "As a manager, I've had my fair share of run-ins with record companies, but it is very easy to quote the industry as it was years ago, not as it is now."

"You have to do something to cut through in a crowded market. The assumption that you'll reach people just because you've put something out there is wrong. Record companies still inject considerable money, but also expertise about where it should be spent to have an impact."

Hamish says: "As a manager you can identify what needs to be done, but try doing it while answering the phone and dealing with all the emails. Having a record company's offices in different countries around the world can help too; they know their local market."

Keith believes record companies have changed their business models to adapt to the digital environment. "Record companies have started to develop a new business model built around the idea you can sell fewer records and still be financially successful.

Hamish adds: "Even if you go back five years, we're in a totally new era right now. Even when Amy Winehouse's *Back to Black* was out you could still work to the old model. Spend a lot of money on making albums and then go out and sell them. Today, you need to go out and build the fan base even as you're making the record."

Both men believe the evolving nature of record deals is positive. Hamish says: "I think the natural move is towards partnership with management companies. They can look together at the structure of a deal on an individual basis. They don't need everyone to be a global superstar. An artist could tour to 15,000 fans and sell limited edition merch and CDs to them. It can be profitable and the artist could have a career."

Keith adds: "Until recently, deals were set in stone. Out of necessity, record companies have become more flexible and in doing so they have seen they can make money in other areas. Flexibility enables the creation of commercial deals that make sense for all of us."

Father and son agree that record company funding is still vital for an artist with aspirations. Hamish says: "I think investment from record companies is just as important in my generation as my father's. You need investment to develop an artist." Keith concludes: "It was easier to get the investment in my day, there was a lot more money around, but it is as important today as it ever was."



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