

INVESTING IN MUSIC



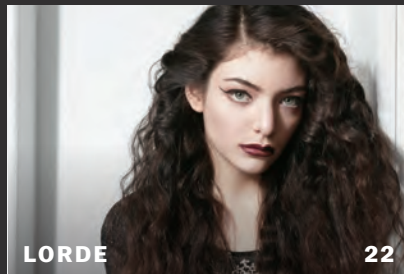
How music companies discover,
nurture and promote talent



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INTRODUCTION

Singing the praise of the investors in music



Plácido Domingo,
chairman of IFPI

Welcome to the *Investing in Music* report, published by IFPI and WIN, two organisations that between them represent many thousands of record companies worldwide.

In my long career, I have worked with all the major record labels, and even some of the smaller ones. From my experience in the recording industry, I know very well what a big difference a record label can make to the

success of an artist's career. To achieve success, of course, means investment by the labels, both in time and money, in promoting the artist and his or her recordings.

'It is copyright which underlies the endeavours, the risks and the successes that fill the pages of this report.'

This report is about the teamwork and the investment that lie behind the success of every recording artist. It is about how the talent of the musician combines with all the skills of the team working with them to produce recordings that inspire audiences around the world.

It is very important, from time to time, to be reminded of the industry that is working tirelessly behind the artist. Today, it is easy to take for granted the constant supply of new music from a huge range of artists, emerging on a weekly basis. In the digital world, it is so easy to access music, people can forget the time and effort that goes into creating a professional recording, as well as the work needed to bring it to the attention of the public.

The investors in music are vital to the work of artists. They are the risk-takers who win if an artist is successful, but lose if they are not; they provide the financial support in advance of recording that others are not prepared to give; they offer skills and understanding of how to reach the consumer in all the ways the digital age allows; and they provide many other skills too. This is all part of the work of record companies who, according to this report, invest US\$4.3 billion dollars worldwide in the work of recording artists.

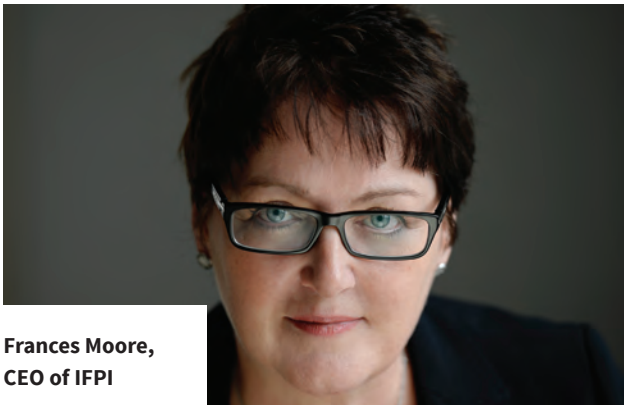
Investment in music cannot be taken for granted. Like the creativity of the artist, it is something that needs to be supported and protected by a secure legal environment. That is why a safe, adequate copyright framework for artists and labels is so crucial. It is more crucial than ever before in today's digital world, where copyright is fighting for its place against those who would have music and culture disseminated for free or who would erode copyright protections in the name of "copyright reform".

It is copyright that makes investment in music possible. It is copyright that allows the industry that helps artists gain a return on its investment, and therefore plough back new funds and resources into the next generation of talent. And it is copyright which underlies the endeavours, the risks and the successes that fill the pages of this report.

Investing in Music is full of information, statistics and case studies about the work of the music industry. I think you will find this an impressive story about a dynamic and highly creative industry. Above all it is an industry whose work depends on copyright. In fact, instead of calling this report *Investing in Music*, it could also be titled *Investing in Copyright*.

COMMENTARY

Discovering, nurturing, promoting talent; defining qualities of investing in music



Frances Moore,
CEO of IFPI



Alison Wenham,
chairman of WIN

Investing in Music illuminates something that is often not properly understood – the role that record companies play in helping artists develop their careers and take their music to the public. This publication also highlights the ways in which labels have adapted their business practices to continue to deliver the best possible support for artists in the digital age.

Behind the performers that we see both in the charts and among thousands of local musicians around the world, is a small army of people from small and large record labels who work to help nurture their talent and promote their music. These behind-the-scenes professionals and experts exist for one overwhelming reason – recording artists *choose* to use their services.

Record companies remain the largest upfront investors in artists' careers. They shoulder the financial risk inherent in trying to break a new act. They also provide a wealth of experience, expertise and connections for developing artists to tap into.

Record companies have remained committed to investing in new talent, even in a highly competitive market

pressured both by piracy and the challenges of monetising music on digital services.

'The relationship between artists and record labels remains the essential partnership at the heart of the modern music business.'

Yet for all these pressures, record labels continue to invest in the best artistic talent. And most artists who want to make a career from their music still seek a recording deal. They may need an advance so they can give up their day jobs and concentrate on writing, rehearsing, performing and recording their music. They want to be introduced to the best producers, sound engineers and session musicians in the business. They need financial support and professional help to develop marketing and promotional campaigns.

Many artists and labels now partner across a wider range of commercial activities. Record companies have

developed expertise in areas such as brand partnerships, merchandising and synchronisation deals. While all these areas can generate income for artists, and record labels, they are all possible because an artist has reached a significant audience through their recorded music. Only when that is done can the other channels begin to generate income.

Investing in Music reveals the multi-billion dollar investment in artists made every year by major and independent record labels. It is estimated that the investment in A&R and marketing over the last five years has totalled more than US\$20 billion. That is an impressive measure of the qualities that define the music industry, and which give it its unique value.

It is this upfront investment that benefits the wider music industry by developing the stadium fillers of tomorrow. That is why the relationship between artists and record labels remains the essential partnership at the heart of the modern music business.



Investing in music: The essentials

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he core mission of record companies is to discover, nurture and promote artists. Record labels bring together teams with the experience, expertise and dedication to help artists take their music to the widest audience. No other players in the music industry offer developing artists such support. No other industry invests in artists on the same scale, with the same focus or by taking the same risks.

Record companies are the primary investors in the careers of musicians. In 2013 alone, the industry invested some US\$4.3 billion worldwide in artists and repertoire (A&R), marketing and promotion. This represented some 27 per cent of total recorded music industry revenues, an increase on the 26 per cent invested in 2011 and reported in the last *Investing in Music* report.

Over the past five years (2009–2013) IFPI estimates that record labels have invested over US\$20 billion in A&R and marketing.

The three major record companies alone had an estimated 7,500 artists on their rosters in 2013, while tens of thousands more are signed to independent labels. New talent remains the lifeblood of the industry with just over one fifth of those artists signed within the last 12 months.

There has been a mistaken belief among some that the role of labels would be diminished in the digital age. In fact, on the contrary, the internet has generally increased their importance. While the digital music marketplace has been transformed by the growth of new services, artists still turn to record companies to help them cut through the almost infinite amount of music available to reach a mass audience. Record companies remain able to reinvest the profits generated by successful campaigns in the next generation of artistic talent.

The majority of artists still aspire to be signed to a major or independent record company. In September 2014, IFPI partnered with *The Unsigned Guide*, an almanac of information for unsigned artists, to survey performers currently without a record deal. The results were clear. Seven in ten of the unsigned artists questioned (70%) said they wanted a record deal. The most cited factors for wanting a deal included promotional support, tour support and the payment of an advance.

KEY STATISTICS

US\$4.3b

of record company revenues
invested in A&R and marketing in 2013

US\$20b+

Amount invested in A&R
and marketing (2009–2013)

27%

The proportion of
record company
revenues invested
in A&R and marketing

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Seven out of ten unsigned
artists say they want a
recording deal

7,500

The number of
artists on major labels
rosters alone

US\$500,000 – 2,000,000

The cost of breaking a newly
signed artist in a major market



Beyoncé

Record labels – the primary investor

The backing of a record company offers financial support to artists as well as access to a vast range of skills, experience and industry connections. That is why so many continue to sign up with them to further their careers. Edgar Berger, chairman and CEO, international, Sony Music Entertainment, says: “It really is the artists’ choice. Theoretically, artists can do everything on their own, but the fact that the vast majority want and choose to be signed by a record label speaks volumes. It is testament to the value that labels provide, from the creative guidance, financial commitment, to applying our marketing and distribution muscle.”

‘It really is the artists’ choice... The fact that the vast majority want and choose to be signed speaks volumes. It is testament to the value that labels provide.’

Edgar Berger, chairman and CEO, international, Sony Music Entertainment

Daniel Glass, president and founder of Glassnote Records, home to artists including Chvrches and Two Door Cinema Club, says: “Rarely does an artist break through without a team. A team supports artist development, gets music in the stores, gets it on radio stations, organises promotion, press and TV. A team helps you cut through the mass of music on streaming and social networks to get you to the forefront so that people can discover you.”

The digital world has made record labels more, not less important, says Max Hole, chairman and chief executive, Universal Music Group International. “Record companies’ importance to artists has expanded, not contracted. The expansion is in the incredible array of services we now offer our artists. In

the past, we provided A&R, marketing, promotion, sales and physical distribution. In 2014, we still do all this, but so much more as well. We are now active across hundreds of digital partners, we create digital campaigns, new platform services, give our artists access to in-depth consumer insight, data research and analysis, social media promotion, direct to consumer campaigns, as well as product development such as new digital formats, deluxe products, mobile services and opening up countless new revenue streams.”

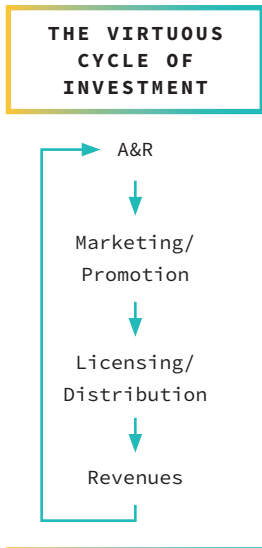
‘Record companies’ importance to artists has expanded, not contracted.’

Max Hole, chairman and chief executive, Universal Music Group International

Stu Bergen, president, international, Warner Recorded Music, takes up the point that record companies have evolved their business models to support artists in the modern music market. “Today, we take a holistic approach. It is not just about the release of the next album, we are partners with our artists in the long-term development of their careers. Digital technology is at the heart of everything we do and we’ve developed expertise in a wide range of areas from brand partnerships to live performances. Fundamentally though, the role of a music company has never changed, we’ve always connected artists with fans, and always will.”

A COMPETITIVE MARKET

Labels continue to break new artists in a market that remains highly competitive, where the chances of success are far from guaranteed. Being the primary investors in music is a role full of risk. There is no single authoritative figure for the proportion of record companies’ signings that are commercially successful, but a common estimate is between one in five and one in ten. That means record labels do not make money on the majority of the album projects they embark on with artists. The definition of commercial success can vary. For some, it means profitability, and for others success is simply a satisfied artist and the





Nothing But Thieves

bills paid. Yet in both cases it is the revenue generated by the comparatively few successful projects that enable record labels to continue to carry the risk on the investment across their rosters.

Nick Raphael, president of Capitol Records UK, whose artists include [5 Seconds of Summer](#) and [Sam Smith](#), explains: “We put just as much effort and money, if not more so, into the acts that don’t succeed as with those that do. There may be any number of reasons why they don’t connect with the audience, but it is not for lack of effort and support from labels that want them to succeed.”

THE RIGHT TEAM

Filippo Sugar, chairman and CEO of Sugar Music, whose artists include [Andrea Bocelli](#), [Negramaro](#) and [Raphael Gualazzi](#), says: “Every successful artist recognises that their career has benefited from connection with other professionals, whether in A&R, production, promotion or simply as investors that believe in them. Record labels and publishers work hard to put together the right team with individual artists to maximise their chance of success.”

It is a point picked up by Ashley Newton, president of Columbia Records US, home to artists including [Beyoncé](#), [Bruce Springsteen](#) and [Daft Punk](#): “It’s incredibly reassuring for an artist to look over their shoulder and see the army of a record label behind them. We’re at our best when we can magnify something that is naturally beautiful and authentic.”

Record companies are engaging in their traditional competitive task of discovering and breaking new artists despite the difficult financial climate for the industry over recent years. Colin Barlow, managing director of RCA UK, whose diverse roster includes [Shirley Bassey](#), [Laura Doggett](#) and [Nothing But Thieves](#), says: “It is a big operation to break a new act. It is not currently as profitable to sell records as it used to be, but it is still just as costly to develop an artist.”

US\$2.5b

Estimated A&R investment in 2013 worldwide

An intensive investment business

Recorded music remains an intensive investment business. The proportion of revenues invested by record companies in A&R remains higher than other sectors’ investment in research and development (R&D). According to data from its members, IFPI estimates that record companies worldwide invested US\$2.5 billion in A&R activity in 2013, some 15.6 per cent of their revenues.

This compares favourably with the R&D spend of other sectors according to an EU study that monitors industries in Europe, Japan and North America. It found that even the research-intensive pharmaceuticals and biology sector invested 14.4 per cent of its revenues in R&D in 2013, less than the proportionate equivalent A&R spend of the recording industry.

How music’s global 15.6% A&R investment compares with other sectors’ R&D investment

	Sector	Overall sector R&D intensity %
1	Pharmaceuticals and biology	14.4
2	Software and computer services	9.9
3	Technology hardware and equipment	7.9
4	Leisure goods	6.3
5	Aerospace and defence	4.5
6	Electronic and electrical equipment	4.3
7	Automobile and parts	4.2
8	Healthcare equipment and services	4.1
9	Industrial engineering	2.8
10	Chemicals	2.7

Source: The 2013 EU Industrial R&D Investment Scoreboard. European Commission, JRC/DG RTD. R&D intensity is the ratio between R&D investment and the net sales of a company or group of companies.

Local repertoire, global reach

Although digital technology has enabled the recording industry to be more global in scale than it has ever been, it is in local repertoire where labels predominantly invest.

Max Hole of Universal Music says: “We have operating companies in more than 60 countries and are active in 120, making recordings with artists in all of those countries in over 40 languages. One of our strengths is our belief in and the development of local music. It’s local artists and local music that gives you your strength in every country, because media take great pride in local music, in their own language.” But local investment also feeds into record companies’ global campaigns. Max Hole points to the examples of Tove Lo and Avicii from Sweden, Lorde from New Zealand or the Belgian artist Stromae as artists who have broken from a local market to have global hits.

An examination of the top 10 album sales in the leading markets around the world provides a snapshot of this focus on local repertoire. In 12 leading markets, local acts account for more than 70 per cent of the top 10 album sales.

Stu Bergen of Warner Recorded Music says: “We continue to invest in artists and repertoire all over the world. It’s an increasingly important part of being a global music company. It’s not just about serving local tastes either; today, hits can come from anywhere and translate everywhere. Look at David Guetta from France. This year, two of our biggest smashes were from Nico & Vinz, signed in Norway, and Robin Schulz, from Germany.”

One of the specialist functions of major record companies in the digital world has been to help get local artists to global markets. Edgar Berger of Sony Music Entertainment says: “In the digital age the world has opened up to artists as never before. More artists and songs are travelling the globe from countries that have not traditionally been regarded as repertoire exporters. That is another reason why local artist development is at the centre of what we do.”

‘Today hits can come from anywhere and translate everywhere’

Stu Bergen, president, international, Warner Recorded Music

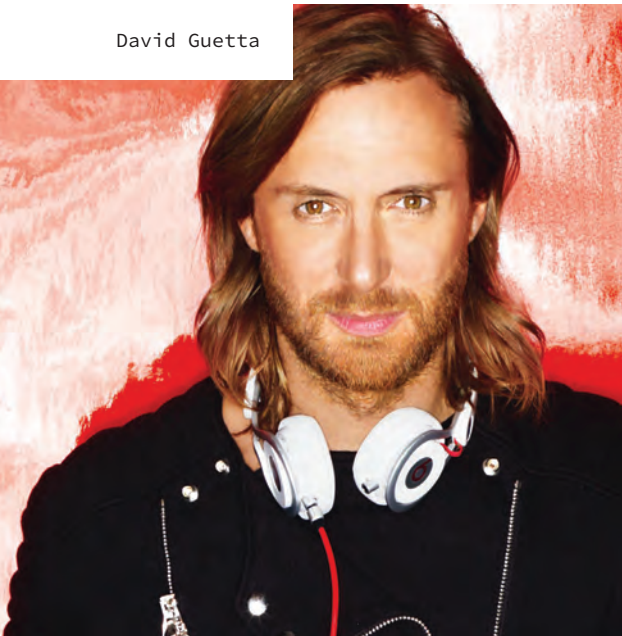
Local repertoire has a high share in many major music markets, particularly in Germany where national artists account for 70 per cent of top 10 album sales. Frank Briegmann, president of Universal Music Central Europe and Deutsche Grammophon, whose artists include Helene Fischer, Unheilig and Herbert Grönemeyer, says: “In many cases, domestic artists make a closer connection to music fans in their local market. It’s where they live, promote and play. Sometimes it’s a language thing, with people really connecting when they understand what a performer is saying artistically.”

Emerging markets in particular offer the potential of a new wave of artists and repertoire over the coming years. These are commonly markets historically untapped by the international industry but which are now being opened up, usually through partnerships between digital services and telcos. This gives access to a huge new consumer base that was previously marginalised due to low usage of broadband and credit cards. These are now new potential fans for labels’ artists.

70+

The proportion of local acts in the top 10 album charts of 2013 in 12 leading markets

David Guetta



Tove Lo



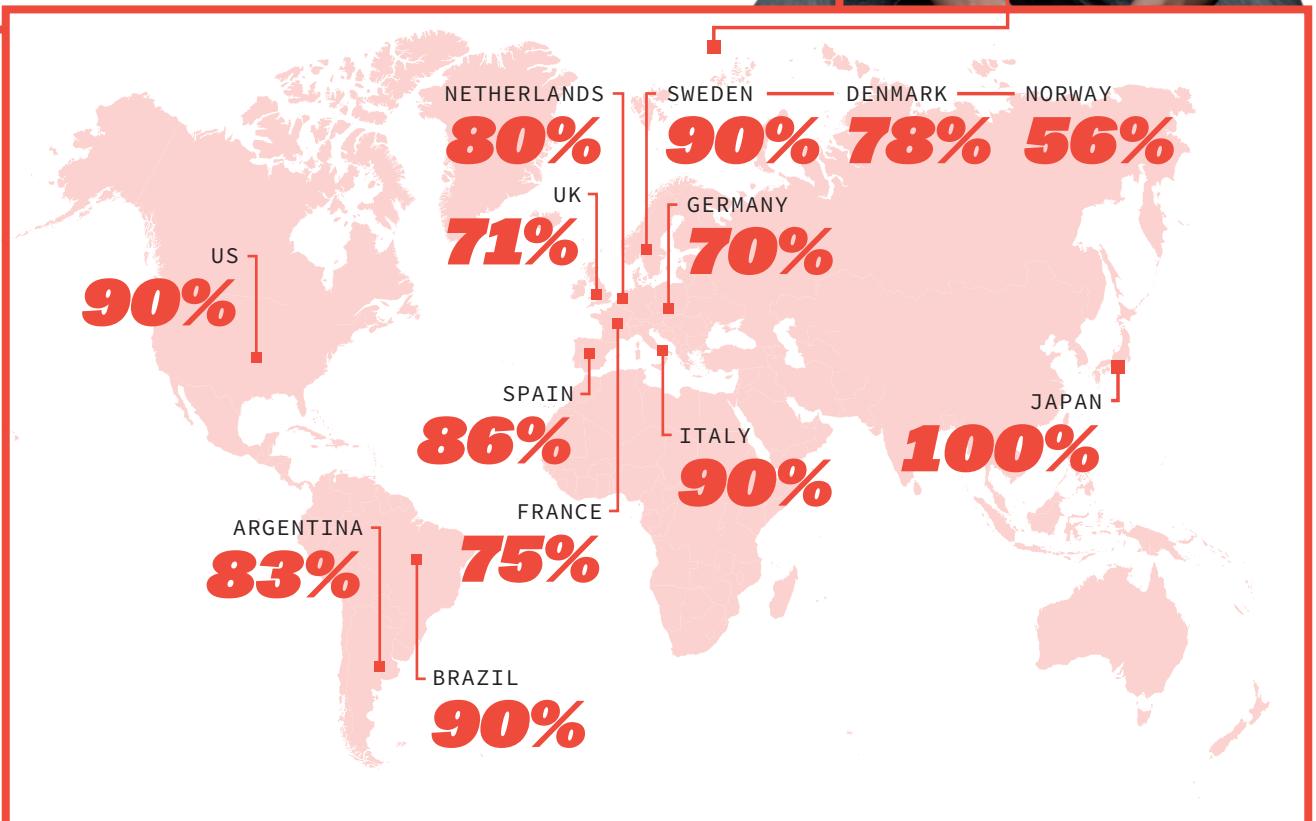
'In many cases, domestic artists make a closer connection to music fans in their local market.'

Frank Briegmann, president, Universal Music Central Europe

China embodies the potential of emerging markets. China has up until now has been eclipsed by Taiwan, traditionally the "Hollywood" of Asia and a major source of A&R in the region. Sunny Chang, chairman and CEO Greater China, Universal Music, whose artists include Jacky Cheung, Eason Chan and Karen Mok, is committed to changing this situation: "Mainland China is becoming more important as a source of artists and repertoire for us. I think that in coming years the popularity of artists from mainland China could be the same as those performers from Taiwan who currently dominate the Mandarin music scene."



% of local acts in the national top 10 albums of 2013 (by artist nationality)



Sources: IFPI National Groups / local chart companies.
Excludes multi-artist compilations / Japan: physical sales only

CASE STUDY

WEI LI-AN: FROM TALENT SHOW TO LONG-TERM ARTIST

Denver Chang of Taiwan's Linfair Records first noticed singer-songwriter Wei Li-An when he was a performing competitor on the TV programme *Happy Sunday*.

The artist became the champion of the competition overall, and Chang felt he had the ability to develop a career in music.

"Wei Li-An wrote his own songs and was popular with the public. He needed our help to develop his music and market it to a wide audience, but we knew he had the potential for a long-term career."

Linfair Records put him in a studio with its in-house producer who, over the course of a year, helped him develop his song writing and produce better quality recordings. At the same time, the label supported him in a series of live performances, hiring a professional band to support him. Linfair also worked with Wei Li-An to develop his website and build his presence on various social networks. They helped him put his improved demos onto the online blogging platform Streetvoice, which is very popular with independent artists in Taiwan.

It was felt that it was important to support his debut album with a significant number of videos, so the label paid for the production of five videos which it posted onto YouTube and other online platforms, as well as promoting to TV stations. The label also began to plug his music to radio stations.

Denver Chang says: "TV and radio are still vital platforms to break an artist, even in the digital age. We placed TV and radio advertising to generate awareness of Wei Li-An's debut album to the widest possible audience, although we supplemented this with a huge online campaign targeting digital music services."



Wei Li-An's debut album was a commercial success and he won the Best New Artist category at the subsequent Golden Melody Awards.

Linfair promoted his music across other Chinese-speaking markets, including Hong Kong, Malaysia, Singapore and mainland China. Chang says: "We have our own operating company in China that has the local expertise and contacts to help introduce our artists to the public there."

The artist went on to release a second album with Linfair, *Someone Is Waiting*, which proved another commercial hit. The artist and label have signed a long-term agreement to develop his career and Wei Li-An also now writes a lot of material for other artists on Linfair's roster.

Denver Chang says the story proves that labels can work with artists who come to prominence in TV competitions and develop their careers long-term. "But we should be clear that doing well in a TV competition is not a substitute for the necessary A&R and promotional work needed to break an artist. Even those with high profiles need the financial support and expertise of record companies to convert that early success into a long-term career in music."



Coldplay

Financially backing artistic talent

Record companies remain the largest upfront investors in artists' careers. Common features of contracts signed with emerging artists include the payment of advances, recording costs, tour support, video production and marketing and promotion costs. These upfront payments are recoupable against royalties generated from the recorded music created, but in many cases artists do not break even and do not have to repay the money. The burden of risk lies with the record company.

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

Advance	US\$50,000–350,000
Recording	US\$150,000–500,000
Video production	US\$50,000–300,000
Tour support	US\$50,000–150,000
Marketing and promotion	US\$200,000–700,000
TOTAL	US\$500,000–2,000,000

Source: IFPI member record companies



VIDEO PRODUCTION

Video production is more important than ever in an era where many consumers access music through audio-visual services such as YouTube and Vevo. Record companies typically produce two or three videos per album. Costs can vary widely between individual projects, with some superstar artists' videos costing more than US\$500,000, while some innovative low budget videos can cost as little as US\$10,000. Such high expenditure is not always needed, of course, and videos can be produced much more cheaply. The approach will depend on the needs of the individual project.

The average cost of video production for an emerging pop act in a major market is estimated to be around US\$50–300,000 for three videos.



RECORDING COSTS

Recording costs can vary widely between individual projects, with the average being driven by projects that involve superstar producers and the most sought after session musicians.

Recording costs for an emerging pop act in a major market are estimated to be between US\$150,000 and US\$500,000.



MARKETING AND PROMOTION

Marketing and promotion costs are the largest single item of spend for a record company on emerging artists. Breaking an artist to a significant audience unlocks a wide range of revenue opportunities, from live to merchandising, but requires a significant investment.

Record companies have generally switched their marketing spend towards digital platforms, which enable them to more tightly target individual groups of consumers. Yet the costs of online marketing are increasing, and record companies also have to continue to advertise across television, radio, print and outdoor media to drive awareness of their artists. Some record companies have also increased their spending on consumer insight and research to enable them to take advantage of new marketing platforms.

Record companies have the contacts in TV and radio. In countries around the world, broadcasters trust them as a source of new music. Artists rightly expect support from this network when they sign a recording deal. Exposing performers to audiences in different markets is a vital way of reaching a mass audience. This activity also incurs a significant cost for record companies.

A record company can spend between US\$200,000 and US\$700,000 trying to break an emerging artist in a major market.



ADVANCES

Record companies commonly pay advances to enable artists to concentrate on writing, rehearsing, recording and performing music. Advances are recoupable against future royalties from sales and streaming, but are not recouped if revenues fail to reach a certain level. The record label is therefore bearing the risk of the investment in a highly competitive marketplace.

The growth of streaming services in many markets has adapted but not reduced the financial role of the record company. Investment in successful artists has traditionally been recouped from sales of their album, typically within around 18 months of signing a recording deal. Under the streaming model, recoupment typically takes place over a longer period of time, making the label's upfront financial investment potentially more important. In other cases, advances may be very small or nonexistent, with the artist benefiting from more revenue-sharing than upfront expenditure by the record company.

A typical advance from a major record company to a new pop act in a significant market is estimated to be between US\$50,000 and US\$350,000 and this rate can be much higher in competitive situations.

Record companies have increasingly switched their marketing spend towards digital platforms



Stromae



TOUR SUPPORT

Emerging artists often require significant financial support for their touring commitments. Record companies want their artists to break in markets around the world, so often commit to international tour support payments.

The average amount paid in international tour support for an emerging pop artist is US\$50,000–US\$150,000.



BROADER RIGHTS DEALS

Broader rights deals reflect the evolving nature of the partnership between artist and record label. Some labels now write in a broader rights element to virtually every deal they sign. Sometimes these deals involve the record company getting highly involved in a wide range of activities. In some cases, record companies also run in-house booking agencies or merchandise firms to service these deals. Other broader rights deals are passive, with the record company providing financial backing but taking a much lower percentage of income from broader rights.

Brand partnerships are an increasingly important way for artists and record companies to generate income – particularly in regions such as Latin America, where physical sales have fallen and use of licensed music services is relatively limited. Respect for the artist's wishes in brand partnerships is vital to make deals work.



Imagine Dragons



It is important that artists are comfortable with the brands they are partnering with

Brand partnerships are an increasingly important way for artists and record companies to generate income



Childish Gambino

CASE STUDY

NICO & VINZ: A BREAKOUT ACT FROM NORWAY

Nico & Vinz are singer-songwriters Nico Sereba and Vincent Dery from Oslo. They have enjoyed global success this year with their breakout track *Am I Wrong*.

The duo formed in 2009, called themselves Envy and their debut single, *One Song*, went to number 19 in Norway's charts. Warner Music Group started working with the band following the acquisition of Parlophone Label Group.

Guttorm Raa, general manager, Warner Music Norway, says: "We were delighted to be able to work with Nico & Vinz and use our global network to promote their music as widely as possible."

Warner Music Norway has a pan-Nordic focus and promoted the duo's single *Am I Wrong* successfully across the region. It went to number two in Denmark, Norway and Sweden in April 2013 and later became a top five hit in Finland too.

The duo were heading out to Los Angeles to meet some producers and Raa decided to use the opportunity to promote them to the record company's executives there. "Warner Music has a global focus and wants to develop artists and repertoire from all markets it operates in. So they were keen to meet the guys, loved their music and committed to developing their career further."

As a consequence of the meeting, the duo signed a global deal with Warner Bros Records. They changed their stage name from Envy to Nico & Vinz to avoid confusion with other artists. Warner promoted *Am I Wrong* heavily in Germany, Austria and Switzerland, where it became a top 10 hit in all three markets in early 2014 and in the summer it reached number one on the UK singles chart.

The duo undertook a heavy schedule of promotional work in the US, which paid off when *Am I Wrong* went to number 4 in the Billboard Hot 100 chart. Raa says: "This was a huge development for Norway. The last time a Norwegian act had a top five hit in the US was a-ha and that was 30 years ago. This type of success doesn't happen every day."

Nico & Vinz are now working on their next album, called *Black Star Elephant*, which promises to be a major priority for Warner Music Group around the world. Raa concludes: "Nico & Vinz are flying the flag for modern Nordic music around the world. A&Rs globally are increasingly attuned to what happens in the Nordics and Nico & Vinz's success is hopefully the first of many by a new wave of local artists."



Discovering & signing talent

'Many of the acts we sign have developed their own online social networks, growing a stable fan base. But we know from experience it is not enough to have a big online fan base if you want to sell a lot of records.'

Alessandro Massara, president, Universal Music Italy

Emma Marrone



Florence Welch

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veryone working in a record label's A&R department dreams of discovering a unique artist. Their mission is to bring their artist's music to a wider audience. Inevitably competition between labels to sign performers can be fierce. At the same time, most artists want a record deal. In an age where it is technically easy for artists to post their own music online and promote it, most chasing a professional career in music still want to sign a recording contract.

For many artists, signing a record deal represents the opportunity to focus solely on their music. Colin Barlow of RCA Records UK, gives an example of this. "We just signed an amazing band called Nothing But Thieves and they were all working, so it wasn't until they signed to us that they could give up their day jobs and start rehearsing every day, get their album made and become a full-time band."

The changing face of artist discovery

The traditional image of the A&R executive is of someone scouting for talent at gigs in small venues, looking for signs of star potential. While it is still essential for A&R teams to see artists perform live, the traditional methods of artist discovery have been supplemented by a variety of new tools.

Stu Bergen, president, international, Warner Recorded Music, says: "We still want to find great artists and great music. Our objective has not changed. We now have powerful, new means of discovery such as social media, added to all the traditional, tried-and-tested methods such as showing up every night to see live bands."

'Social media can provide a useful guide to a new act's popularity, but in the end it's always the artist and their music that matters most.'

**Jonas Siljemark, president,
Warner Music Nordic**

It is a point echoed by Ted Cockle, president of Virgin EMI: "The corner of the pub remains a potent music discovery platform. Artists such as Florence + the Machine, Mumford & Sons and Amy Winehouse were signed [to Island Records] after we saw them performing and saw how the audience connected with them. Social media is interweaved with that experience today, but it hasn't replaced it."

What social media has done is given labels a further opportunity to see what interest an artist is generating among music fans. Ashley Newton of Columbia Records US says: "I have four guys who do research and analytics in my creative A&R team – the challenge is to temper their raw data with editorial. For example, we may check out something that has exciting social network stats, but which might not have artistic weight or be a good fit for Columbia's aesthetic."

One common factor cited by many executives is the change from signing artists who are almost at the beginning of their careers to ones that are already starting to generate momentum. Newton says: "There has to be a sense of purpose, a groundswell, maybe a self-released record that identifies an audience, a social networking wave of discovery or a band out touring. Then in a seamless and dignified way we identify the creativity, personality and audience identification that is already happening."

Jonas Siljemark, president of Warner Music Nordic, cites the example of Medina, a Swedish hip-hop duo, as an example of an act that already had a strong live and online following when they signed to his record label. The record company has helped them grow their audience further. He says: "Social media can provide a useful guide to a new act's popularity, but in the end it's always the artist and their music that matters most."



Mumford & Sons

Most artists also recognise they need help to build on the momentum they've generated if they are to generate revenue from their work. Alessandro Massara, president of Universal Music Italy, whose artists include [Eros Ramazzotti](#) and [Emma Marrone](#), says: "Many of the acts we sign have developed their own online social networks, growing a sizeable fan base. But we know from experience that it is not enough to have a big online fan base if you want to sell a lot of records, though it's a good start."

Of course, A&R executives have always looked at the impact unsigned artists are making, and social media platforms simply offer a new way of doing that. Stu Bergen, president, international, Warner Recorded Music, explains: "Two decades ago, an up-and-coming artist may have had a strong local following through touring, today they may have a global fan base online through a platform such as YouTube or Spotify."

It is a point picked up by Darcus Beese, president of Island Records, whose artists include [Ben Howard](#), [Florence + The Machine](#), [Mumford & Sons](#) and [Disclosure](#); he says: "Before the internet, bands who were passionate about what they did had a difficult route to market by pressing seven inch singles or making their demo tapes. Today, they can upload their music online. The DNA for unsigned acts making music is still there, it's just evolved."

Metrics generated by social media are valuable to some, but not all, record companies. Martin Mills, founder and chairman of Beggars Group, home to artists such as [Adele](#) and [The xx](#), says: "We've been discovering artists online for the last decade or so. We're not looking for the metrics, the most hits or the most views, but we're using online platforms as a tool to find artists we are interested in."

And sometimes A&R people sign an artist despite negative signals from the market. Darcus Beese, president of Island Records, calls it "brave A&R". "Sometimes everything in the marketplace is saying don't sign this band, but we're a business that invests money in sheer blind passion, even when the market says it won't work. That's how we've come to sign artists such as [Mumford & Sons](#) and [Amy Winehouse](#), artists that have gone against the grain of what's been in the marketplace before them."

Not all artists signed to labels are developing acts. Some have established their careers, but want to work with a label on specific targets. Frank Briegmann of Universal Music Central Europe and Deutsche Grammophon, cites the example of [Helene Fischer](#), who had sold more than 1.7 million copies of her latest album and was still in the charts at number one after 40 weeks. "She was already a multi-platinum album selling artist before she came to us during the course of the EMI takeover, but we sat down with her and went through how she saw her career progressing over the next few years and what we could do to help, both in terms of production and in harnessing viral marketing and social media. The result: the first year of our partnership became the most successful year of her entire career."

"Sometimes everything in the marketplace is saying don't sign this band, but we're a business that invests money in sheer blind passion, even when the market says it won't work."

Darcus Beese, president, Island Records

BRAVE A&R

Signing an artist in the face of the signals given from the market



Kodaline

Joining a roster

Many record companies are mindful that they are signing artists to a roster that has been carefully curated over the years. Ashley Newton of Columbia Records US says: “Every morning when our elevator door opens I am confronted by our photographic Hall Of Fame which includes Miles Davis, Johnny Cash, Bob Dylan, Leonard Cohen, Barbra Streisand, Bruce Springsteen and David Bowie and it reminds me of the ridiculously high standard the label has set in our 120 year history. It’s both a daunting and inspirational way to start the day.”

Colin Barlow, managing director of RCA Records UK, says it’s important to consider whether a potential new signing could build the label’s long-term catalogue. “I think at the moment we have two new artists in Laura Doggett and Kodaline who will be around a long time. They are catalogue artists, they will develop the catalogue of Sony and RCA. That’s what you need if you’re building a long-term company. Look at the great labels, they signed acts that practically defined an era, and that’s what we want to do as well.”

It is the track record and reputation of a record label that can make it particularly appealing to certain artists. Martin Mills of Beggars Group, says: “Most come to labels such as ours because we bring framing and perception to them. Signing to one of our labels immediately says something about the type of artist they are. On top of that, of course, we can offer all the resources and connections they need to develop their career.”

Johnny Cash



Working with TV: the new A&R?

In some markets, popular TV talent shows, often developed in partnership with record labels, have become a significant nursery for developing artists. Yet record company executives stress this does not mean that the winners of these programmes come off a production line ready for a long-term career in music without further help.

Alessandro Massara, president of Universal Music Italy, explains that many of these performers are interpreters of songs, rather than singer-songwriters. The challenge for a label that signs them is to put them together with the best songwriters and producers to create high quality records. When he was a judge on the talent show *Amici* he signed the series winner Emma Marrone who has gone on to become one of Universal Music’s biggest selling artists in Italy.

The carefully managed relationship with TV is as key to record company strategies in Asia and elsewhere, as much as in Europe. Denver Chang, chairman of Taiwan’s Linfair Records, says: “We should be clear that doing well in a TV competition is not a substitute for the necessary A&R and promotional work needed to break an artist. Even those with high profiles need the financial support and expertise of record companies to convert that early success into a long-term career in music.”

Filippo Sugar of Sugar Music, a leading Italian independent label, recognises the popularity of artists from such television formats, but says they leave room for a more diverse market. “I think there are lots of artists who are important to our musical future who, for whatever reason, don’t feel comfortable in talent shows and we as a company want to be dedicated to those kinds of artists.”

‘I am confronted by our photographic Hall of Fame which includes Johnny Cash and it reminds me of the ridiculously high standard the label has set in our 120 year history.’

**Ashley Newton, president,
Columbia Records US**



Vasco Rossi

The changing face of record deals

The deal between a record company and artist is the seed that generates potentially many revenue streams. Record companies are, in effect, building a brand when they invest in artists, introducing them to the wider public and thus enabling them to subsequently earn money from a wide range of sources. This is the logic behind “broader rights” deals by which record companies invest in and share the proceeds of various revenue streams. Such deals enable labels to have the opportunity of recouping their investment and continuing to invest in artists, even if their record sales and streaming revenues alone would not justify a continuing financial outlay.

Ted Cockle, president of Virgin EMI, says: “Recouping some of our investment through a proportionate share of revenue from live enables us to keep investing in artists, rather than solely relying on income from their record sales alone.”

It is an approach shared by Colin Barlow of RCA Records UK, who says: “My view is that as an industry we create a brand when we invest in an artist, we should share in that brand’s success. Record labels today have become broader entertainment companies. We invest in and create brands and we share in the range of revenues generated.”

Jonas Siljemark of Warner Music Nordic says that the type of partnerships he is interested in are not based on the artist’s next single or album, but their entire career. He gives the example of the Finnish rapper Cheek, who was supported by the Warner Music Live Department and became the first ever local act to perform at the 40,000 capacity Olympic Stadium, as well as topping the charts and having seven of the top 30 most watched Finnish music videos on YouTube last year.

‘Today, we are not just record companies, but entertainment companies. We offer a huge array of services. Artists and managers understand that we can work with them to expand a whole range of revenue streams.’

**Damian Amato, president,
Sony Music Argentina**

Many record companies have expanded their activities, hiring in new skills and expertise to help them deliver on these broader deals. Universal Music Italy’s Alessandro Massara says his company now only signs broader rights deals. Some 10 per cent of its revenues come from brand partnerships, merchandising and synchronisation deals.

“We have the expertise in-house to run the merchandising business for huge artists such as Vasco Rossi and we opened a pioneering ‘synch shop’ that helps third parties clear a range of music rights more easily.”

Broader rights deals are particularly important in emerging markets, such as those in Latin America and Asia, where there is less of a reliance on income from recorded music alone. According to Sunny Chang of Universal Music Greater China, the vast majority of the deals his company signs include management rights. He says an artist in Greater China typically generates 40 per cent of their income from digital revenues, 30 per cent from physical sales and 30 per cent from non-recording income, such as live performance or sponsorship.

CASE STUDY

LORDE: DEVELOPING A YOUNG ARTIST

When Scott MacLachlan at Universal Music New Zealand received a video tape featuring Ella Yelich-O'Connor he, and the team at the label were blown away. Yet the record company's normal approach to signing, nurturing and developing artists was complicated by the fact that Ella was just 13.

The company realised that she had a unique talent, but that she needed time to enjoy a reasonably normal childhood. Adam Holt, chairman of Universal Music New Zealand, says: "We signed a development deal with Ella, mindful of her age and her continuing studies. We felt she had an amazing talent and we wanted to enable her to develop that."

MacLachlan introduced her to the producer Joel Little, who worked with her on her debut EP *The Love Club*, which included the track *Royals*, released under her stage name of Lorde. Holt says: "We thought her EP sounded fantastic, but we warned her that as soon as it was released the demands on her time would grow as people would want to know more about her."

Lorde decided herself that she wanted to put together a Facebook page and put her music on various other online platforms. She decided to remain anonymous, not displaying any biography or details of her age alongside her music. Holt says: "*Royals* went viral instantly. I've never seen another track go so viral. The mystery around the artist became part of the appeal."

The label allowed the record to gather momentum organically, eventually releasing it on iTunes three months after it was first promoted. *Royals* went to number one in New Zealand and demand for the track from overseas increased as its viral popularity spread.

Lorde's parents, management and the record company agreed to take any international promotion slowly, given the huge pressures that it can bring. Holt says: "In those early days, we needed to work very closely with Lorde's management and her family to help manage the pressure that came upon them all very quickly. Ella's welfare and personal development were always of paramount concern."

Pure Heroine, Lorde's debut album, proved enormously successful, topping the charts in Australia and New Zealand, while going top five in Canada, the UK and US. Universal Music pushed the album as one of its major fourth quarter releases in the US and other territories.

Lorde chose to step up her touring commitments in 2014 and is expected to start thinking about her next album after this round of live performances. Holt says: "Ella can now work with whoever she likes and she has strong vision of who she is and where she is going. She has only just got started and the best is yet to come."



CASE STUDY

ED SHEERAN: SHOWCASING AN AMAZING TALENT

Ed Sheeran is a singer-songwriter who has topped the charts worldwide with his first two albums *+* and *x*. He began gigging around London aged just 17, starting to build a fan base, but his aim was always to secure a record deal so he could take his music to the widest possible audience.

Ben Cook, president, Atlantic Records UK, says: “When I first saw Ed perform, it was a chemical reaction to his talent. He walked through the door with his guitar over his shoulder, rucksack on the other, he’d been sofa surfing for months on end, funding himself from gig to gig, hand to mouth, but he had an incredible drive and he recognised a record label was the next partner he needed to deliver his ambition.”

Atlantic signed Sheeran in January 2013. Cook says: “We formed a strategy that made sense for him as an artist, retaining the intimacy and DIY flavour of what he’d done while introducing more people to his music.” He released an EP called *No 5 Collaborations Project*, featuring grime artists such as [Devlin](#) and [Wiley](#). “The day it was released all his artist peers went nuts about him on Twitter. It was a way of putting his head above the parapet.”

Atlantic’s A&R team worked closely with Sheeran to develop his music, putting him with the best producers, engineers and other collaborators. They helped showcase the breadth of his talent, making sure his debut single *The A Team* was followed by the more hip hop influenced *You Need Me*, and onto his third single *Lego House*, which was a more radio friendly hit.

The promotions team made a number of media introductions for Sheeran, taking him to see BBC Radio 1Xtra, a dedicated urban music station, which picked him out as an artist to watch. They also persuaded influential DJ Zane Lowe to name *The A Team* as one of his “hottest records” and Jools Holland to invite Sheeran to perform on his prominent *Later...* TV show.

The marketing team wanted to introduce Sheeran to older music fans. One way of doing this was through a series of free performances at the The Barfly venue in Camden Town, which led *The Guardian* to comment: “We saw [The Strokes](#) at their legendary show here in 2001 and next to this it was tame.” The visual team created videos that brought new audiences to his music. For *Lego House*, they persuaded Hollywood actor Rupert Grint to appear as a crazed fan who wanted to ape Sheeran’s life, an unexpected role that generated huge attention.

Atlantic continued to support Sheeran as he put together and promoted his second album *x*. The album campaign began through a series of promo utilising YouTube as the main platform for activity. The audio for the first official single *Sing* was uploaded to Ed’s YouTube channel and received over 700,000 plays in 24 hours, making this Ed’s biggest ever YouTube launch at the time. Shortly after, the official video for *Sing* was launched via Ed’s Facebook page reaching 3 million people in 24 hours. To ensure both aspects of Ed’s artistry were represented, an acoustic version of *One* was also uploaded to YouTube, and the track was made available on iTunes.

The activity propelled both the track and the album pre order into the iTunes top 10 – over six weeks before the album release. Alongside such digital promotion, Sheeran used traditional media to introduce the world to the album, appearing on television programmes such as America’s *Saturday Night Live* and performing at the Logie Awards in Australia. The album charted at number one in 12 countries and was top five in a further 11 markets.

Cook says: “We aimed for *x* to be a fixture all year in the upper reaches of charts worldwide. We put together a global campaign for the album that had local relevance in key markets. Its success has offered him the opportunity to tour and headline festivals, further developing his global fan base. We always believed from the start that he had the potential to be a global star.”



Nurturing Talent

'There's a skill to knowing what kind of collaborations will give you the magic one plus one equals three equation.'

Julie Greenwald, chairman and COO, Atlantic Records

Bruno Mars

R

Record companies do more than offer financial support to the artists they sign. By joining the roster of a major or independent record company, artists can tap into a wealth of expertise, experience and a network of connections. The backing of a record label acts as a signal to other players in the industry, from songwriters to record producers, that there will be a campaign to develop that artist's career.

'We can help artists create their records, making available writers, mixers, mastering experts, producers. It's about a network of contacts.'

Daniel Glass, president, Glassnote Records

Collaboration and creativity

A label can work with a developing artist to help them realise their vision of how they want their music to sound. Julie Greenwald, chairman and COO of Atlantic Records Group, home of artists including [Alt-J](#), [Bruno Mars](#) and [David Guetta](#) says: "We listen to their demo, we talk to them about what they were hearing in their head when they wrote the song; we sit them with songwriters who can help them fine tune their lyrics and producers who can create the sound they were originally imagining."

Jonas Siljemark of Warner Music Nordic cites the example of Danish pop act [Christopher](#). "We signed him when he was just 18 and over the last four years he's grown as an artist and developed a strong national following. Most recently we worked with him to create a successful campaign to help broaden his appeal beyond the teen market in the lead up to his latest album launch. Not only was the campaign a success, but he also received Spotify's Innovation Prize at the Danish Music Awards.

Daniel Glass of Glassnote Records emphasises the importance of collaboration. "We can help artists create their records, making available writers, mixers, mastering experts, producers. It's about a network of contacts." He cites the examples of the band [Little Green Cars](#), 19 year olds from Dublin, whose music he introduced to Markus Dravs, the [Mumford & Sons](#) producer, who loved it and subsequently worked with them.

Ted Cackle, president of Virgin EMI, says that the introductions a label can make are of crucial importance to developing artists. "Everything we do accelerates an artist's ability to develop their audio and visual capacity. Our contacts book has to be exceptional. We have to be able to get our artists photographed by the greats, such as Pennie Smith or Albert Watson. We have to introduce them to the best video directors and the best studio producers. Artists have become ever more collaborative themselves, but we can help them to get stuff going and make it happen."

Julie Greenwald of Atlantic cautions that labels have to be careful about how they bring performers together. "Sometimes you put two artists together and it's like oil and water. There's a skill to knowing what kind of collaborations will give you the magic one plus one equals three equation." Greenwald talks about the collaborations between [Action Bronson](#) and [Mark Ronson](#), [CeeLo Green](#) and [Bruno Mars](#), [Nate Ruess](#) and [Jeff Bhasker](#) as examples of successful artistic collaboration facilitated by record labels.



Little Green Cars



Action Bronson

Collaboration is often associated with developing artists, but Glen Barros, president and CEO of Concord Music Group, says that collaboration can also benefit some established artists as well. “Established artists can sometimes find that when they release the latest in a long line of albums, fans often feel that they already have enough by that performer and it’s harder to get them to buy more of what they perceive to be the same. To combat this, we work with artists to deliver something eye-catching and innovative – something that is clearly different.”

Barros cites the upcoming collaboration of Shawn Colvin and Steve Earle as an example of an interesting artistic partnership. “Both artists have a long line of recordings, but they also have great chemistry. This is a case where we believe that one plus one will equal more than two. And now that there are two artists coming together in a unique collaboration, they are no longer competing with themselves.”

‘In an era where some talk of the death of the album, these artists have proved that’s not the case. You just need to have music that is compelling enough to persuade fans to buy into the album’

Nick Raphael, president, Capitol Records UK

Putting an album together

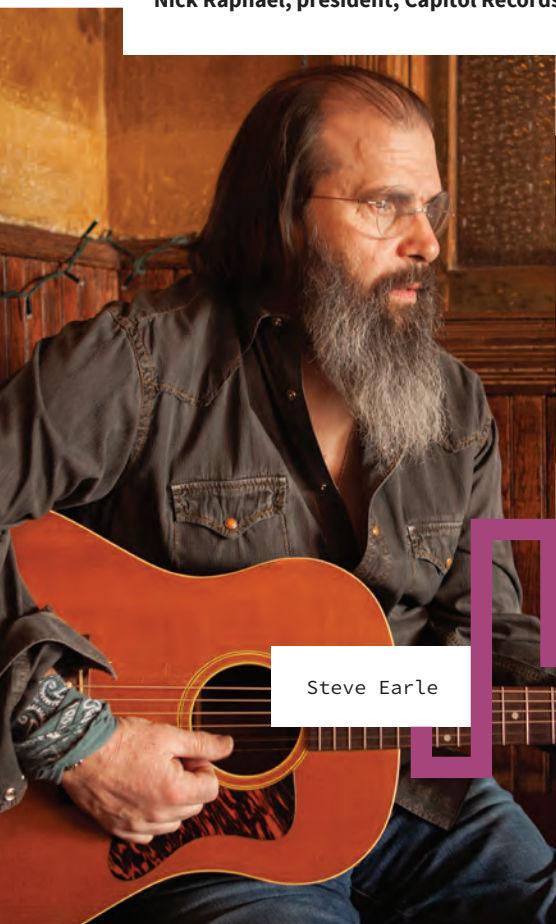
A&R is not simply about opening doors for artists to work with professionals from across the industry, it’s also about helping them perform to the best of their ability. Most artists want to produce an album as a definitive statement of their body of work. A good A&R team can help the performers whittle down the tracks they have written to an album that works as an artistic statement and which has commercial appeal.

Ashley Newton, president of Columbia Records US, says: “A&R in its purest form is identifying unique talent and encouraging them to dig deep and create remarkable artistry. Some artists are truly self-supporting in this respect while others require a level of expertise, resource and evangelical enthusiasm in order to realize their full potential.”

Other executives from across the industry agree the process can be time consuming. Denver Chang of Linfair Records notes that it took more than a year after signing a record deal for his artist Wei Li-An to work with producers to hone his song writing skills and complete his debut album.

Some critics have questioned whether the album will survive as a format as music fans switch to streaming platforms. Many executives think the future for the album remains robust. Nick Raphael of Capitol Records UK, points to the recent debut titles from 5 Seconds of Summer and Sam Smith, which have already sold more than one million copies each, as proof that demand for albums is still there. “In an era where some talk about the death of the album, these artists have proved that’s not the case. You just need to have music that is compelling enough to persuade fans to buy into the album, not just a single track.”

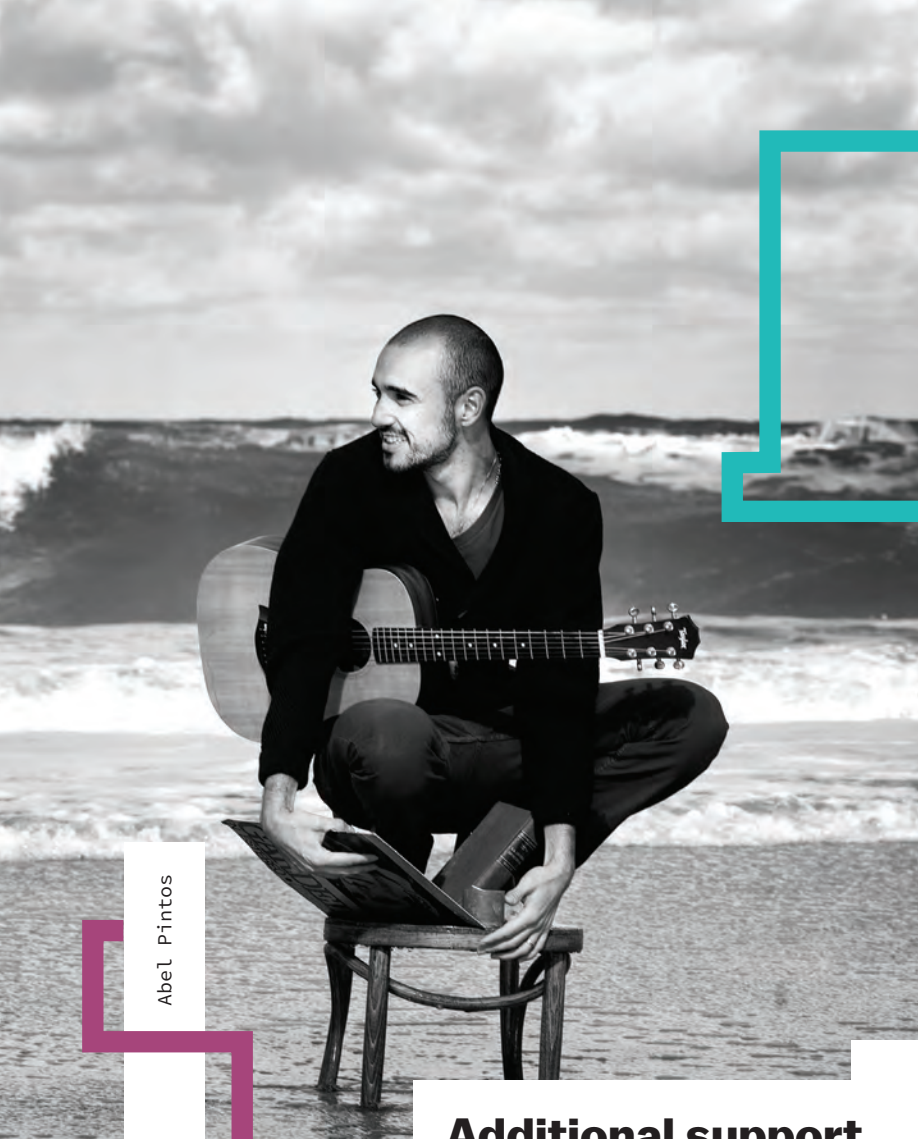
Yet some record company executives do believe that the move to a streaming environment may ultimately change the way many artists record music. Daniel Glass of Glassnote Records, says: “There are great albums out there from the likes of Bon Iver and Mumford & Sons, but do all artists have to stick to putting out 12 songs on album on a three year cycle? We need to satiate the appetite of music fans and appreciate that cycles can move quicker.”



Steve Earle



Shawn Colvin



Abel Pintos

A long-term relationship

Ben Cook, president, Atlantic Records UK, says that developing artists over the long-term is a sound financial and creative strategy. “We are dedicated to supporting acts as they go through different stages of their career – we like having artists on their second, third or fourth albums. This is the way to develop the types of artist that can headline festivals over the next five to ten years and it takes a great investment of skill and money – an investment that only record companies deliver.”

It is a point echoed by Damian Amato, president of Sony Music Argentina, who says that his label has worked with singer-songwriter [Abel Pintos](#) for more than 12 years and has just released his ninth album. “His audience has grown dramatically over the years, he has fans aged 14 to 80 and you can see them all at his concerts. We know his latest album will explode again across Latin America and beyond.”

Darcus Beese, president of Island Records, says that artists continue to develop across their careers. He cites the example of [PJ Harvey](#), whose *When England Shakes* album is regarded as a definitive statement of her music, but which was recorded 25 years into her career. “The challenge for us is to get to album three. The first album is a given, the second is the hardest thing and artist and label can make and the third means you’re on your way to a career. It’s easy to burn brightly and have early success, but can you sustain that for a decade or longer? That’s the business I am in.”

“This is the way to develop the types of artist that can headline festivals over the next five to ten years.”

Ben Cook, president, Atlantic Records UK

Julie Greenwald, chairman and COO of Atlantic Records Group, believes that longevity is also key to developing a close artistic relationship. “All artists have goals beyond selling music – they want to sell out Madison Square Garden; appear on *Letterman*; play at Coachella. We use our relationships to help develop their careers and achieve these goals.”

Additional support

Nurturing talent is not simply a case of helping artists pull together an album. Record companies also support developing artists across a range of other areas.

Julie Greenwald, chairman and COO of Atlantic Records Group, says the record company has to help artists realise a visual expression of their music. “We live in a visual world, where many people discover music through YouTube. Yet not everyone is a budding video director. It’s our role to connect our performers to fantastic visual artists that help them bring their songs to a visual media.” She cites the example of [fun](#)’s collaboration with Anthony Mandler on the epic cinematic video for their single *Some Nights* as a successful example of such collaboration.

Another area where record companies can help nurture the artists on their roster is the development of their live performance. Daniel Glass says: “We choose to support our artists in their live work. We offer the resources, expertise and funding to help them tour. We can get them better slots at festivals. We can get them on the bill. No-one is as consistent and as loyal as a record company to get you on the road.”

CASE STUDY

PHARRELL WILLIAMS: FROM PRODUCER TO SUPERSTAR

As a producer, songwriter and recording artist, Pharrell Williams has been a key creative player in the music industry for almost two decades but his recent partnership with Columbia Records has helped catapult him to take centre stage and become a true global star in his own right.

Columbia Records US president, Ashley Newton, had long-standing relationships with both Pharrell and Daft Punk, having been involved in the signings of their debut recording deals during his tenure with Virgin Records. Newton and Columbia Records chairman, Rob Stringer, had signed Daft Punk to a new Columbia recording agreement in early 2013 which led to the hugely successful album *Random Access Memories*. It included the 10 million selling track *Get Lucky* featuring Pharrell and hearing the recording many months prior to release culminated in a proposal for Williams to record a solo album.

It sparked an extraordinary 12 months for Williams as his presence shifted across three juggernaut singles in what appeared to be orchestrated succession, from *Get Lucky* to Robin Thicke's *Blurred Lines* and on to his very own track *Happy*.

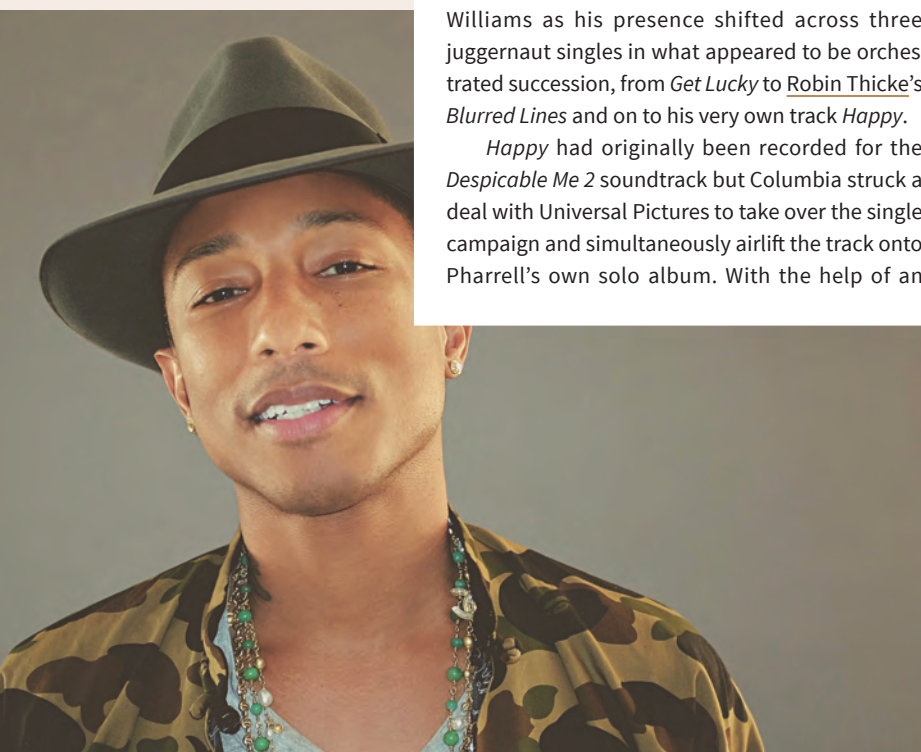
Happy had originally been recorded for the *Despicable Me 2* soundtrack but Columbia struck a deal with Universal Pictures to take over the single campaign and simultaneously airlift the track onto Pharrell's own solo album. With the help of an

innovative and explosive 24-hour music video and a huge global marketing and promotion push, the song went on to top the charts in over 20 countries. In the UK specifically, *Happy* became the most downloaded track ever and the longest-running no. 1 in radio airplay chart history.

John Fleckenstein, executive vice president of international at Sony Music Entertainment, says: "Pivotal to our success with Pharrell was not only our ability to create this narrative of his transformation from musical architect to global star – it was also our ability to do that on a global scale." Just as *Happy* began to soar on the charts heading into 2014, Columbia Records and Sony Music International galvanized their global network of marketing and promotion executives, flying them into London to meet Pharrell, understand his vision, his music and his brand. Ultimately a road map was created for the album and the year ahead to take Pharrell from star producer to global superstar.

Fleckenstein adds: "The key moment of that campaign happened quickly with Sony's booking of a hugely impactful European promotion run which included a triumphant closing performance on the 2014 Brit Awards. It was a trip that vaulted him into the global media spotlight as a performer."

"After undertaking such a long, dedicated and respected musical journey, Pharrell's current ascension is both impressive and well deserved. I feel extremely fortunate to have had a relationship with him that dates back to his N.E.R.D record in 2001 and, coincidentally, having also been around Daft Punk during the making of their 1993 debut *Homework*. To have then witnessed these two cultural forces converging so many years later to create thrilling new music for Columbia Records was really remarkable. Daft Punk won five Grammys for their album and Pharrell is no longer the guy standing next to the guy, now he's the man!"



Promoting talent

'Promotion today is about enabling the right people to discover music in the right way, rather than putting it out scattergun, and that can take longer than people think.'

Colin Barlow, managing director, RCA Records UK

Laura Doggett



CeeLo Green

R

Record companies invest heavily in marketing and promoting artists in their home countries and around the world. In a world where there is more music than ever available online, it becomes even more important for artists to be able to cut through the crowded marketplace and connect with their audience. An effective marketing and promotion machine that targets traditional and digital media is vital to enable them to do that.

While digital platforms offer new opportunities for artists, they need to be exploited professionally to have a real impact. Stu Bergen of Warner Recorded Music explains: “The mere existence of streaming services will not create hits or break artists. You still need an army of people to amplify the artist’s message, helping them cut through the 30 million tracks out there to draw attention to their great album. In fact, given many streaming services are global platforms, they make the thoughtful, creative and global campaigns organised by record companies even more important.”

Such a huge marketing and promotion effort is rarely a quick process. Colin Barlow of RCA Records UK, says: “If I look at some of the artists we’re breaking, such as [Laura Doggett](#), it can take four months to get the right people to hear the track we’ve strategically placed online, for them to tell the media that they should look at it and for the media to get excited by her. Promotion today is about enabling the right people to discover music in the right way, rather than putting it out scattergun and that can take longer than people think.”

“There is still a critical need for artists to visit a country, meet fans, undertake radio and TV tours and perform live.”

**Beth Appleton, SVP, global marketing,
Warner Music Group**

Traditional media still vital

While there is much excitement around the various digital and social platforms that enable artists to instantly connect with fans and develop a dialogue with them, traditional media channels are still vital to a successful promotional campaign. The relationship between record companies and broadcasters is symbiotic. Broadcasters use music overall to attract audiences and thereby generate advertising revenue, while individual record companies compete to place their artists on TV and radio shows for the exposure they offer.

Beth Appleton, senior vice president, global marketing, Warner Music Group, explains: “Radio is still critical at bringing a track to a new audience. But on top of radio you have other discovery tools such as streaming services. So we work to service all these outlets. There is still a critical need for artists to visit a country, meet fans, undertake radio and TV tours and perform live. Our local teams on the ground know how best to put these promotional programmes together.”

It is a point echoed by Julie Greenwald, chairman and COO Atlantic Record Group, who says: “When an artist tours the US, we want to make sure that even if they’re playing a 500-seater venue it sells out and there are 200 people who can’t get in. We work social media alongside local newspapers, radio stations and blogs to make sure that people know about the show. You can’t simply put something on Twitter, you have to do multi-media marketing. Someone still has to know the *Atlanta Journal-Constitution*.”

Alessandro Massara, president of Universal Music Italy, agrees on the importance of traditional media. “We always hope to go to radio with our acts. That’s the way to really get big, to go mainstream. But Italian radio won’t necessarily play new local artists. So we build the artists to a level where they are not seen as new anymore, through TV appearances, chart presence on iTunes, then radio becomes interested.”



An effective marketing and promotion machine that targets traditional and digital media is vital

Jacky Cheung

Getting to fans online

Record companies use interactive online media to complement traditional print and broadcast outlets in their campaigns. Jonas Siljemark of Warner Music Nordic cites the example of Swedish singer-songwriter [Laleh](#)'s recent single where the record company created an engagement plan that encouraged fans to create poems from her repertoire and share them online. As a result, she nearly doubled her number of Facebook fans and her Instagram following increased by 2,500 per cent.

'We've always been very focused on the whole world as one market.'

Martin Mills, founder and chairman, Beggars Group

The development of online channels does mean that record companies using them can be more focused in the consumers they target. Beth Appleton of Warner Music says: "Online we can target our promotional campaigns more specifically. We can be more effective with our marketing budgets and that's important, we have to be smart with every dollar we spend."

There is a constant demand for content for all these social media channels. Appleton adds: "It's critical to keep social media up to date and we can help with that. We're creating content all the time. We need to maintain the relationship between artists and fans." She cites the example of the edXit global campaign for Ed Sheeran, which involved some 50,000 fans performing tasks such as taking pictures of themselves making an 'X' in front of local landmarks. "It's maintaining a relationship, keeping Ed Sheeran front of mind for his fans."

Going global

The dream of many artists is to connect with music fans worldwide, not just in their home market. Larger record companies have the infrastructure to enable them to do this, while smaller ones have developed licensing arrangements that enable them to take their artists' music to the widest possible audience.

Record companies work hard to deliver global plans that leverage the digital channels which enable artists to break outside their own country more quickly than ever. Stu Bergen, president, international, Warner Recorded Music, notes: "You are missing the point if you try and segment the world. YouTube, Twitter and Facebook are global platforms. Information travels around the world at lightning speed so it's more important than ever to be able to support artists on a global basis."

It's not just major record companies that stress the importance of thinking globally. Martin Mills of Beggars Group says: "We've always been very focused on the whole world as one market, that's one of the differences between us and the majors, we don't wait until an artist has broken in their home market, we tend to go for simultaneous release across the world. It's true that with respect to further flung markets, there's more chance to access them with global services than there was before."



Ed Sheeran's edXit campaign involved 50,000 fans performing tasks

2,500%

increase in Laleh's Instagram following after a successful marketing campaign

Laleh

Tracking success around the world

There has been a revolution in tools available to record companies to track the popularity of artists and songs around the world in real time. Beth Appleton of Warner Music Group says: “We can look and see if a track is popular across download stores, streaming services and video platforms. We can see if consumers are using Shazam to get more details about it. It means we can go to radio and TV and show them that an artist is popular with the public.”

Darcus Beese, president of Island Records, says it is possible to track the success of an artist or song across the world. “There are analytics that enable you to see how your record is doing in real time in the charts in markets from Kazakhstan to Taiwan. You can see what is happening with your record on radio, what’s happening with your video. You can see the demographics that are connecting with your music. It’s all there in real time.”

‘Streaming raises the bar – people will only keep listening if they like the music.’

Glen Barros, president and CEO, Concord Music Group

Such tools also enable international record companies to work with their local affiliates to push certain artists and tracks. If a track is in the top 10 in the iTunes and Spotify charts worldwide apart from in a handful of countries then the record company can work to ensure that more promotion is undertaken in those territories.

Frank Briegmann of Universal Music Group Central Europe and Deutsche Grammophon, points to the success of Swedish artist, Avicii, whose single *Wake Me Up* went platinum in 24 countries, while he also enjoyed five million album sales, one billion streams and one billion views on YouTube. “The potential for international success is bigger than it used to be, the barriers are coming down. When you put a song on a digital platform you expose it to the world.”

Campaigns in the streaming age

Streaming and subscription services have become a mainstream part of the music industry over the last few years. In some countries, such as Norway and Sweden, they have become the dominant form of recorded music consumption. Some record company executives believe this is starting to change the way artists’ promotional campaigns are run, without undermining their basic purpose.

Daniel Glass of Glassnote Records says that streaming has lowered the international barriers to music discovery, citing the popularity of Country music on streaming services in Scandinavia. He says: “I think the role of the record company is still relevant in the streaming environment. We cultivate relationships with editors and curators on streaming services who come from a radio/press background. Our role is the same, cutting through the clutter to get to the tastemakers.”

Glen Barros of Concord Music Group notes that streaming is transforming the business model campaigns are based on and also increasing competition for the ear of the music fan. “Our business has historically worked on advances through the chain. Record companies paid advances to artists. Retailers paid advances to record companies. And consumers paid advances to the artist and label. But the end of that chain is morphing into the proposition of pay if you enjoy it. Streaming raises the bar – people will only keep listening if they like the music.”

244

the number of countries where Avicii’s single *Wake Me Up* went platinum



Brand partnerships

Brand partnerships have been an area of growth in the recording industry over the last few years. Record companies have expanded the teams responsible for this area, often hiring in people with backgrounds in creative, media and sports agencies to bring in the expertise they need. They work to deliver the right partnerships for artists who are seeking to generate the widest possible variety of revenue streams.

Sony Music Entertainment's brand partnership work ranges from the huge global deals, such as those between Beyoncé and Pepsi or Justin Timberlake and MasterCard, to many local agreements between brands and emerging artists. Alison Boucher, vice president, brand partnerships, Sony Music Entertainment, says: "Record companies understand artist positioning. It's in our DNA. So we are well placed to ensure that any brand proposition and artist's objective are aligned. At Sony, our work in this area is also guided by our insight research and consumer segmentation, which gives us real credibility with brands."

'Record companies understand artist positioning. It's in our DNA.'

Alison Boucher, vice president, brand partnerships, Sony Music Entertainment

Olivier Robert-Murphy, global head of new business at Universal Music Group, says: "Universal Music Group & Brands has more than 200 long-term brand partnerships active on behalf of our artists at any point in time, providing business solutions for our partners and great opportunities for our artists to reach more of their fans."

An example of a successful brand partnership for the company is Italian singer Emma Marrone and car manufacturer Hyundai. Marrone's single featured on Hyundai's television advertising campaign. Alessandro Massara of Universal Music Italy says: "The deal was a big success – the single went to number one and Hyundai sold lots of cars. These deals only work where everyone is happy. You cannot have a deal where the brand is happy and the artist is not. Brands need to understand that production needs to be tight. If it works then everyone wins."

In the US, a tie-up between Coldplay and Target helped promote the band's recent *Ghost Stories* album. Julie Greenwald of Atlantic Records Group says the label struck a deal with Target that saw them shoot a commercial that Coldplay had envisaged, directed by the acclaimed Jonas Akerlund, and fund a multi-million dollar TV campaign to broadcast it. At the same time, Atlantic worked with NBC to deliver a prime time TV special and with radio stations to ensure they had Coldplay specials, promotions and contests.



Justin Timberlake and MasterCard – A strategic brand partnership



CASE STUDY

5 SECONDS OF SUMMER

5 Seconds of Summer (5SOS) are a band from Australia who have taken the world by storm, becoming the biggest debut act of 2014 in the US, with a number one album that sold more than a quarter of a million copies in its first week of release.

The story began in 2011 when four school friends came together to play a gig locally after Luke (the lead singer) had initially posted material on YouTube and was later joined by Calum, Mikey and Ashton. After the release of their debut EP in Australia charted at no. 1 in the iTunes album chart there with no label or promotion, the band's manager, Matt Emsell, felt they should secure a recording deal overseas to ensure they were pushed globally as soon as possible. He introduced them to Will Bloomfeld at Modest Management in the UK who in turn played them to Harry Magee and Richard Griffiths of Modest who collectively understood the band had a similar fan base to One Direction, who they also managed, despite their more punk influenced sound.

In February 2013, they approached Nick Raphael, now president of Capitol Records UK, and Jo Charrington and, played them the band's demos. Raphael was impressed and went with his A&R chief Jo Charrington to see them play live in Dublin. "We knew that they were stars. The material needed a little tweaking, but they had talent, likeability and star quality by the bucket load."

Capitol signed the band in May 2013 and introduced them to American producers and songwriters from a guitar background, such as John Feldmann, Alex Gaskarth and Eric Valentine. Raphael says: "We built up a body of work, about 50 to 60 songs and then worked on those that we felt could make the album."

At the same time, the label's digital team worked with its counterpart from the management company and helped grow the band's Twitter base from 250,000 to four million. The marketing team put in place the building blocks for a global promotional campaign.

Raphael says: "Both label and management had a vision for the band that involved them being broken to a global audience. We had the backing of all the senior executives at Universal Music and I worked closely with Steve Barnett of Capitol Records US, who led the American campaign. We had a global taskforce at Universal Music dedicated to pushing the band across all the territories we operate in. Our teams talked on a daily basis as we prepared the campaign."

The team across the label and management were able to draw on many years of shared experience, with Steve Barnett and Richard Griffiths knowing each other for almost 40 years, since they were the manager and agent of AC/DC. Raphael says: "Part of the success of the campaign is down to the fact that there were almost 40 years of relationships between all of us involved."

5SOS's eponymous debut album went to number one on the iTunes chart in more than 70 countries worldwide and has since sold two million albums so far and counting. Plus the album entered the US Billboard Top 200 at no. 1 selling 258,000 in its first week – the biggest debut by an Australian band in the Soundscan era.

Raphael says: "The digital age means you can now break an act simultaneously around the world, indeed you can't hold anything back as music spreads virally around the internet. The public worldwide took to the band's authenticity and talent. We were able to make use of a global machine to highlight their music and personalities to the world."



CASE STUDY

MKTO: USING A GLOBAL NETWORK TO BREAK AN ACT

MKTO are pop duo Malcolm Kelley and Tony Oller. The story of their success is an example of how some record companies can leverage their global presence to help break new artists.

The pair met when their paths crossed in the TV world and were discovered, nurtured and developed by renowned writer/producers Eman Kirakou and Evan Bogart who subsequently introduced them to Columbia Records in the US. But their first taste of commercial success was to come from thousands of miles away in Australia.

John Fleckenstein, executive vice president of international at Sony Music Entertainment, says: "As a global company we meet on a regular basis to take stock of new signings, new music and identify new opportunities on an international level. In one such meeting in London, Denis Handlin, who runs our Australian and Asian region, heard MKTO's track *Thank You*. He immediately felt he had a chance with this song and artist in his market. He returned to his team and launched into an engagement campaign. Within weeks, the social media pull noticeably shifted to Australia and soon we began to build on the Australian radio chart."

The campaign paid off with *Thank You* going triple platinum and topping the Australian airplay chart. The success enabled the US record company to further invest with the band's second single, *Classic* and ultimately release their full album in Australia before the rest of the world. The band returned on subsequent promotional trips and eventually partnered again with Sony Australia on a highly successful paid tour.

Fleckenstein says: "Every good record company must take risks and must invest. Here, Sony Music Australia – lead by years of experience, passion and great ears – took a gamble on an unproven American signing. Columbia in turn took a risk developing a marketing and promotional campaign for a foreign market prior to their own. And thanks in no small part to plenty of hard work from the group and excellent guidance by their manager, these risks paid off."

The Australian campaign resulted in more than just local success and paved the way not only in their home market but globally.

Ashley Newton, president of Columbia Records US, says: "With our Australian company taking early ownership of the MKTO project, it enabled the artist to undergo a rigorous bootcamp of experience before they encountered the intense and competitive US market. Six months of shooting videos, live shows, TV performances, media interviews and interfacing with the label and the industry gave them the insight and confidence to hit the ground running on home turf."

The record company went on to promote MKTO in the US where *Classic* is now platinum. And now sights have turned to the launch of the group's career in Europe – where they have already scored a gold single in the UK and a platinum one in Sweden.



CASE STUDY

NEGRAMARO: INVESTING FOR THE LONG TERM

Sugar Music, Italy's leading independent record label, signed rock band Negramaro ten years ago. The group has become the biggest Italian rock band of modern times, but their success did not come overnight.

Filippo Sugar, chairman and CEO of Sugar Music, says: "Investing in a rock band in Italy can be difficult. There are usually a lot of people in a band so it can be expensive and rock is not really the dominant genre in Italy. But Negramaro had Mediterranean-influenced melodic song writing that we found really interesting."

The band's eponymous first album was instinctive, but essentially self-produced and regarded as too alternative to attract a significant fan base among Italian consumers. Sugar Music brought in producer Corrado Rustici, who had worked with superstars such as Zucchero, to work on some new songs that were repackaged with the first album, but the result was still not a commercial breakthrough.

Sugar says: "We lost money on the project for the first two and half years, but we had a real belief in the band and invested in the production of a second album."

Rustici worked with the band on their second album *Mentre Tutto Scorre* which was a rock-pop fusion which has greater traction with the Italian public. The band entered their song *Mentre Tutto*

Scorre at the Sanremo Festival competition, often seen as breakthrough opportunity, but were eliminated in the first round.

Sugar Music played the album to the film director Alessandro D'Alatri who was enthused by the band. "He loved Negramaro's music and the fact that they had not broken as a band, and he put six of their songs into his film *Le Febbre*. It introduced them to a whole new audience and we leveraged this success to help them become a stadium filling rock band." The album sold more than 350,000 copies.

In 2007, Negramaro relocated to the US to work on their new album *La Finestra*. The album was produced and arranged by Corrado Rustici, in collaboration with Negramaro themselves: it included fourteen tracks ranging from rock to harmonies inspired by the heritage of great Italian singers-songwriters; from electronic elements to "visual" lyrics evoking pictures and metaphors to explore a sense of social and personal discontent.

Among the most notable moments in the band's history are a string of memorable live shows; after hundreds of live shows, the band's





extensive touring culminated in May 2008, with a memorable concert held at Milan's San Siro stadium, the first time ever for an Italian band to play the so-called "La Scala of football". The concert's images, music and atmosphere were captured in Negramaro's first live album *San Siro Live*. The DVD launch was an unprecedented cinematic and musical event, featuring screenings in more than thirty HD digital movie theatres all over Italy.

In 2010 Negramaro were back in movie theatres, this time penning the soundtrack for Michele Placido's criminal drama *Vallanzasca - Gli angeli del male*. The movie was presented out of competition at the 67th Venice Film Festival.

'Sugar Records is a small family with wings as large as the world. It is able to fly anywhere with the great artists it does believe in. We learned to fly all together in the only possible way: sharing the same dream.'

Negramaro

Negramaro went on to have a string of commercially successful albums, overall sales of more than 1.5 million, and Sugar Music has recently released a compilation of their biggest hits over the last decade. They also produced the anthem for the Italian football team's 2014 World Cup campaign.

The label is now trying to break the band outside of Italy, sending its songwriter Giuliano Sangiorgi to writers' camps overseas and looking at promotional activities in Latin America and the US.

Filippo Sugar says: "We took a chance on investing in Negramaro and maintained our belief in them even though success did not come overnight. We helped them develop their talent act and generated different opportunities to take their music to a wide audience. Believing in artists and supporting them is what we do and we are so proud now that Negramaro are the most popular band in Italy."

End notes

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