

SAME HEART.

NEW BEAT.

*How Record Labels Amplify Talent
in the Modern Music Marketplace*



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WHAT CAN A LABEL DO FOR ME?

PAID APPEARANCES QUALITY CONTROL INTERNATIONAL ROYALTY ACCOUNTING
FAN CLUB MANAGEMENT VOICE ACTIVATION PROMOTIONAL APPEARANCES STYLISTS
COLLEGE MARKETING REPS TOUR BOOKING UNDERSTANDING OF DIGITAL SERVICE
ARTIST BRANDING PROVIDE AUDIENCE SEGMENTATION STRENGTHS AND WEAKNESSES
UP-FRONT RECORDING FEES LISTENING SESSIONS RADIO PROMOTION RADIO APPEARANCES AND EVENTS TOUR SPONSORSHIPS
RADIO PROMOTION CRISIS MANAGEMENT EXPERT KNOWLEDGE OF BUSINESS
ROYALTY PORTAL WEBSITE DESIGN AND MAINTENANCE MARKET READ-OUT COMBINING SALES
AND MARKETING DRIVERS
PASSION FOR MUSIC ARTWORK LOCAL TOUR PROMOTION PERFORMANCE COACHING
LAUNCH EVENTS PUBLIC RELATIONS TRAINING PHOTOGRAPHY DATA-DRIVEN MARKETING PLANS
STUDIO MASTERING ARTIST ADVANCES MARKETING COSTS, VIDEO
COSTS, PROMOTION COSTS
BRAND PARTNERSHIPS JOINT VENTURE ACCOUNTING CONNECT ARTISTS WITH CREATIVE COLLABORATORS
SALES AND STREAMING DASHBOARD MASTER USE/SYNCH LICENSING SEARCH ENGINE OPTIMIZATION
TICKETING / TICKET BUYS ADVERTISING METADATA MANAGEMENT NEW TECHNOLOGY DELIVERY
STREET TEAMS (VR/AI, ETC.)
RETAIL STORE MARKETING PROTECTION OF MUSIC
PLAYLISTING STRATEGY CONTESTS AND GIVEAWAYS NEIGHBORING RIGHTS/PUBLIC
MARKETING MATERIALS PERFORMANCE COLLECTION
ART DIRECTION, DESIGN, AND PRODUCTION SHOWCASES ROYALTY PROCESSING EASY ACCESS TO CUTTING EDGE RECORDING STUDIOS
MERCHANDISING RIGHTS CLEARANCE DIGITIZATION OF ASSETS AND DELIVERY TO 450+ GLOBAL
MANUFACTURING, WAREHOUSING, SHIPPING, CREDIT AND COLLECTIONS, RETURNS HANDLING STREAMING AND DOWNLOAD SERVICES, MOBILE OPERATORS,
VIDEO STREAMING SERVICES, AND DIGITAL RADIO



**THE PEOPLE WHO
WORK AT LABELS
LOVE MUSIC. THEY
ARE PASSIONATE
CHAMPIONS FOR
THE PEOPLE WHO
CREATE IT.**

THE HEART OF THE PROCESS

Labels meet artists wherever they are with highly specialized staff and scalable infrastructure geared to the way fans now discover and consume music.



WHERE IT BEGINS

The relationship between artists and labels is constantly evolving



NOT WHAT, BUT HOW

The core functions labels provide have not changed



DISCOVER ARTISTS



AMPLIFY THEIR VISION



DEVELOP TALENT



MAXIMIZE COMMERCIAL POTENTIAL



NURTURE



GROWING TOGETHER

Labels have invested heavily in



INFRASTRUCTURE



STAFF



TECHNOLOGY



ARTIST SERVICES — MUCH MORE THAN SALES:



DEVELOP NEW OPPORTUNITIES WITHIN THE STREAMING ECOSYSTEM



BUSINESS OF BUILDING AND SCALING ARTIST BRANDS



MORE THAN MANUFACTURING AND SELLING RECORDS



LED BY HIGHLY EXPERIENCED, PASSIONATE MUSIC EXECUTIVES, LABELS TODAY WORK IN A HIGHLY COORDINATED FASHION ACROSS TERRITORIES, PLATFORMS AND MEDIA CHANNELS.

There is a new speed from the artistic endeavor to the audience.

Music is back, and the beat has quickened.

Walking the hallways of major and independent record companies in 2018, there is growing confidence that the investments and changes made over the last fifteen years are beginning to pay off. In the throes of a historic digital disruption, labels retooled to help talented artists develop and find audiences.

Record labels have created new business units to focus on enabling music startups and new business models. Labels have increased their investment in artists, in their own infrastructure and in the human capital required to amplify the artist's vision and provide the best possible experience for fans to discover and listen to the music they love. By doing so, record labels have transformed themselves from B2B providers of albums into music-based entertainment companies — accelerators of artist brands that directly reach the music consumer on every platform, territory, and connected device around the world. It's a tall order.

Record labels, as it turns out, are vitally important in 2018. For many musicians, the democratization of music production and distribution carried the promise of reaching multitudes of eager fans at the touch of an upload button. Yet the virtually infinite selection of music available on most streaming platforms has actually made it more difficult than ever for new artists to break through, especially on the global stage.

"It has never been easier to listen to vast quantities of music, discover new artists, and create, distribute, and promote your

own tunes. But there's a downside: It is harder for artists to break through the cacophony of today's global pop-music machine," wrote Neil Shah in the *The Wall Street Journal*.¹

Although it is certainly possible today for artists to create and self-distribute their music and gain a following, talented self-distributed DIY artists seldom reach enough scale to fulfill their promise. During the preparation of this report, it quickly became apparent to us how labels have restructured the way they build value. Led by highly experienced, passionate music executives, labels today work in a highly coordinated fashion across territories, platforms and media channels.

Enter the modern record label.



What record labels do has not changed. Now as ever, labels discover and develop artists, connect them with creative collaborators and make great records, promote and position them in the media and wherever fans go to get music, and reward successful outcomes. But *how* labels do their job is nearly unrecognizable from just a decade ago.

This paper examines this evolution by distilling nearly 50 conversations with executives from across the U.S. recorded music business. Our aim in each of these conversations was to obtain an insider's perspective on the transformation of this industry.

What we found was that the digital transition has fundamentally changed every functional area due to the introduction of massive amounts of real-time discovery and consumption data. Label teams now analyze thousands of global inputs: Facebook fans, Twitter followers, YouTube views, Instagram activity, Shazam queries, and Wikipedia look-ups — even before analyzing the daily tsunami of music service plays around the world in order to develop an agile, highly customized response plan for every track of an artist's release. Indeed, superstar recording artists comprise nine of the top ten YouTube videos ever viewed; each with over 2.5 billion views; seven of the top ten Facebook accounts; six of the top ten Twitter accounts; five of the top ten most followed Instagram

¹ Neil Shah, *Didn't Like That New Album? Another One Is Coming Before You Know It*, *The Wall Street Journal*, (Mar. 26, 2018, 10:58 AM) <https://www.wsj.com/articles/didnt-like-that-new-album-another-one-is-coming-before-you-know-it-1522076320>.

NOW AS EVER, LABELS DISCOVER AND DEVELOP ARTISTS, CONNECT THEM WITH CREATIVE COLLABORATORS AND MAKE GREAT RECORDS, PROMOTE AND POSITION THEM IN THE MEDIA AND WHEREVER FANS GO TO GET MUSIC, AND REWARD SUCCESSFUL OUTCOMES. BUT HOW LABELS DO THEIR JOB IS NEARLY UNRECOGNIZABLE FROM JUST A DECADE AGO.

accounts; and all ten of the top ten among Twitter, Instagram and Facebook combined.²

The beneficiaries of this ocean of data are not limited to new and developing artists. With no restriction on retail shelf space and powerful algorithms ferreting out recent and classic songs, record labels are finding new life for career artists and presenting them to fans in a way that was simply not possible in the pre-digital era.

Today's music fans discover and consume music through multiple channels and platforms — many of which, such as social media and fan clubs, are now routinely maintained by the artists' record label. Many fans now listen to music via premium

subscription services that give them access to tens of millions of tracks for less than the price of one CD per month, or in a “feels free” option of ad-supported delivery. Fans also access music by watching label-created visual content on a myriad of screens, large and small, over video channels and via social media, while at the same time they may still buy CDs or vinyl records and listen to the radio. To properly synthesize and optimize all these inputs and extract actionable insights requires hands-on experience that is both broad and deep, relationships, investment, and instant access to a global marketing and distribution network; that is, it requires “boots on the ground.”

The people that work at labels love music. They are passionate champions for the people who create it. This point is often lost in discussions about the drivers of change in the music industry, but the people who work at labels wake up at 4 am to go with their artists to morning television shows, and are still up at 2 am at the show that night. Their eyes light up when they talk about their favorite track from a new artist they just discovered. Label people have dedicated their careers to sharing this passion with others as one senior executive told me: “I wouldn't be doing this if we just crunched numbers.” As the Director of the NYU Steinhardt Music Business Program, I see that flame lit at an early stage, and it's gratifying to see that fire only burns brighter in the executives we spoke with for this paper.



Recent U.S. and global music revenue reports underscore the change in the way people discover and consume music. In March 2018, the RIAA reported that, in 2017, revenues from recorded music in the United States increased 16.5% to an estimated retail value of \$8.7 billion, continuing the growth

from 2016, when overall retail value grew 11.4% from 2015. Streaming music platforms accounted for almost two-thirds of all recorded music revenues in 2017, and contributed nearly all the growth. By the first half of 2018, streaming comprised 75% of recorded music revenues (see Figure 1).

The RIAA noted that 2016 to 2017 was the first time since 1999 that U.S. music revenues grew materially for two years in a row. The industry has taken a decade to return to the same overall revenue level as 2008 and is still 40% below the 1999 peak of \$14.6 billion; 63% lower than the 1999 peak on an inflation-adjusted basis.³

Americans are spending more time listening to music than ever before. In the first half of 2018, Americans consumed over 400 billion combined on-demand audio and video streams, 42% more than in 2017.⁴ For Spotify listeners in particular, those streams comprised an increase in the number of artists listened to each week, from under 30 in 2014 to 41 in 2017, an increase in artist diversity of 37% in just 3 years.⁵ Voice is an exciting frontier as well and has started to make music a communal activity again. Smart speaker users are overwhelmingly using their devices like the Amazon Echo and Google Home for audio content, and nearly all (90%) say they are listening to music in a typical week.⁶

Consumer demand for a music release is no longer determined by retail price or proximity to a music retailer, or by limited shelf space and stocking cycles in stores. Thanks to the streaming access model, music fans can now experiment and discover new genres and new artists (including foreign artists) because the cost to listen to one more album or a hundred new tracks is essentially zero. But the day still has the same 24 hours as ever, and there is limited time for entertainment, even if a person multitasks by watching TV, reading an article on their connected device, stopping occasionally to update their Instagram or make a move in a game on their phone.

THEIR EYES LIGHT UP WHEN THEY TALK ABOUT THEIR FAVORITE TRACK FROM A NEW ARTIST THEY JUST DISCOVERED. LABEL PEOPLE HAVE DEDICATED THEIR CAREERS TO SHARING THIS PASSION WITH OTHERS.

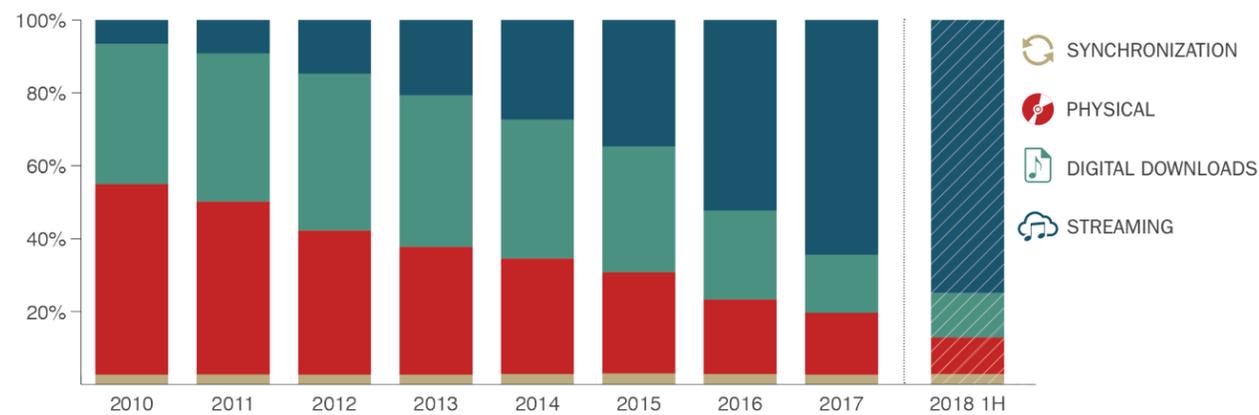
Artists and their record labels are not merely competing with every other artist and label for consumer attention, but with every other form of entertainment available.

Yet despite the explosion of media and entertainment channels vying for our attention, time spent listening to music has increased over the last several years. Americans spent over 32 hours a week listening to music in 2017 — almost a day and a half of music each week — up from 26.6 hours a week in 2016 and 23.5 in 2015. According to Nielsen, this growth is attributable to smartphones and other devices that enable listeners to seamlessly engage with music anywhere, anytime.⁷

And just as the mode of consumer listening has shifted from mostly physical products and permanent downloads to mostly digital streams, every aspect of label operations has reoriented toward a streaming-first consumption model and an always-on consumer mindset. The business of minting hits is no longer narrowly based on maximizing short-term campaign outcomes for scarce broadcast radio slots or end-cap displays in retail stores. Today, every label function is organized around fighting for a share of the attention economy, where consumers have unlimited access and choice, but not unlimited time.

FIGURE 1

SHARE OF RECORDED MUSIC IN THE U.S.



² See MUSIC FUELS THE INTERNET, <http://www.musicfuels.com/>.

FIGURE 2

GROWTH OF TIME SPENT LISTENING TO MUSIC



³ Matthew Ball, *16 Years Late, \$13B Short, but Optimistic: Where Growth Will Take the Music Biz*, REDEF (June 10, 2018), <https://redef.com/original/16-years-late-13b-short-but-optimistic-where-growth-will-take-the-music-biz>.

⁴ U.S. Music Mid-Year Report 2018, THE NIELSEN CO. (July 6, 2018), <http://www.nielsen.com/us/en/insights/reports/2018/us-music-mid-year-report-2018.html>.

⁵ Rob Harvey & Will Page, *The Economics of Getting Heard: Guest Op-Ed*, BILLBOARD (Oct. 20, 2017), <https://www.billboard.com/articles/business/8005725/economics-of-getting-heard-guest-op-ed>.

⁶ (Smart) Speaking My Language: Despite Their Vast Capabilities, Smart Speakers Are All About The Music, THE NIELSEN CO. (Sept. 27 2018), <https://www.nielsen.com/us/en/insights/news/2018/smart-speaking-my-language-despite-their-vast-capabilities-smart-speakers-all-about-the-music.html>.

⁷ Time With Tunes: How Technology Is Driving Music Consumption, THE NIELSEN CO. (Nov. 2, 2017), <https://www.nielsen.com/us/en/insights/news/2017/time-with-tunes-how-technology-is-driving-music-consumption.html>.

A REBOOTED RECORD INDUSTRY: WHAT'S DIFFERENT?

A&R

A&R teams have dramatically reinvented how they search for and find groundbreaking artists.

THEN: Reviewing demo recordings and scouting local scenes to find the next big artist

NOW: Constantly sifting through the enormous trove of new music and data online to find the right artist partner — but “GOOSEBUMPS” still matter

MARKETING & PROMOTION

Traditional PR methods have been replaced with innovative digital marketing initiatives designed to better connect artists with fans.

THEN: Planning an artist's campaign at least three months prior to release date, convincing radio programmers to play windowed singles to maximize street date

NOW: Backed by 24/7 global teams specializing in streaming, social media, interpreting Shazam and other local performance data, all while churning out a continuous stream of new material to keep fans engaged and excited long after release date

SALES & DISTRIBUTION

Music distribution is now a complex digital world where label teams work with online distributors to meet the needs of fans.

THEN: Manufacturing CDs, shipping them to big-box retailers, fighting for end-cap space on retail floors

NOW: Global Business Development teams ensure clean delivery of hundreds of thousands of metadata-filled digital songs and albums weekly to hundreds of online retailers and services across the world to guarantee fans' instantaneous access to music

ARTIST SERVICES

Long-term deals have given way to a suite of offerings designed to engage fans 24/7.

THEN: Entrenched, inflexible contracts covering a finite number of album cycles and option periods

NOW: Nimble, a la carte suite of professional services coordinated across the label and customized to fit an artist's need and vision: digital strategy, merchandising, e-commerce, fan clubs, VIP experiences, ticketing and more

DATA

Labels utilize their deep expertise to ingest an unprecedented, rising tide of data and extract insights.

THEN: Tracking retail scans and radio spins

NOW: Infinite value. From tracking social media engagement to real-time song performance to localized hot spots for potential tour stops and more, labels are swimming in an ever-deepening ocean of data about music consumption and discovery. But it still takes an experienced team to analyze this info, and gut always matters most.

WHERE IT BEGINS

The relationship with artists and labels has evolved, and is still evolving.

“
Don't mistake millions of streams for a career.
”

Michele Anthony, Executive Vice President, UMG

Today, partnering with a label is a choice, not a requirement. The expanding constellation of businesses designed to help the DIY artist record, distribute, and market digital music has given artists more options to stay independent longer, and often enables artists to make a sustainable living while building a fan base. Every musician starts out as an independent, DIY project. When they attract the attention of a record label, whether indie or major, they may be in a very different negotiating position than a decade or so ago.

If an artist is highly ambitious, in most cases it will be to the artist's advantage to partner with a label after initial DIY success rather than continuing to pursue a fully independent path. First, it is nearly impossible to scale nationally and globally without label backing. As UMG Executive Vice President of Digital Strategy Michael Nash told us, “We operate directly in over 60 countries — we are global and very local at the same time — and we have 400 digital partners around the world. And keep in mind, a number of the largest music markets in the world are still not majority streaming, particularly Japan, but also Germany and France. The major global streaming services are nascent or non-existent in some of the key emerging markets, like China and India. If any artist wants to break on a global scale...major labels remain the only partners

with the expertise and resources to consistently create and support this possibility.” He emphasized, “Services break tracks. Labels break artists.”

RCA Co-President John Fleckenstein told us, “Now, everyone can create music on their laptop or even their phone; anyone can upload it to the streaming services. Distribution is completely democratized. But, cutting through, being heard by potential fans... that is harder than ever. It is a myth to say that it is easy or that it ‘just happens.’ To compete in an attention economy, you need a strong team of professionals to ensure your music gets in front of the *right* potential fans.”

UMG Executive Vice President Michele Anthony put it this way: “Don't mistake millions of streams for a career.” It is extremely difficult to run a global campaign without the skill, resources, and muscle of a label — especially if you are writing, recording, and performing at the same time. “Artists can't get the full benefit or value of a label relationship unless they have a global deal. Platforms and digital service providers can't offer global, career success even if it's an exclusive with lots of promises.”

Even for artists with a talented manager and support team, a label that has released hundreds of thousands of songs has a very different aggregate information base and relationship network that can't be replicated by someone working with a handful of artists. In fact, many of the biggest recent major label success stories started as DIY artists, including Brockhampton, Russ, and Kane Brown, according to Justin Eshak, Executive Vice President, Co-Head of A&R at Columbia Records.

And in a powerful sign of confidence in their people, platforms, and business models, in 2018 Warner and Sony reactivated venerable imprints Elektra, Sire, and Arista and staffed up to sign, develop, and release even more music from more artists, while Universal launched the Capitol Innovation Center in Hollywood, expanding the Universal Accelerator Engagement Network launched in late 2017. With this increased capacity, labels will be better positioned to maximize artistic and business opportunities for artists and optimize experiences for fans.

A LABEL'S A&R (ARTISTS & REPERTOIRE) STAFF ARE THEIR "R&D" DEPARTMENTS; FINDING BOTH THE MUSICIANS AND THE SONGS THAT BEST SHOWCASE AN ARTIST'S TALENTS HAS ALWAYS BEEN AT THE HEART OF WHY A LABEL EVEN EXISTS.

A&R Is at the Heart

The artist relationship starts with the A&R team. A label's A&R (Artists & Repertoire) staff are their "R&D" departments; finding both the musicians and the songs that best showcase an artist's talents has always been at the heart of why a label even exists. The internet has made the A&R team's job both easier and harder. Now, instead of going through packages of demo recordings, scouting local club scenes, and scouring college radio, new music is at their fingertips, along with extensive data on initial fan feedback. But these stats can only take you so far when you want to create the next musical movement, not just follow what's come out before. Plus, now everyone can access the same information — so the race is not just to identify the next great talent, it is to get to them *first*.

Prominent A&R executives from a variety of labels echoed the need for speed, with Columbia's Justin Eshak stating that data can identify anomalies early and has improved the hit rate for labels. There is a new speed from the artistic endeavor to the audience. According to Ashley Newton, President of Capitol Music Group, "Many young artists now want the results of their creative endeavor to be shared immediately and have fans that crave a rapid-fire delivery of music and flow of ideas. This need for speed has even changed the recording process — a wildly successful record producer told me recently that he now

has a sign above his mixing desk that simply reads, 'Beware of paralysis through analysis.' Newton continued, "There's a lot being written about the dark side of the algorithmic culture that currently exists in music. The quest is to find that 'sweet spot' where insight and instinct collide so it's dangerous to listen just with your eyes. Encouraging data can be reassuring for a signing but you still want to get those goosebumps from sheer artistry." Former Island Records chief and new Arista President & Chief Executive Officer David Massey (whom we spoke with at his previous office at Island Records) backed this up, saying that labels need to be cautious they aren't "buying a bubble." He said he prefers to chase brilliance, charisma, and career potential rather than Spotify traction, and makes sure to meet artists in person before partnering with them. But what happens when they're good enough to sign?

At the beginning of our interview with Ashley Newton and Capitol Music Group Chief Operating Officer Michelle Jubelirer, Jubelirer told us she was expecting a call from an artist and might have to step out. This artist had been pursued by CMG for over a year, and the label was in a competitive signing process. The artist had reactive tracks on Spotify, a big following on social media, serious chops as a performer, and ambition to be massive globally. Labels reached out to the artist in 2015 after her #1 most viral track on Spotify that year, but she wasn't ready to sign with a label at that time. Michelle's phone rang. She stepped outside Ashley's office, where the interview was taking place. We heard a scream from the hallway. We wondered, was everyone OK? Michelle had received word that FLETCHER would sign with Capitol. Competitive? Yes. Passionate? Absolutely.

Although labels continued to invest in developing and breaking new artists during the industry's downturn, the improvement in industry revenue is being re-invested in A&R. We asked all three major music companies about the number of artists signed to their roster for the first time by the end of 2014 and 2017. At the end of 2017 there were 12% more artists on-roster at the majors than at the end of 2014 (see Figure 3 below).

ENCOURAGING DATA CAN BE REASSURING FOR A SIGNING BUT YOU STILL WANT TO GET THOSE GOOSEBUMPS FROM SHEER ARTISTRY.

Ashley Newton, President, Capitol Music Group

FIGURE 3

INVESTING IN MUSIC: NEW ARTISTS SIGNED BY MAJOR LABELS



Doing the Deal

The days of the “standard” multi-album, multi-option, royalty-based deal issued from the legal department are fast disappearing (to the extent that that’s really how it once worked; the most competitive deals have always been highly negotiated). Today, A&R and Business Affairs are working together to meet artists at whatever level they are at with an expanded menu of deal types, allowing artists more control over their careers and eliminating fears that they will need to compromise artistically, said Tunji Balogun, Executive Vice President of A&R at RCA. Now, artists might sign for singles and EPs instead of multiple albums, which mitigates risk for the label and typically leads to future deal extensions if the arrangement works out for everyone, according to Justin Eshak. For example, Balogun said Childish Gambino’s deal with RCA covers a specific length of time rather than a traditional deal based on number of album cycles. RCA’s signing of R&B singer SZA and its synch team’s work on the soundtrack to the TV show *Insecure* on behalf of SZA also helped allay fears of artistic compromise. Even the approach used in courting an artist is customized; whereas some artists are more comfortable one-on-one, others prefer to engage with an entire team in a conference room setting.

“TODAY, A&R AND BUSINESS AFFAIRS ARE WORKING TOGETHER TO MEET ARTISTS AT WHATEVER LEVEL THEY ARE AT WITH AN EXPANDED MENU OF DEAL TYPES, ALLOWING ARTISTS MORE CONTROL OVER THEIR CAREERS AND ELIMINATING FEARS THAT THEY WILL NEED TO COMPROMISE ARTISTICALLY.”

TUNJI BALOGUN, EXECUTIVE VICE PRESIDENT OF A&R AT RCA

As a result of the data-driven competition for new talent, deals are being made in greater numbers, often for more money, at a faster rate than ever before — sometimes within 24 hours as opposed to several months, as was done only a few years ago. Artist contracts are also unprecedentedly more customized to the current needs of each act, with provisions for scale as the artist achieves greater levels of success with the label.

Deals are sometimes structured as profit splits, but many more are still royalty-based. One executive noted his label completed three times as many deals in the first quarter of 2018 than in an average year previously. And the size of artist advances under these deals is also increasing, especially for hip-hop artists. These new signings are net additions and not replacements for artists on a label’s roster, which means the workload is also increasing exponentially for the rest of the label functions.

Lower recording costs and access to distribution and discoverability has shifted the A&R conversation at independents as well as majors. Secretly Group founder Darius Van Arman told us, “The conventional approach used to be for us to say, ‘I want you to exclusively record for us. We will own the copyrights. In exchange, we will finance, exploit, share a royalty, promote, and have options for subsequent records, and it will be exclusive to us.’ Now, more and more artists are getting started themselves and have seen you don’t need a lot of cash to make the record due to cheaper and more accessible recording technology...In some genres, you don’t need more than social media at the earliest stage, and if there is early success, there are revenues coming back to fund other necessary functions. So record companies have to make stronger arguments. Maybe we don’t have to own the copyrights. We have world-renowned marketing. We are doing it 40 to 50 times a year and have done it 500 times over the last 4 to 5 years.”

If the artist had significant traction before signing, the goal now is to get artists “from 50 to 100” as RCA’s Balogun said. The A&R team and the product manager can help connect artists with the right people to take their music to the next level, including producers, collaborators, feature performances on other artists’ songs, and more. For example, when Khalid recorded in London, his A&R team set up meetings with Spotify and BBC One to create an organic relationship before there was music to promote; he also took early meetings with Apple Music.

The Matchmakers for the Magic

The core process of A&R — discovering and developing potentially brilliant talent and providing expert creative collaborators to help the artist execute his or her creative vision — has not changed, but it bears describing here.

With the deal done, A&R then turns to making the recordings with the artist — acting as the ultimate matchmaker throughout the process. While many artists write their own material and make their own commercial-quality home studio recordings,

the expertise of the A&R team is in bringing that initial promise to the next level. As compared to an artist or a manager, an A&R person has heard exponentially more recordings and seen how they have played out in the marketplace. Many A&R people have been artists and/or producers themselves — they have analyzed exactly how to take the sound the artist envisions and bring it to fruition.

They also have dense networks of talent to draw from to make that magic happen. For one artist-songwriter, that may mean finding co-writers for collaboration. For an artist who does not write, he or she needs to source all the songs to be recorded — the tricky task of matching persona, delivery, and genre. Or perhaps the artist is looking to cross genres — perhaps move from country to a more pop sound — and needs co-writing and production support in finding the balance between.

Then we get to the recording process. If the A&R person does not produce the record personally, he or she will find — or help the artist find — a music producer that will oversee the work. A solo artist will need instrumentalists, and even full bands may need additional players to bring in other layers of sound — think of the Beatles and the string section work. It’s very common for tracks to feature rappers or guest vocalists to help boost the music’s potential and access new and additional audiences. These all move through A&R relationships.

Throughout the writing, rehearsal, and recording process, the A&R person is there to give their honest feedback. This is not an insignificant point. A musician’s family and friends are unlikely to give anything other than positive feedback, and a manager may or may not want to pit themselves against their artist on creative matters. It is often only the A&R team that can give the kind of constructive criticism that pushes a good song idea to become great.

Further, with the feedback from the marketing team, A&Rs may decide to cut alternate mixes or additional versions to extend the life of a song across music formats and genres. An extended version with the bass kicked up may break the artist in dance clubs, while a tight radio edit turns it into “the song of the summer.”

One of the classic questions about any art is, “When do you know it’s finished?” Since technology allows someone to continue to tinker infinitely with his or her recording, it’s the A&R manager who can tell the artist it’s time to stop. The cake is baked.

But not for the A&R department. A&R administration makes sure all the information points that become the core metadata

IF THE ARTIST HAD SIGNIFICANT TRACTION BEFORE SIGNING, THE GOAL NOW IS TO GET ARTISTS “FROM 50 TO 100” AS RCA’S BALOGUN SAID. THE A&R TEAM AND THE PRODUCT MANAGER CAN HELP CONNECT ARTISTS WITH THE RIGHT PEOPLE TO TAKE THEIR MUSIC TO THE NEXT LEVEL, INCLUDING PRODUCERS, COLLABORATORS, FEATURE PERFORMANCES ON OTHER ARTISTS’ SONGS, AND MORE.

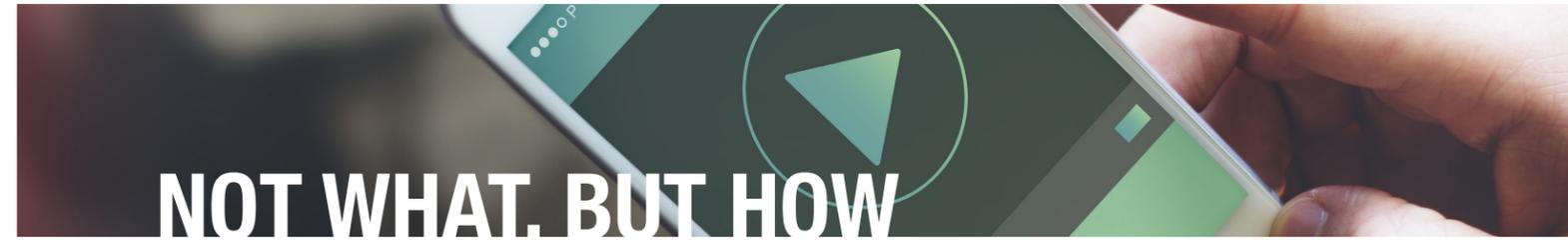
for the release are nailed down. This includes registering the copyrights for the songs, getting the various codes (UPC, ISRC, CWR) assigned that identify the album, songs, and publishing works. It also falls to the A&R team to work with the legal department to clear any samples of other recordings used in the songs — without this, copyright infringement lawsuits from the other labels and publishers can wipe out any commercial potential for the release.

They also need to coordinate with the artist and the marketing team on the nuts and bolts of the overall campaign — album name, art, photos, videos, biographical material, and more.

A great song is the sum of all of these parts and all these creative collaborators, now as ever shepherded through the development process by talented A&R leaders. The magic happens in the writing sessions and the recording studio. And after that, it’s really time for the label to make sure the magic gets noticed.

DATA IS NOT USEFUL WITHOUT THE TOOLS AND EXPERIENCE TO INTERPRET IT, AND DATA FOR A SINGLE ARTIST ISN'T VERY USEFUL — YOU NEED TO BE ABLE TO LOOK AT DATA FROM SCORES OF COMPARABLE ARTISTS TO ACTUALLY PULL OUT THE TRENDS.

Darren Stupak, Executive Vice President/General Manager Sales, Global Business Development, Sony Music



NOT WHAT, BUT HOW

The core functions labels provide have not changed. They discover, nurture, and develop talented artists, amplify their vision, and maximize their commercial potential. How that happens has utterly changed.

“
Nothing is different; everything is different
”

Tony Harlow, President of WEA Corp., Artist and Label Services, Warner Music Group

In the days when labels focused on making albums in physical formats, which required carefully crafted production lead times and shipping schedules, marketing plans and spend were determined a minimum of three months to sometimes even a year before release date. Now, label marketing and promotion spends can be smarter and more efficient to build a campaign around an artist in response to consumer reception — one song at a time and one day at a time. Rather than the release of an album being a tsunami-like, one-time event, it's now approached as a steady drip over many months or several years. This more nuanced approach has changed many of the job functions and skills required in music marketing today.

Put in financial terms, before streaming, music was a transactional business, where the peak of a label's promotional effort was aimed at an album's release — when it was monetized once, at the first point of sale. Now, with incremental income on every listen of a stream, “Music has become a consumption business where there is no peak but only a hill, with sales plateaus arriving faster and extending further,” according to Jim Roppo, Executive Vice President and General Manager at Republic Records. For this reason, labels have instituted a continuous flow of product to drive fan engagement, rather than an every-other-year album cycle.

This also means that the very nature of a “hit song” gets redefined. In explaining this, Arista President & CEO David Massey noted that 30% of label revenue comes from “records that did OK,” and that 25% of the top-streaming songs are 2 to 3 years old. In addition, young acts that put out a continuous string of releases that aren't huge hits but are each streamed around 50 to 100 million times are notably valuable. This is very different than the “80/20” rule of old, where 20% (or often much less) of a label's roster drove 80% (or more) of the revenue.

“MUSIC HAS BECOME A CONSUMPTION BUSINESS WHERE THERE IS NO PEAK BUT ONLY A HILL, WITH SALES PLATEAUS ARRIVING FASTER AND EXTENDING FURTHER”

JIM ROPPO, EXECUTIVE VICE PRESIDENT & GENERAL MANAGER, REPUBLIC RECORDS

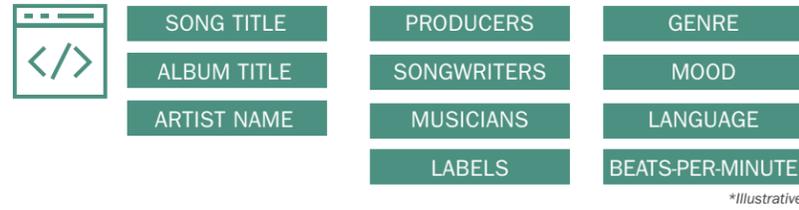
The critical technical infrastructure element of the digital era is data. Without the correct information delivered with the music files to the service, listeners can't find the music they want to hear, and services cannot properly license and pay royalties on that music. It's the scale of this content that becomes mind-boggling: hundreds of thousands of new tracks a week go out to hundreds of services around the world, each with their own data structure quirks. Then billions of lines of information come back on every stream or download to be ingested, stored, counted, analyzed, and acted upon.

And it goes deeper. Metadata — the data about the data, describing what is contained in a digital file — has become absolutely essential. This means everything from the song title, album title, artist name, producers, songwriters, musicians, publishers, and labels; to genre, mood, language, beats-per-minute, and more. Because they hold

FIGURE 4

METADATA

THE DATA ABOUT THE DATA, DESCRIBING WHAT IS CONTAINED IN A DIGITAL FILE, HAS BECOME ABSOLUTELY ESSENTIAL.



the master recording, according to Barak Moffitt, Universal Music Group’s Executive Vice President, Content Strategy and Operations, labels are the keepers of this revenue-critical information. For example, global royalty collection societies need to know information like which country a song was recorded in and in which country the artist resides for the purpose of royalty collection and distribution.

Metadata is also critical to voice discovery, as labels can finesse a song’s metatags to get it played when listeners ask their smart speaker for cooking music, driving music, happy upbeat music, or any other request. As more homes and cars now have connected, voice-activated music options, this is a major area of focus. This “atmospheric” tagging is also extremely valuable in the synch world for placement of music into films, TV shows, commercials, and video games, where music supervisors search for key terms far beyond artist, title, and label data — for example, a song with “swagger,” but even there the human element is critical. Karen Lamberton, Executive Vice President, Soundtracks, Film & TV Licensing at RCA Records told us that in effect her database is mostly in her head.

“WE HAVE ALWAYS NEEDED TO UNDERSTAND THE ARTIST’S VISION AND TRANSLATE IT TO THE REST OF THE COMPANY AND THE MARKETPLACE...WE ARE THE ARTIST’S CHAMPIONS.”

SCOTT GREER, EXECUTIVE VICE PRESIDENT OF MARKETING AND COMMERCE, DEF JAM RECORDINGS

Labels now have global teams of people with a broad range of skillsets; it’s simply not possible for one person to manage it all. As Sony’s Darren Stupak put it, data is not useful without the tools and experience to interpret it, and data for a single artist isn’t very useful — you need to be able to look

at data from scores of comparable artists to actually pull out the trends. However, he explained that conquering the massive amounts of data is capital- and labor-intensive, and the company has needed to add both new headcount and new skillsets.

As Larry Mattera, the General Manager and Executive Vice President, Commerce and Marketing at Warner Bros. Records, puts it, “Ten years ago, the label sold a product. Now, it’s about identifying and engaging fans. Marketing music today is 365 days a year and always on. In today’s environment you can’t put out a record every three years and have success.”

Music Marketing: Building An Artist’s Brand

All of this effort is to serve one goal: to build a musical artist into a recognizable, singular global brand that authentically reflects the artist’s creative vision.

“We have always needed to understand the artist’s vision and translate it to the rest of the company and the marketplace,” said Scott Greer, Executive Vice President of Marketing and Commerce, Def Jam Recordings. But before, all the value was put on album sales; now the scope is much greater. “We are the artist’s champions,” Greer said, “and we need to know the artist’s story and music better than anyone else.” In the transition to streaming and social media, “the medium has changed, but we still translate and amplify the artist’s vision now on a global basis.”

Marketing comprises product management, video, artist development, touring and press, content development for Instagram, YouTube, and social media, engaging influencers, outdoor campaigns — everything but A&R, promotion, and distribution.

“If the artist has the ambition to go global or be a career artist, they need to be on a label. They come for brand opportunities, access to distribution platforms, merchandise, ticketing, synch opportunities, publicity, seed capital, D2C (direct-to-consumer), radio, and more,” Greer said. “A label can provide all those things, a manager or publicist working alone cannot.” Indeed, ambition is something all the A&R execs we spoke with said they looked for when choosing which new artists to partner with.

The transition of the music industry from atoms to bits, from packaged media to digital downloads and streams, transformed the role of distribution and the entire supply chain. Physical goods allow for control of the quantity and destination of recorded music. Sales and distribution organizations supported major store chains, wholesalers, and some independent stores directly, windowing releases across the globe so efforts could be concentrated in certain areas. The official chart and store stocking cycle was staggered: albums generally were stocked in the U.S. on Tuesdays; Fridays in the U.K. The industry moved to a single global release date of Friday in 2015, aiming to ensure that all digital and physical outlets receive new music at exactly the same time, whether a fan is in Shanghai or Chicago.

Of course, an artist may still “drop” new music whenever they are so moved. The streaming exclusives so popular in 2016 and 2017 have all but disappeared; however, the recent surprise release by Beyoncé and Jay-Z recording as The Carters maintained an exclusive window of release on Tidal for a day and a half before *Everything is Love* was available on all major services.

When that happens, the label may have only hours of lead time, or may be working non-stop behind the scenes in secrecy, sometimes well in advance. Def Jam’s Greer said “Kanye West has his own timeline. We go to work as soon as he delivers any content, clearing publishing; getting artwork, metadata, and UPC assigned; and working with our digital service partners to be ready to post the music once it’s finalized.”

Whether working with an indie or a major, “Artists on their own cannot get global reach without an international organization,” said Larry Mattera of Warner Bros. Records. It just does not take as long for a song to have impact

WHETHER WORKING WITH AN INDIE OR A MAJOR, “ARTISTS ON THEIR OWN CANNOT GET GLOBAL REACH WITHOUT AN INTERNATIONAL ORGANIZATION.”

LARRY MATTERA, GENERAL MANAGER AND EXECUTIVE VICE PRESIDENT, COMMERCE AND MARKETING, WARNER BROS. RECORDS

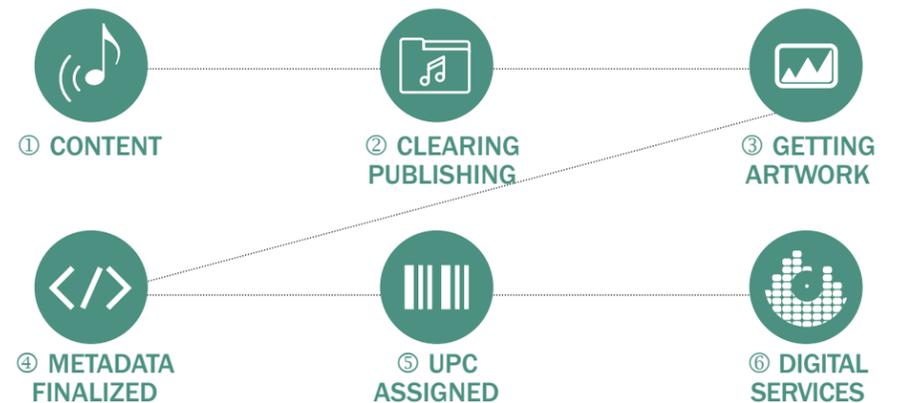
due to viral video and social media, so teams are needed everywhere that are prepared to react immediately in ways that will further amplify a track in a local market, according to Andrew Kronfeld, Executive Vice President Marketing at Universal Music Group. When a hashtag campaign can take off in a moment, you don’t have a week to hire a local team and get them up to speed. Or as Tony Harlow, President of WEA Corp., Artist and Label Services at Warner Music Group put it, “Are you well-traveled? So, who do you know in Korea?”

Promotion

In a streaming world, radio’s role as part of promotion is dramatically different than it used to be. While terrestrial radio still reaches 93% of American adults each week,⁸ it is no longer the place where the most active fans first discover new music — that happens on streaming services. But radio does amplify the potential audience for a song and its performer once listeners have gravitated to it, more in some genres and radio formats than others. In pop and urban formats, radio

FIGURE 5

THE PATH OF DISTRIBUTION



⁸ As the Audio Landscape Evolves, Broadcast Radio Remains The King, THE NIELSEN CO. (Feb. 14, 2018). <http://www.nielsen.com/us/en/insights/news/2018/as-the-audio-landscape-evolves-broadcast-radio-remains-the-comparable-king.html>.

SEVERAL GENERATIONS OF STARTUPS WERE NURTURED BY THE MAJOR LABELS AND RECEIVED FUNDING... MUSIC IS LOOKING LESS LIKE THE CANARY IN THE COAL MINE AND MORE LIKE AN OBJECT LESSON IN HOW TO LEARN FROM DISRUPTION, DRIVE TRANSFORMATION, AND BUILD LASTING VALUE.

stations cannot afford to be behind the curve, so they watch streaming activity carefully to decide which tracks and artists to add to their much more limited rotations.

The country genre traditionally comprised 12 to 13% of U.S. recorded music sales in the past. It took four years after the shift to downloads to get back to 12 to 13% of sales. So far only 5 to 6% of streaming is country, which is expected to increase as streaming becomes more widely adopted. In the meantime, country music and country radio continue to enjoy a close and highly effective relationship. “Terrestrial radio still drives consumption and streaming for country,” said Matt Signore, COO of Warner Music Nashville. “Country is more about the body of work (than pop), so it’s more artist-focused than hit track focused.”

While at one point, a label picked a focus track, now marketing and promotion maintain a careful balance between offering a few options at once and letting the audience decide the winner. This approach illustrates the need for adaptability and speed in the promotion and marketing teams.

Radio can help with this balance. UMG’s Executive Vice President of Content Strategy and Operations, Barak Moffitt, said, “Traditional FM radio has a unique opportunity to become a key editorial voice in deciding which tracks take off. People want to listen to DJs they trust to spin music that surprises and delights them.” But radio airplay does not generate any revenue in the U.S. for artists or their label partners. It is no wonder that labels have focused so much attention on streaming, where discovery, consumption, and monetization happen together.⁹

Def Jam’s Scott Greer noted that there is no DJ or back-anouncing on streaming services, so there is little context for the music. And although it is possible to have a hit without radio, especially in urban music, “(Terrestrial) radio remains important because it ‘eventizes’ and localizes the experience for the fan.” Radio is no longer the earliest source of music discovery for fans, but it can still be a validator of the biggest hits.

Enabling Commerce (Not Just Sales & Distribution)

As early as 1994, record labels engaged with innovative, technology-based music startups. UMG’s Michael Nash reminded us he formed Inscope, an interactive entertainment and games venture with backing from WMG and HBO in that year, and joined WMG in 2000. He recalled reading *The Innovator’s Dilemma* by Clayton Christensen of Harvard Business School. This influential book, published during the dot-com era (1997), described how innovation happens and why incumbents often fail to ride the next wave of disruptive innovation in their respective industries. In those early, digital pre-iTunes days all the major music companies invested in the “Madison Project” with IBM and Time Warner, an early test of available technology and consumer interest in downloaded music and the music industry’s first broadly supported trial of digital distribution.¹⁰ The major labels of that era were all involved in shaping the transformation to a digital music industry and maintained separate initiatives to reshape their supply chain, undertook digital marketing and consumer outreach, value proposition, and pricing.

A broad base of partnerships has since developed between labels and technology companies. Although the industry first struck digital gold with Apple and iTunes, labels met very early with Facebook, Google, and Microsoft (about its numerous failed attempts to enter the music space). Several generations of startups were nurtured by the major labels and received funding. And as more and more industries are being digitally disrupted by the convergence of media and technology, music is looking less like the canary in the coal mine and more like an object lesson in how to learn from disruption, drive transformation, and build lasting value.

Today, labels manage commercial relationships with a new constellation of digital distributors and service providers handling the many thousands of tracks their labels issue on a global scale. But in the early days of digital music, copyright

infringement was rampant among businesses using unlicensed music to attract an audience. This strategy of asking for forgiveness rather than permission adopted by some startups naturally attracted litigation. During and immediately after the initial effort to shutdown certain key unlicensed services, a legitimate digital music market emerged and took hold in the seven years between the launch of the iTunes Music Store in 2003 and the 2010 shutdown of LimeWire. Spotify, for example, launched in Europe in 2008 and became available in the U.S. in 2011.

In 2018, the focus within record label Global Business Development teams is on enabling a large and expanding commercial market. What were once startups are now giant global platforms with billions of users in the aggregate. Now, new startups come to the labels and together they set the trend for where the market is going. Oana Ruxandra, now EVP New Business Channels and Chief Acquisition Officer of WMG told us in her previous office at UMG she aimed to “make sure for every artist we have the right content at the right time on the right platform for the right people.”

It is no doubt challenging to engage with every startup seeking a license to use music, but record labels know that if they help startups at their beginning, what were once startups will be around for the benefit of labels, artists, and fans in the long run. And although some startups and larger music platforms may engage directly with an artist, it isn’t possible for an artist or manager to prioritize, vet, and negotiate partnerships with every startup. As record label partnerships with digital services grow in scale and value, Global Business Development ensures the record labels are operationally focused and in synch with their commercial partners.

These commercial relationships were previously considered more of a “sales” function when physical manufacturing and distribution predominated. However, with the growth of streaming and the attendant rise of curated playlists — songs selected by some sort of curator, whether human, algorithmic, or a mix of both — these teams have also taken on a greater “merchandising” role to position tracks on the most popular playlists for consumer discovery. Further, the scale and scope of the commercial partners are vastly different than the Tower Records buyer of yesteryear.

Spotify, Apple Music, Amazon, and Google now comprise highly consolidated, global accounts driving most of the on-demand streaming market. Although there are far fewer national retail chains to cover, the changing nature and global scale of the account base has precipitated enormous complexity. Darren Stupak, Executive Vice President/

General Manager, Sales, Global Digital Business at Sony Music Entertainment, said that each label account team once covered a national retailer’s team of approximately five buyers and merchandisers. Contrast that with today’s label teams, which cover complex digital service provider organizations of approximately 50 each, in departments and functional roles spanning operations, editorial, original content, artist and label services, advertising services, analytics, and on- and off-platform marketing.

In addition, the very nature of the release cycle has changed. Back in 2010, sales teams focused on setting up an album at the time of initial release. Now the commerce team sets up individual tracks that may get worked well past the Billboard chart definition of “current,” which is up to 18 months, to as long as 36 months. After that, the marketing effort continues but responsibility generally shifts to the catalog division — which works hand in hand with the commerce team for an artist that both has back catalog and is still releasing new material. In today’s streaming music economy, the same marketing effort that once went into an album now goes into the marketing of each individual track.

As such, curated playlists have become a critical element of a marketing campaign, and this is now central to the merchandising effort. Playlists are central to the way digital streaming services differentiate themselves in the market. Playlists feed listeners a potentially endless stream of music curated to a theme, mood, or genre. They provide listeners a “lean back” approach to accessing the best recommendations for each fan out of the tens of millions of songs available on the major services. Depending on the subscription type, this is not an entirely passive experience.

For example, all services monitor which tracks get skipped. High skip rates will cause playlist curators to drop a song from a popular playlist. Label digital commerce specialists need to know not only how to get music to the influencers that shape these playlists, but also how to grow and maintain listener engagement. Getting that listener to click the “+” button to add a song to their favorites — known as the save rate or attachment rate — becomes a critical metric after a playlist add, because if there is poor engagement the song will be dropped from that playlist. And as a practical matter, saved songs and user-curated playlists make it easy for fans to play their favorites again and again — which means crucial royalties for the artist and label. It is essential for today’s marketing workforce to understand these metrics.

In addition to skip rates, record labels monitor a widening array of metrics to glean from partner data what is happening

⁸ As the Audio Landscape Evolves, Broadcast Radio Remains The King, THE NIELSEN CO. (Feb. 14, 2018), <http://www.nielsen.com/us/en/insights/news/2018/as-the-audio-landscape-evolves-broadcast-radio-remains-the-comparable-king.html>.
⁹ Author’s note: AM/FM radio stations in the U.S. pay artists and labels nothing for the music they play, although they do pay under 4% of revenue to songwriters and music publishers. 75% of radio stations are music stations, and 77.6% of radio revenue is driven by music. But it is beyond the scope of this paper to address the politics and policy of the U.S. terrestrial radio public performance exemption that allows radio not to pay anything for recorded music. However, only a handful of other countries on Earth maintain a similar exemption for terrestrial radio; they include China, North Korea and Iran. See Massarsky Consulting Inc., Radio’s Unequal Relationship with Music (June 26, 2018), https://img1.wsimg.com/blobby/go/53aaa2d4-793a-4400-b6c9-95d6618809f9/downloads/1cn2dfgrq_85105.pdf.
¹⁰ Don Jeffrey, Label Execs Assess Results of Digital-Delivery Music Test, BILLBOARD (Feb. 19, 2000), <ftp://ftp.software.ibm.com/software/emms/pdfs/billboard21900pg3.pdf>.

up to the moment with each track, in order to inform the next marketing activity. These data can include the device used to listen; exactly what query a listener asked Alexa or Google Home; exactly where in a song a listener skips; the number of streams per listener session; where the stream originated and whether it came from a playlist or a user's own "collection"; as well as the age, gender, and location of each listener.

Some independent labels do not have the staff, resources, or infrastructure to compete in this global, digital-first environment as well — and many access resources backed by the majors. Many work with Kobalt Label Services, Warner Music Group's ADA, UMG's Caroline or Sony's wholly owned digital distributor The Orchard and its 400 employees in 40 offices around the world. The Orchard CEO Brad Navin notes that, "The Orchard was an original disruptor to the traditional industry but is also itself being disrupted by standalone playlisting services, data companies, and others. Artists can directly engage with fans now and we have to prove the value of what we do every day."

Companies like The Orchard exist as many indie labels are not set up to maximize global distribution or the streaming environment, and they support them in many ways. "The Orchard can wrap music with metadata and make it discoverable on every streaming service," said Navin. "Most of our indie artist deals are partnership deals. Our distributed labels might bring the artist, and a marketing campaign, touring plan, and late night TV to the table, but The Orchard can complement those elements with digital advertising, data analytics, and video and photo publishing to social media."

Further, while The Orchard's supply chain is individual and separate from Sony's, artists signed to its distributed labels can benefit from the company's relationship with the major — for example, current break-out artist Jorja Smith employed RCA's radio team.¹¹

For its part, Warner Music Group's ADA distributes approximately 100 independent labels including creative powerhouses like Beggars Group, Domino, and Epitaph; the recorded music catalog of BMG; direct agreements with artist manager Q-Prime for Metallica; and UK grime star Stormzy, which led to a joint venture between Stormzy's #Merky label and Atlantic Records. ADA-distributed artists were streamed 10.5 billion times in 2017.¹²

Independent, streaming-first distributor Empire Distribution — well known for releasing Kendrick Lamar's first record and hits from Fat Joe, Remy Ma, French Montana, and Lil Yachty — is another way for DIY artists to benefit from label-like platforms; it recently announced a deal with UMG. Empire signs artists for distribution and additional services on a non-exclusive basis, and it, along with Capitol Music Group's independent platforms Caroline and Priority, will add to UMG's ability to serve independently released artists. Empire founder Ghazi Shami spoke with us the week before the UMG deal was announced.

Pursuing Catalog Lifetime Value

The music industry has long held distinctions between "front-line" (i.e., current music up to 18 months from release) and older, "catalog" material. But in a world of infinite access to individual tracks where each listen is now generating

Label-like platforms provide a variety of services for DIY artists



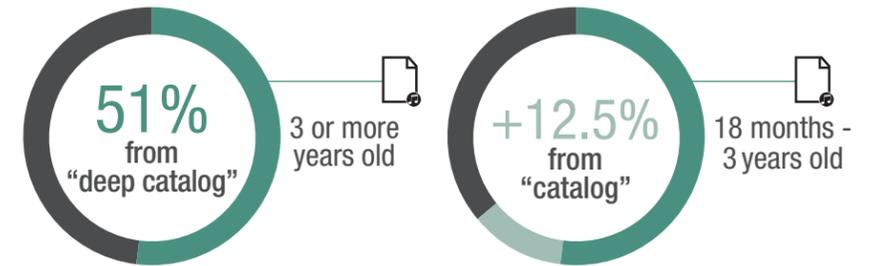
¹¹ Jorja On Our Minds, HITS DAILY DOUBLE (Apr. 20, 2018), <http://hitsdailydouble.com/news&id=311499>; I.B. Bad Goes Yard, HITS DAILY DOUBLE (Apr. 12, 2018), <http://hitsdailydouble.com/news&id=311319>.
¹² Tim Ingham, Elijah Seton on Indie Artists, Big Money Deals and the Future of the Music Business, MUSIC BUS. WORLDWIDE (May 9, 2018), <https://www.musicbusinessworldwide.com/elijah-seton-on-indie-artists-big-money-deals-and-the-future-of-the-music-business/>.

FIGURE 6

"The fundamental point is that someone needs to work the catalog, no matter how catalog is defined. Consumers don't think about catalog and how it's delineated."

Lyn Koppe, Executive Vice President, Global Catalog, Sony Music's Legacy Recordings

SONGS CONSUMED ON STREAMING SERVICES



Source: BUZZANGLE MUSIC 2017 year-end report



THE LABEL'S INITIATIVES ARE ALSO NOW BROKEN DOWN INTO FOUR VERTICALS:

YOUNG CATALOG (ANYTHING FROM THE 2000S)

URBAN CATALOG

NEW RELEASE CATALOG

OPPORTUNITIES

income, catalog takes on a whole new area of importance — especially for companies with decades of classic songs in their archives (or current artists with large back catalogs).

BuzzAngle Music's 2017 year-end report found 51% of songs consumed on streaming services are from "deep catalog" (music three or more years old), with an additional 12.5% coming from "catalog" (18 months to three years old).¹³

Without the constraint of physical shelf space, labels can now find new opportunities for past recordings employing the same kinds of analytics used to market new releases. With digital providing many new marketing options, "catalog" has taken on a whole new meaning for the A&R process. For career artists that are still on the current roster, it's using new songs to help fans discover older tracks, and vice versa.

Promoting catalog on streaming is a dramatically different proposition than pushing physical catalog product, according to Mark Pinkus, President, Rhino Entertainment. "Format changes have always given catalog a bump," the executive says. "But what's different now is the idea of lifetime value — before, you were trying to get people to buy something with each successive format change, but now you're trying to get people to keep coming back, and to discover older releases for the first time."

"There's no barrier now with streaming because nobody is required to buy something to check out an older/catalog artist when their interest is piqued by a single song," said Pinkus.

"This requires a new label mindset around what it means to promote catalog. It was difficult initially to wrap our heads around pushing tracks for catalog rather than albums in the streaming era but we have learned how to do it."

Or as Lyn Koppe, Executive Vice President, Global Catalog, Sony Music's Legacy Recordings put it, "The fundamental point is that someone needs to work the catalog, no matter how catalog is defined. Consumers don't think about catalog and how it's delineated."

Key to that repeat business is discovery, which is generally discussed in terms of new music but is just as relevant for catalog. "When a song or an artist is featured on, say, [former] President Obama's Spotify playlist, or in a film or TV show or in a commercial, it can lead to a big boost in streaming numbers," said Rhino's Mark Pinkus. "For example, [the N.W.A biopic] *Straight Outta Compton* led thousands of people to discover N.W.A and Ice Cube and Dr. Dre's older cuts." One track featured in a film can be a gateway to an artist's entire catalog.

In an effort to improve catalog discovery, Sony Legacy instituted a massive reorganization to focus on digital, according to Koppe. While the label previously focused on bringing in employees with an encyclopedic knowledge of artists and their work, those individuals are now primarily focused on A&R with new hires specializing in marketing and data. The label's initiatives are also now broken down into four verticals: young catalog (anything from the 2000s), urban

¹³ Jem Aswad, Sony Music Overhauls Legacy Label to Adapt to Streaming World, VARIETY (Mar. 27, 2018, 6:00AM), <https://variety.com/2018/music/news/sony-music-overhauls-legacy-label-to-adapt-to-streaming-world-exclusive-1202736691/>.

“A DEDICATED BRAND PARTNERSHIP TEAM WAS SET UP AT HIS LABEL TO ACT MUCH LIKE A CLIENT SOLUTION-FOCUSED AD AGENCY, ENGAGING BRANDS ON THEIR ISSUES AND CHALLENGES AND FINDING WAYS TO HELP THEM.”

catalog, new release catalog, and opportunities. According to Koppe, young catalog is growing exponentially in the digital space, while urban catalog has exploded, particularly on Apple Music and Spotify.

Catalog labels have the luxury to think more strategically with a less intense time crunch than frontline labels. For example, Sony Legacy issued a massive Christmas playlist on Spotify using sophisticated tools, a data skill that Koppe said will become much more important as playlisting and voice control take off. Other opportunities include placing songs performed on singing competition shows like *The Voice* and initiatives based around current events with legacy artists. For example, when Bob Dylan won the Nobel Prize for Literature, his label noticed that 40% of listeners were streaming him for the first time. To capitalize on that, a new collection was released on Spotify, capturing a completely new audience while also serving the fans he already had on the platform.

As mentioned above, metadata is more important for catalog artists than ever due to the rise of voice-activated speakers like Amazon's Echo. According to Pinkus, “We've experienced an explosion in music-based requests for music on smart speakers, and the devices also expand listening into new rooms like the kitchen.” However, catalog releases face unique metadata challenges, with many reissues being tagged with a later release date than the album's original release, causing problems with era-specific voice requests and playlisting. In addition, digital service providers often organize their listings differently, with Apple prioritizing Artist Essentials on top of the artist's landing page, to drive focus to a large and deep body of work and Spotify focusing

primarily on the newest releases. Labels are working closely with Amazon, Apple, and Spotify to correct these issues and optimize programming for their catalog artists.

Many new deals and license extensions with catalog artists often cover a specific time frame, with the label pitching a two-to-five-year plan to the artist, their manager, and their attorney. Catalog labels are sensitive to each artist's unique history and legacy and are willing to make concessions to preserve it. For example, Led Zeppelin and Fleetwood Mac projects still feature only the logo of their original labels (Atlantic and Warner Bros.) since their history is tied so closely to their label. Once on board, the label can reimagine the artist's back catalog to appeal to new listeners by creating new viral videos for classic tracks, commissioning remixes from famous producers, and creating interesting deluxe products around classic music. Other promotions include direct email, online engagement via Facebook, artist channels, robust classic rock websites, and more. In addition, Pinkus's label helped The Monkees increase their relevance to younger listeners by enlisting newer artists, such as Ben Gibbard from Death Cab for Cutie and Adam Schlesinger from Fountains of Wayne to write songs and produce tracks for a new album in 2016.

More Than Synch Licensing: Brand Partnerships and Screened Entertainment

Brand partnerships, synch licensing, and screened entertainment all begin from the existing assets of the artist and their music, and then each provide additional avenues for fan discovery and ultimately income-producing opportunities for artists.

Today, it is relatively rare for an artist to decline to be associated with a brand, whether on tour or on television.¹⁴ Most artists appreciate the economic and marketing benefits from associating with brands; brand spending on music sponsorships exceeded \$1.5 billion in 2017,¹⁵ an increase of almost 5% over 2016.

Advertisers and their agencies once created visual campaigns solely for broadcast television, but as consumers migrate from ad-supported platforms to subscription platforms, it is imperative for brands to reach audiences in a no-advertising world in which interruption-driven advertisements are in decline.¹⁶ Long ago, partnerships between bands and brands raised concerns about “selling out.” However at least some young people

today have never even heard the term.¹⁷ But the \$1.5 billion referenced above was for money spent on tours, festivals and venues alone.¹⁸ Brand partnerships have evolved to be a big part of breaking new artists and pushing developing artists to the next level. All kinds of consumer brands have realized the instant emotional connection and signifiers that music provides, and these deals can not only mean exposure but also be quite lucrative. However, it takes a practiced hand to marry the world's most valuable brands with musical art.

One label built an in-house consultancy team to manage this opportunity. According to Mike Tunnicliffe, Executive Vice President, Head of Universal Music and Brands USA (UMGB), brand deals have more than tripled since he first arrived in late 2014. Previously, labels received a percentage of essentially nothing and artists participated only for exposure or cost offsets while digital service providers were able to use those artists to promote their services online, and offline which can comprise high-visibility outdoor advertising.¹⁹ Artists are now paid market rate for these partnerships, which often comes to \$500,000 to \$1 million per event.

In the past, brand deals were more transactional with fast turnarounds, but today that dynamic has been flipped. According to Tunnicliffe, a dedicated brand partnership team was set up at his label to act much like a client solution-focused ad agency, engaging brands on their issues and challenges and finding ways to help them. Brands absorb UMGB's music “viewpoints,” or research released monthly. UMGB pairs brands with artists in three categories: up-and-coming, established, and superstars. For many brands, up-and-coming artists are the most desirable, as they can

convey a cutting-edge sensibility more sought after by younger consumers. UMGB can create specialized content featuring the ideal artist match that will activate the brand's best customer prospects and make the greatest impact for the artist, brand, and label. And it's a great way to expose an up-and-coming artist to a new audience.

Labels are sensitive to the need for authenticity when it comes to brand partnerships. According to Tunnicliffe, before any branding deal is agreed to, labels pitch the artist's manager and often the artist themselves, giving them the opportunity to walk away if the connection seems wrong. For example, one artist cratered a deal with a brand of junk food because they felt the product was too unhealthy. Once a campaign launches, the label then monitors social impressions, engagement, sales, and more to determine how the partnership is helping the artist.

Every brand partnership involves creating new content and often includes short-form video. Toward this end, UMG leverages the capabilities of Fame House, a digital media agency it acquired in 2016, to provide digital marketing, social media management, merchandising and visual design, and development services.

Brands may also accelerate the development of new music and provide a platform for massive exposure. Interscope band X Ambassadors was already working on a new song that fit perfectly for the 2015 relaunch of Jeep Renegade.²⁰ Band imagery and the song, “Renegades,” were featured prominently in the campaign. The track has since reached the Top 10 in 10 different countries and was certified Platinum in the U.S.

BRAND PARTNERSHIPS

Brands may also accelerate the development of new music and provide a platform for massive exposure.



SCREENED ENTERTAINMENT

For television, the number of placements has grown dramatically as the number of programs, networks and services has multiplied in a way where it is not possible to cover the market with an independent pitching service.



For TV, general use of a master recording on a large drama has **increased by nearly 50%** in recent years.

¹⁴ Hannah Parkinson, *Is selling music to advertisers still considered selling out?*, THE GUARDIAN (May 22, 2014, 11:41AM), <https://www.theguardian.com/music/musicblog/2014/may/22/licensed-to-ill-selling-music-adverts-commercial-ads-selling-out-bands-corporate>.
¹⁵ *Sponsorship Spending On Music To Total \$1.54 Billion In 2017*, IEG (July 24, 2017), [http://www.sponsorship.com/iegsr/2017/07/24/Sponsorship-Spending-On-Music-To-Total-\\$1.54-Billi.aspx](http://www.sponsorship.com/iegsr/2017/07/24/Sponsorship-Spending-On-Music-To-Total-$1.54-Billi.aspx).
¹⁶ Stephen Battaglio, *TV networks shed ad time as consumers skip commercials*, L.A. TIMES (Mar. 27, 2018, 5:00AM), <http://www.latimes.com/business/hollywood/la-fi-ct-commercials-clutter-20180327-story.html>.
¹⁷ *Generation Like*, PUB. BROAD. SERV. (Feb. 18, 2014), <https://www.pbs.org/wgbh/frontline/film/generation-like/>.
¹⁸ *Sponsorship Spending On Music To Total \$1.54 Billion In 2017*, IEG (July 24, 2017), [http://www.sponsorship.com/iegsr/2017/07/24/Sponsorship-Spending-On-Music-To-Total-\\$1.54-Billi.aspx](http://www.sponsorship.com/iegsr/2017/07/24/Sponsorship-Spending-On-Music-To-Total-$1.54-Billi.aspx).

¹⁹ Katie Richards, *Spotify Creative Shares How the Brand Came Up With Its Latest Witty Work*, ADWEEK (May 16, 2018), <https://www.adweek.com/brand-marketing/spotify-creative-shares-how-the-brand-came-up-with-its-latest-witty-work/>.

“IN THE ALWAYS-ON, ATTENTION ECONOMY, IT’S NOT ENOUGH TO SIMPLY DELIVER AMAZING MUSIC TO THE WORLD. WE AIM TO TELL ENGAGING AND ORIGINAL STORIES THAT INFLUENCE CULTURE.”

MAX LOUSADA, WMG CEO
OF GLOBAL RECORDED MUSIC

At the same time, synch licensing has grown in importance and impact as a source of income and exposure for the artist. As RCA’s Karen Lambertson put it, “TV is the same as the internet now” — young people are not watching programming on a TV but on their smartphones and computers.

While the digital explosion has opened a wide variety of new possibilities for placements, close relationships with core executives in the business are still required to secure these opportunities. For example, Lambertson said her team has closed over 25,000 frontline licensing deals in the last 18 years, allowing her to participate as a trusted member of the film and TV music community for several decades. The experience also allows her to find new and better ways to work with the music supervisors who control synch placements. Knowing the requirements of the specific people involved includes how music should be delivered and in which format and genre for which project, and the ability to leverage huge rosters is truly essential.

For television, the number of placements has grown dramatically as the number of programs, networks and services has multiplied in a way where it is not possible to cover the market with an independent pitching service. These deals often require immediate responses and the ability to close quickly, and are tied to short, strict deadlines. In addition, some placements are more valuable than others, with Lambertson prizing HBO, Netflix, Hulu, and Amazon which can influence sales and streams, though there is a market for music licensing in user-generated-content for internet uses, particularly for dance websites owned by choreographers. Other opportunities include

video games, which can get exposure for an artist but rarely break them big, and new media like TikTok (formerly known as Musical.ly) and Snapchat, which require research and coordination with business affairs as there was no pre-existing model for those synchs, which means each placement must be evaluated on an individual basis. Clearly, labels have the synch experts and relationships to maximize outcomes for artists to benefit from broadcast and emerging media campaigns and exposure.

Another one of the most powerful ways of amplifying an artist’s story that has emerged recently is the explosion of “screened entertainment” and the scaling of label operations to exploit the growing opportunity according to UMG’s Barak Moffitt. Screened entertainment leverages the power of artists and their music through visual storytelling devices. Video is critical for both developing and career artists, and labels’ experienced in-house production teams often produce official music videos, lyric videos, and behind-the-scenes videos, according to Sony’s Justin Eshak. This is often responsible for pushing artists over the top; for example, video accounts for 80% of consumption in the Latin genre.

In 2018 WMG acquired editorial site and video production site UPROXX; UMG had previously aligned with All Def Digital and Mass Appeal. At the time of the UPROXX acquisition, WMG CEO of Global Recorded Music Max Lousada said, “In the always-on, attention economy, it’s not enough to simply deliver amazing music to the world. We aim to tell engaging and original stories that influence culture.”²¹

Music videos are the most popular short-form version, while other examples include broadcast TV series like *Empire* and *Nashville* that are centered around the music industry, episodic documentaries and series like *Motown* and *Beat Bugs* on Netflix, *The Defiant Ones* on HBO, theatrical films like *Bohemian Rhapsody*, Academy Award-winning documentaries like *Amy*, along with making-of pieces, VR titles, MTV *Unplugged* performances, vertical videos shot and optimized for smartphones, and other music-related video. Plus, young artists can leverage screened entertainment further with their own social media expertise.

Record labels today think in terms of asset creation and exploitation. This includes but is not limited to albums. Previously, labels saw screened entertainment as an ancillary licensing market, but now labels see the explosion of music-based video content built for

screens large and small as part of the core business. Film and television studios are now viewed as strategic partners, according to Moffitt. As such, record labels now understand film development, distribution, and windowing, and have developed deep understanding for how advertising works in the on-demand video environment.

Labels have also made it easier for video producers to license music and help them with music supervision. The goal for labels is to build a library of social, “snackable” music-based content that can be used to attract and maintain fan attention. In order to do that, label teams produce and co-produce all manner of video content, resulting in a need to rebalance their skill-set, which UMG has done through both hiring and acquisitions. Today, UMG maintains an advanced media crew in-house with a professional kit, camera, and crew that can be deployed from New York, Los Angeles, Nashville, and London.

In addition to improving artists’ exposure and telling their stories from signing to celebrity, development and use of screened entertainment also helps artists get paid, said Moffitt. Disruption in the video space from Amazon, Netflix, and Hulu has left broadcast TV hungry for hip, edgy content, which music-based programming can provide. As such, labels can push more music programs into the commercial space, resulting in substantial licensing payments for artists. These opportunities are rarely available to DIY artists, as labels are the ones investing in the underlying music rights developed into screened entertainment assets while building up public awareness for the artist.

Fortunately, because of the label marketing team’s social media approach, audience reaction is rarely a surprise. Social media has become one of the most valuable tools for music marketing, as it provides the first opportunity for direct, consistent, real-time feedback between an artist and their fans. Facebook, Instagram, Twitter, and YouTube along with Amazon, Apple Music, Spotify, and regional streaming partners have dramatically decreased the lag between breaking an artist in the U.S. and internationally. Jenifer Mallory, Executive Vice President, International at Sony Music Entertainment, stated that social media in particular is a key part of Sony’s international strategy, aggressively courting influencers to promote their artists’ music. In one case, the label reached out directly to YouTube influencers in Taiwan, Australia, and the UK known to perform cover songs on ukuleles, had them film themselves playing one of artist Grace VanderWaal’s songs, and then stitched the results together into a video that showed off the song’s global impact.

WE FOUND THAT AT THE CORE, LABELS TODAY ARE GUIDED BY THE SAME FUNDAMENTAL DRIVE TO PROPEL ARTISTS FORWARD AS THEY WERE YEARS AGO. THE DIGITAL LANDSCAPE HAS CHANGED HOW THEY DO SO, LEADING TO SIGNIFICANT INTERNAL CHANGES THAT ENABLE THEM TO LEVERAGE THE NEW MARKET OPPORTUNITIES.



Thus, we found that at the core, labels today are guided by the same fundamental drive to propel artists forward as they were years ago. The digital landscape has changed *how* they do so, leading to *significant* internal changes that enable them to leverage the new market opportunities. We will discuss some of these changes next.

²⁰ Kristina Monillos, *How Jeep Found the Perfect Song to Launch Its Renegade Campaign*, ADWEEK (Apr. 17, 2015), <https://www.adweek.com/brand-marketing/how-jeep-found-perfect-song-launch-its-renegade-campaign-164125/>.

²¹ Shirley Halperin, *Warner Music Group Acquires UPROXX*, VARIETY (Aug. 2, 2018, 11:15AM), <https://variety.com/2018/digital/news/warner-music-group-acquires-uproxx-1202893495/>.



Labels have invested heavily in infrastructure and staff to take advantage of the opportunities that streaming now presents and to develop new opportunities within the streaming ecosystem.

**A LABEL'S COMPETITIVE
EDGE COMES FROM
BEING ABLE TO
BALANCE TASTE, GUT
INSTINCT, AND MARKET
FEEL WITH DATA**

**“
We are data
rich and need to
be insight richer,
so my job is to
take all that data
and get it to be
usable.
”**

Monte Lipman, Chairman and CEO,
Republic Records

A label's competitive edge comes from being able to balance taste, gut instinct, and market feel with data — and immediately aggregate, digest, interpret, and react to information coming from a multitude of sources in staggering volumes — over a billion streams a day. Data analysis was delegated to a handful of people even just 10 years ago; now it's integral to every department. Labels today have invested in systems, tools, and teams to aggregate and analyze this fire hose of information, a key area of investment, requiring completely new skills and staffing in all areas of the companies.

**BY 2017 THAT NUMBER
(THE VOLUME OF SOUND
TRANSACTION DATA)
EXPLODED BY NEARLY 500%
TO OVER 21 BILLION LINES
OF DATA.**

One company we spoke with ingested 3.6 billion lines of data from digital partners worldwide in 2014. By 2017 that number exploded by nearly 500% to over 21 billion lines of data. Another company told us in 2018 they processed 800 million lines of digital transaction data each day. And as Mitchell Shymansky, VP Data & Analytics at UMG says, “We process

FIGURE 7

VOLUME OF AVAILABLE MUSIC EXPLODES, BUT THE
TOP 10% DRIVES VIRTUALLY ALL STREAMING CONSUMPTION



500K
TRACKS ADDED
PER MONTH

1.5M
UNIQUE ISRCs/
STREAMED PER
MONTH

²² BuzzAngle Music 2017 U.S. Report, BUZZANGLE MUSIC (2018), <http://www.buzzanglemusic.com/wp-content/uploads/BuzzAngle-Music-2017-US-Report.pdf>.

“[OUR] LABEL DEVELOPED A SYSTEM THAT ENABLES FLASH, ON-THE-FLY REPORTS PROVIDING DETAILS ON EXACTLY HOW MANY USERS STREAMED AN ARTIST FOR THE FIRST TIME AFTER MAJOR TELECASTS LIKE THE GRAMMY AWARDS AS WELL AS HOW MANY PEOPLE ADDED THEIR TRACKS TO A PLAYLIST, HOW MANY LISTENED FROM THAT PLAYLIST, HOW THE TRACKS WERE POSITIONED IN THE PLAYLIST, WHAT THE SKIP RATE WAS, AND HOW MANY SHARED IT WITH THEIR FRIENDS AND FAMILY.”

**JOSEPH CACCIOLA, VICE PRESIDENT,
RESEARCH AND ANALYSIS AT WMG**

105,000 terabytes of data each month,” says Shymansky, the storage equivalent of 157.6 million CD-ROMs. But that’s just the first step. “As [Republic Records chairman/CEO] Monte Lipman says, ‘We are data rich and need to be insight richer,’ so my job is to take all that data and get it to be usable.’”

Digital music services are now adding tracks at the rate of a half million per month, with 1.5 million unique recordings being streamed on major services per month. The top 10% drive 99% of the streams.²² With this shift toward streaming, labels now have much more data than simply shipments, sales, and downloads to analyze for patterns. In fact, there’s so much that one major label was forced to split its data analysis team into four verticals: data hygiene, data tools, data science, and data analysis.

The process begins with the data hygiene team, which works with deal-making teams to ingest data from digital partners, clean it, check it for consistency, identify and correct errors, and validate it. This process is becoming even more import-

ant as voice-controlled smart speakers like Amazon Echo and Google Home become more popular and users become more accustomed to requesting songs for specific moods and activities, requiring proper tagging, according to Chris Frankenberg, Vice President, Global Business Operations at Sony.

The data tools team then runs the data through an internal consumption portal to begin surfacing insights. All three major labels have developed tools like this that help them manage the data firehose. For example, Joseph Cacciola, Vice President, Research and Analysis at WMG, said his label developed a system that enables flash, on-the-fly reports providing details on exactly how many users streamed an artist for the first time after major telecasts like the GRAMMY Awards as well as how many people added their tracks to a playlist, how many listened from that playlist, how the tracks were positioned in the playlist, what the skip rate was, and how many shared it with their friends and family. This granular level of data has become key for artists and managers, who often request information about the journey of a track within a service and the number of Monthly Active Users for a song. This increased level of access to consumption data has also allowed labels to satisfy artists’ long-running requests for greater transparency, granting artists more control and visibility over their career and fan base.

Frankenburg said Sony’s solution provides access to detailed royalty, sales, and marketing analytics. Royalty data updates quarterly with info from every partner in every country in all types of consumption, while sales and marketing data from digital service providers is updated as often as three times per day, with Spotify alone uploading nearly a billion information records each day. Shazam tags, social media data, and chart info is also included, and users can see the number of streams per track and listener as well as spikes in activity. Finally, by determining whether a listen came from the user’s library or a curated playlist, the tool can measure lean-forward and lean-back percentages.

The data science team then surfaces patterns from the data and puts them into everyday language for the label’s creative and business people. Finally, the data analysis team answers any questions and identifies further insights.

When label analysts put these tools to good use, the results can be illuminating. For example, UMG’s Mitchell Shymansky discovered that lean-back listening is growing alongside an increase in engagement, but at the same time, users are pushing further into the catalog. In addition, his label’s data tools have led to a number of new artist signings over the last several years by identifying fast risers and tracking their velocity.

The granular data processed by these tools also helps labels make important decisions on tour routing, especially for secondary or tertiary stops; back catalog acquisition; and music positioning on specific services, according to Cacciola. For example, country and Christian rock perform much better on Amazon than other services, and hip-hop/rap performs much better on Apple Music. In addition, for many artists, the fans who stream the most are also the most likely to buy vinyl records and other physical merchandise because these people are superfans.

An example of a tour routing decision came up as we were finalizing this paper. Management was in the process of mapping out the European leg of the Wiz Khalifa tour, and Cacciola’s team at WMG dug into data from Spotify and Apple Music to identify and visualize which cities made the most sense in France and Germany.

Paris and Berlin were givens, but a closer look at the detail indicated that smaller cities made sense as well. Northern French cities outperformed Paris, which drew 48% of in-country streams. In Germany, 41% of the streams came from the two southernmost regions, which include Munich, Stuttgart, Frankfurt, and Nuremberg.

The WMG group determined a correlation between statistical streaming consumption and vinyl record sales by city. For example, when WMG implements Record Store Day initiatives, they make sure vinyl LP product is spread based on who can sell what, overlaid with streaming behavior in addition to historic sales and data on foot traffic in retail stores. This produces a much more nuanced view of how to optimize records by artist and market, which results in more of the right records by the right artists for the right fans in the right markets — on the right day.

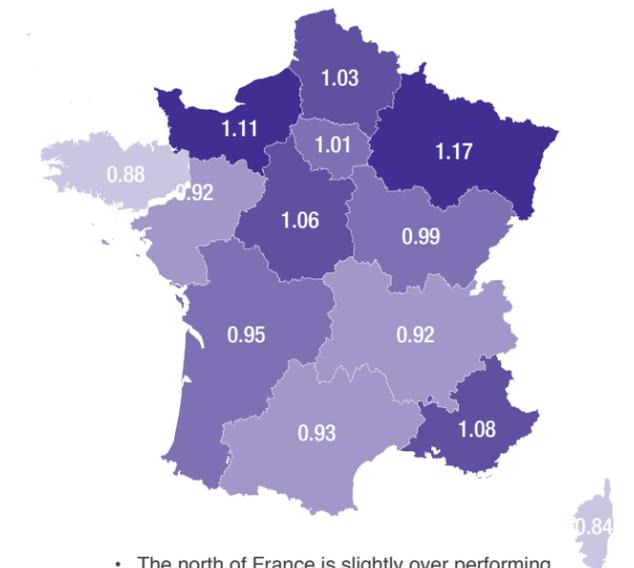
The global nature of many streaming services has also fueled an appetite for international statistics that did not exist in the U.S. before such data became easily available, said Cacciola. In fact, his label maintains a data lab in Los Angeles, an analytics team in New York, and employs people in London, Holland, and Hong Kong along with “embeds” in every label who answer questions and surface actionable insights.

As fans continue to grow their on-demand engagement with music, record labels have developed highly specialized teams to extract insights from the rising tide of data about fan engagement to ensure the best outcome for their artists on the new playing field.

FIGURE 8

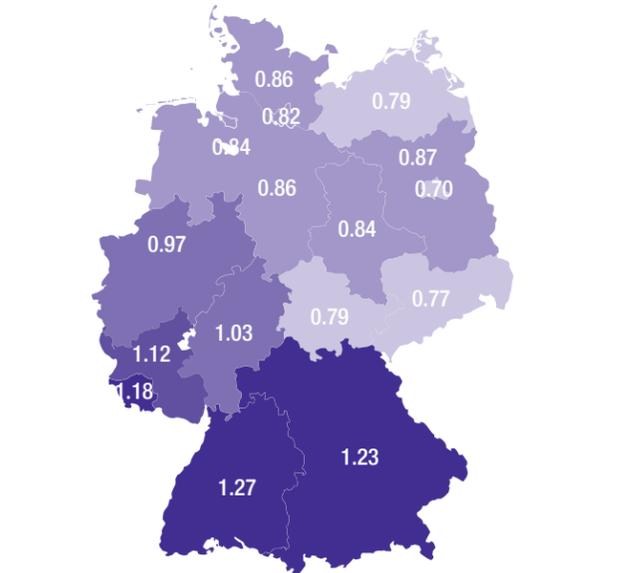
SURFACING INSIGHTS FROM A RISING TIDE OF DATA
Mapping a European Tour for Wiz Khalifa using geographic streaming data

REGION INDEX FOR FRANCE



- The north of France is slightly over performing.
- The region of Paris performs average — 46% of the streams are coming from in and around Paris.

REGION INDEX FOR GERMANY



- The south of Germany is over performing.
- Large cities like München, Stuttgart, Frankfurt, and Neurenberg are located in this area.
- 41% of the streams are coming from the two most southern regions.



ARTIST SERVICES: MUCH MORE THAN SALES

Labels are now primarily in the business of building and scaling artist brands across all platforms and territories, not manufacturing and selling records.

**ARTISTS ARE SAVVY
AND UNDERSTAND
THE VALUE OF THEIR
OVERALL BRAND. THEY
UNDERSTAND THAT
LABELS WILL OFFER
FINANCIAL SUPPORT
PROPORTIONAL TO
THEIR SHARE IN THE
OVERALL REVENUE.**

“

**Labels and artists
compete for time
and attention with
every other artist
and label — and
every other form of
entertainment.**

**Dan Goldberg, Senior Vice President,
Artist Services, Warner Music Group**

”

In the early 2000s, labels pursued “360” deals with artists — arrangements where they became financially involved in almost all aspects of the artists’ business, not just the recording, release, and sale of music, but also music publishing, touring, merchandise, and licensing. While these types of deals were initially viewed as an overreach by the labels during a time when recorded music sales were in a freefall, the companies have now developed the expertise to truly partner with their artists across a whole range of services and activities, well beyond selling music goods. Artists can now customize what services they want from each company

— enabling artist teams to increase revenues, reduce costs, save time, and coordinate new products and services in a way that benefits the artist, label, and fans.

Dedicated record label artist services divisions drive market-competitive deals across countless types of *a la carte* offers, to provide exactly the suite of services each act needs for their genre, career stage, and fan development. They are able to do so in a carefully coordinated fashion because the team all lives under the same roof. And in a consumption-driven music economy, all market participants compete for time and attention, not just dollars. In a 2017 story on the paradox of

**EVERY FAN TOUCHPOINT
NEEDS TO BE STRATEGIC,
MADE IN AN AUTHENTIC
VOICE, HANDLED
PROFESSIONALLY
AND IN SYNERGY.**

unlimited choice, *The Economist* reported, “There is almost no limit to the supply of entertainment choices in every category, but people’s awareness of these products and their ability to find them is constrained by the time and attention they can spare.” Labels and artists compete for time and attention with every other artist and label — and every other form of entertainment.²³ According to Dan Goldberg, Senior Vice President of WMG Artist Services, coordination allows record labels and artists to compete for time and attention more successfully.

Artist managers typically have to engage separate merchandising companies and digital agencies to provide a myriad of professional services to their clients. Although printing t-shirts or setting up accounts to manage fan email is easy enough for anyone to do, successfully managing

²³ Gady Epstein, *Mass entertainment in the digital age is still about blockbusters, not endless choice*, THE ECONOMIST (Oct. 13, 2018), <https://www.economist.com/special-report/2017/02/11/mass-entertainment-in-the-digital-age-is-still-about-blockbusters-not-endless-choice>.

“FANS WANT SOMETHING EXPERIENTIAL; SOMETHING TO HOLD ONTO AND TOUCH.”

MICHELE ANTHONY,
EXECUTIVE VICE PRESIDENT, UMG

and developing an artist's brand is not. Every fan touchpoint needs to be strategic, made in an authentic voice, handled professionally and in synergy. As a practical matter, having everything under one roof means better branding: there are no competing emails in fans' inboxes, nor conflicting messages causing confusing experiences. Instead, there is an alignment of goals, identity, and messaging. In response to this demand, Warner Music Group has built a freestanding Artist Services company to provide digital strategy, merchandising, e-commerce, fan club management, VIP experiences, and ticketing. Other labels offer similar services.

According to WMG's Goldberg, the digital world has created more distractions for fans. With those distractions come possibilities for fan interaction via previously unavailable touchpoints, in turn leading to new revenue-generation opportunities for artists. His label locates and leverages these opportunities by focusing on CRM (customer relationship management), acquiring data on the artists' fans to craft unique digital strategies for their roster. These strategies require innovative approaches to break through the clutter of the digital world and introduce fans to new artists they might enjoy. For example, WMG made a series of technology and data acquisitions, including Songkick in 2017, to position itself as a leader in the live music market, most crucially when it comes to event discovery, which provides a new conduit for fans to connect with artists. The live space also gives labels an opportunity to cement relationships with superfans while helping artists reward and monetize their most loyal fans' devotion with VIP, fan club, and fan presale allocations often accounting for as much as 8% of a concert's full attendance. Furthering its strategy to extend its platform, in 2018 WMG acquired European merchandising giant EMP.

For developing artists and superstars, touring is a critical source of exposure and revenue. Developing artists sometimes want to do an opening tour spot but need tour support from labels, which are freer with tour support in cases where the label shares in tour revenue. Doing so aligns artist and label interests. RCA Co-President John Fleckenstein told us, “Artists are savvy and understand the value of their

overall brand better than anyone. They understand that labels will offer financial support proportional to their share in the overall revenue.”

Festival appearances at the largest multi-day, outdoor events like Coachella, Outside Lands, Stagecoach, Bonnaroo, and Lollapalooza can be highly desirable opportunities for exposure to potential new fans, but festivals slots can cost developing artists. Investing in productions to impress the audience and make a splash can pay off. Fleckenstein asserted that due to the amplifying effect of social media, “Something that happens once becomes valuable in a world where everything else is available all the time.”

UMG's Michele Anthony told us, “Fans want something experiential; something to hold onto and touch.” UMG has focused on D2C merchandising, growing this channel by six times in the three years since it was launched, and giving its artists more opportunities to reach fans with products that deepen their bond, according to Peter Sinclair, Senior Vice President, Consumer Engagement & Ecommerce at UMG. These include everything from deluxe albums that feature bonus tracks or behind-the-scenes videos, to extended or exclusive remixes, access to a “walled garden” fan community, early ticket access, access to exclusive products, and the right to buy new merchandise first. The approach has proven massively successful, with sometimes more than 40% of first-week sales for the labels' artists coming from D2C projects. Further, artist services teams can set up a professional “buzzy” artist store in just a day, something it would take a DIY artist months to accomplish.



SUMMARY

Our conversations with record label executives have made one thing abundantly clear: labels remain the key enabler for artists to maximize their creative vision and achieve their dreams for global visibility. While the rise of streaming and its attendant tornado of data have changed the game operationally, the heart of a label's mission is still to find brilliant career artists, give them the resources to develop, connect them with passionate audiences, and build their brand around the world.

Over the last two decades, the music industry has faced extreme disruption as digital services were born and entered the mainstream. Many new DIY artists have a myriad of options to self-release their music. While some musicians have found sustainable success without a label's backing, there are certain things that only a label can do, particularly for artists with global ambition.

In this new world, what labels do for artists has not changed, but how they do it certainly has. Labels are transitioning from B2B businesses to direct-to-consumer businesses focused on building direct relationships with fans. This is because the shift from an ownership to an access model has necessitated a continuous flow of new content from artists rather than the traditional every-other-year album release cycle, often featuring lavish spending for the several months leading up to the week of release. On their own, artists and managers may find it nearly impossible to keep up with the crushing demand of the modern music marketplace, but record labels are purpose built for the current environment. In addition, the labels' promotional machines are equipped to push out a steady flow of singles, EPs, and albums and videos for all screen sizes and maximize the impact of each, while their social media teams enable artists to learn more about their fans while interacting directly with them.

With the demise of the traditional album release cycle, labels have become more flexible with artist contract terms, no longer requiring signees to force themselves into a one-size-fits-all mold. Today's deals vary in length of time, delivery commitment, economics, copyright ownership terms, and more, allowing labels to tailor their services to meet the needs of specific artists.

Finally, data is a huge force to be reckoned with, requiring significant human and financial resources to gather and analyze before producing actionable insights for labels, artists, and managers. Labels have developed a variety of tools to ingest huge amounts of data quickly and dispense valuable insights. Labels have also invested in tools that ensure artist and song metadata is clean and accurate, improving discoverability and allowing for a new generation of voice-controlled devices to more easily find and serve up their tracks to the right listener at the right time. In addition, data can help reduce some risk for label A&R, but it must be balanced with instinct and feel — a sixth sense for engaging with brilliant artists to create the soundtrack of the century.

For self-released artists with great ambition, those with significant traction, and superstars aiming to maximize their potential, there are alternatives, but there is no substitute for a record label.

FOR SELF-RELEASED ARTISTS WITH GREAT AMBITION, THOSE WITH SIGNIFICANT TRACTION, AND SUPERSTARS AIMING TO MAXIMIZE THEIR POTENTIAL, THERE ARE ALTERNATIVES, BUT THERE IS NO SUBSTITUTE FOR A RECORD LABEL.

ACKNOWLEDGEMENTS

I've long wanted to document how record labels have restructured the way they create value in the modern world — but especially during the last several years as streaming became the dominant form of music discovery and consumption. Thanks to the RIAA and our friends at major and independent record labels, I got that opportunity, and it transformed my research and teaching.

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