

# NEWSLETTER

An Entertainment Industry Organization



*50<sup>th</sup> Anniversary*

## The President's Corner

Michael R. Morris

As the California Copyright Conference concludes its 50th anniversary, I thought it appropriate to begin my last column as your president with a brief recap of our 2004-05 dinner meetings. We began last September with the ever-popular "Legal Eagles" Update, followed by "An Evening with Desmond Child" in October, "The Sound of the Game" in November (an intriguing look at new media and the explosion of video games) and concluded 2004 with our perennially sold-out holiday party in December. To usher in 2005, Dan Butler (my successor as the new CCC prez!!!) moderated the "Film and TV Music 2005" panel in January to an overflow crowd (literally), followed in February and March by the continuation of our performance rights series with BMI and SESAC (who, along with ASCAP, the CCC thanks for their continuing support). Last month, we took a close look at the explosive growth of technology in music with our "Going Mobile - Wireless Music '05" panel (again moderated by Dan Butler - gee, he should get his own talk show). And to finish out the

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## The Year in A&R

Ritch Esra

*"In human life, art may arise from almost any activity, and once it does so, it is launched on a long road of exploration, invention, freedom to the limits of extravagance, interference to the point of frustration, finally discipline, controlling constant change and growth."*  
*Susanne Langer (1895-1985)*

In reflecting on the world of A&R in 2004, there were some very profound and dramatic changes that changed the very nature of not only A&R, but of the Music Business itself. 2004 will always be remembered as the year the "Big Five" became the "Big Four" and don't be surprised if you're reading at this time next year and we're telling you about the "Big Three"! Besides the Sony/BMG merger, 2004 will also be remembered as the year labels aggressively utilized video games as a marketing vehicle for the launching of many of their artists. 2004 will also be remembered as the year when the public finally said "No Thanks" to the Concert Business in a very loud and clear way. The summer touring season, especially, was taught some very painful and costly lessons regarding who and exactly how much the public is willing to pay to see an act and what they are no longer willing to pay for! As a result Clear Channel has removed service fees from its ticket prices and drastically reduced parking at many of its venues. The Industry also learned some very valuable (and long overdue) lessons on the volume of acts the marketplace is able to absorb as well as the

actual live-viability of some of those acts.

Of course, the most profound impact on the world of A&R, as well as many other areas of the business, was the closure of four major labels DreamWorks, Arista, Elektra and MCA (although MCA was reborn with far less staff as Geffen). These closures accounted for the loss of nearly 600 jobs (35 in A&R Depts.). Speaking of A&R Jobs, last year at this time, we reported that 105 A&R people had lost their jobs. In 2004, I'm sorry to report that number has increased to 121 A&R professionals who left their jobs for various reasons. Unfortunately, only 13 of the 121 have managed to find other A&R jobs so far.

Last year at this time, we reported the hiring of 85 new A&R people and this year that number has dropped dramatically to only 39 new A&R hires in LA, New York, Nashville, Atlanta, Vancouver, Toronto and London - a radical 51% decline from previous years.

Fortunately, certain A&R Executives were blessed with the opportunity to leave one A&R job with an offer of another A&R job while they were still employed, an increasingly difficult achievement in this current climate of label closures, downsizing and having to compete with dozens of unemployed yet qualified and experienced A&R executives for every A&R job that becomes available.

In reflecting on the last 12 months, I'm reminded of the many conversations I had with various Music Business Professionals from both sides of the Atlantic concerning the

current state of the today's Music Industry. Without exception, there seems to be a very sobering sense that the Record Business we have known for the last 25 years is now gone. This is extremely troubling for many, sad for some and terribly exciting for others.

I see these times as an incredible opportunity for a total re-invention not just for Record Label A&R Depts., but for the entire spectrum of the Music Industry. If you as an Artist, Band, Publisher, Attorney, Manager or any other Music Business professional cannot see that the old paradigm of artist development (the actual long-term process of building a career from the ground up) has been completely re-invented over the last few years, then you need to get out of this business. The old methods of doing things no longer apply. This may sound obvious to many of you, but you wouldn't be-

#### **President's Corner** *(continued)*

2004-05 year, tonight the CCC presents "The State of the Art - A&R 2005," in which Ritch Esra, the publisher of the A&R Registry, will lead major label and independent label executives in a frank and insightful discussion of compelling issues facing artists and labels in today's dynamic music industry climate.

From evenings with platinum artists and producers to music business leaders and innovators, the CCC panels have consistently offered a variety of stimulating topics reflecting the breadth and depth of major issues affecting our industry. These panels are the result of the hard work and dedication of the CCC officers, board members and the panelists who willingly contributed their much-appreciated time, and I extend my sincerest THANKS to everyone who contributed to the success of the past year. As the CCC begins its next 50 years, I proudly pass the gavel on the Dan Butler and look forward to more spirited evenings under his leadership. Thanks to one and all for your support of the CCC and the opportunity to have served as its president.

lieve how many so-called professionals within the business today that we speak to still believe that the only way an act can have a viable career today is to get that act signed to a major label. What I find so sad is that these people who believe this (and there are many) cannot even see that the very system they feel can and will accomplish this for an artist no longer even exists! We've said this before, but it bears repeating - though no one has actually come out and said it (truth is, they may not even be consciously aware of it), Major Labels today are, with very rare exceptions, no longer willing to be in the business they have built over the last forty years. The train of thought today is that the "old" process of signing, recording and developing talent takes far too long and is way too costly to achieve the results they desire in the time they have allotted. As a consequence, whether intended or not, (and this is the part many people simply can not see) the Major Labels are now in the Promotion and Marketing business, but of course, only for those experienced artists who have already been developed by the natural forces of the Marketplace that they feel can be turned into Multi-Platinum sellers. Well, that would be nice, but that just isn't the world we live in anymore. Of course, there will always be Platinum sellers in the future, but far fewer of them. Today, there is simply too much choice available.

It's fascinating to observe some of the most influential Music Publications out there today such as [pitchforkmedia.com](http://pitchforkmedia.com), Blender - to name two - have hardly any mainstream artists in their Top 50 of 2004. Today, it's all about choices. The future of this business will be thousands of niche labels and artists selling fewer records. Much like cable television, which has a fraction of the audience of the networks but is profitable! And this is the most profound difference from the past in terms of A&R signings and looking at what will work in the Marketplace.

Under the old paradigm, the public, the majority of the time, only wanted (with few exceptions) what the Major Labels signed and sold to them (of course, that may have something to do with what was avail-

able, which is our point). Today, choices of music are vastly wider and you have a far more diverse artist selection, not to mention the various new formats - are almost infinite. And, as most of us have known for years, the market is far broader (yes, people between the ages of 30-50 WILL BUY MUSIC when presented with Artists that they can connect with) than the Major Labels ever cared to acknowledge.

How else could Ray Charles sell two million copies of a CD via a coffee chain or James Taylor sell over one and half million Christmas CD's via Hallmark without his CD even being available at retail? If either of those artists was at a Major Label, (James Taylor was with Columbia/SONY for 27 years up until last year) they most likely would not have sold more than 100,000 copies- tops!

These two examples provide an insightful illustration why several of the Major Labels are struggling today for their very survival. They truly can't see what their customers want. But in a much deeper sense they have no desire to get to know what their customers want either. Don't get me wrong, there are several wonderful executives who work for the Major Labels, it's just that the corporate culture of most Major Labels at the top is so profoundly out of touch with the times we live in, they can not see their own part in the problems that face them. The building of careers is a luxury of time they no longer choose to contribute to. They THINK they do, but the reality is the opposite. Sony/BMG merger will result in approximately 2,200 of their employees being let go (about 12% of their workforce) and with 45% to 50% of that number coming from the U.S. operations. At this point, no one knows how many labels among the two giants will be closed or how many artists will be dropped by both companies as the two giants continue to streamline their worldwide operations into one. What's so sad about this merger in particular is that, unlike some mergers, where the intention in coming together is a vision of creating something greater, and better, something that neither company could achieve alone, this merger seems to be a grasp at mere survival. When Edgar Bronfman led a group of Private Investors to purchase the

Warner Music Group, he reduced its workforce by over 1600 over the last year. Other Major Labels have also streamlined their operations. Warner Music Group let go over 600 employees during the last two years and just recently dropped over one third of the artists from their rosters and closed Elektra, a once thriving and core label within the Warner system. Last year EMI announced that it would drop 20% of its Artist roster over the next 12 months. Does this sound like an Industry that's interested or even capable of building or developing anything? It's like a struggling marriage where neither party is open, willing or even capable of really seeing what the issues are that continue to keep them stuck! So they just keep making decisions over and over that allow them to avoid examining what is really essential to their own survival!

### **"The Revolution has begun!"**

The opportunities today are vast and limitless for those artists, bands, managers, and other individuals and companies who truly understand what is actually occurring, who can step back and see the decaying mechanism that many are still struggling to maintain for what it is – not only a crumbling business model, but an entire way of viewing the world in which we used to live, but no longer do! The area where this becomes the most apparent is at the Top Executive level at Record Labels. Many of today's Top Label Executives have simply abdicated the future direction of their companies to the new "on-line business" departments.

The personal, business and artistic successes we are seeing today are from those individuals who can peer through this fog of delusion and see the business as it actually is; not as they want it to be or hope it will become, but how it actually is! Those individuals are moving freely and creatively interacting with our new social order while others, including some politicians (and apparently a lot of voters), are still clinging to a world or a way of thinking and being that no longer exists. It's only a faint echo acting like some spirit lingering that does not know it's dead. As most of us know, some of our biggest upsets in life are

created by the difference between a world that we make believe exists and the world that truly does exist.

Forward-thinking Artist Managers, Agents, Venues, Indie Labels and the artists themselves are the ones who have become (and truthfully have been for some time) responsible for building the next generation of career-artists. There are many current examples that illustrate this. Look at what Ken Levitan (Vector Management) has so tastefully achieved with the launching of Damien Rice's career. Or how Coran Capsahw (Red Light Management) helped build and develop Dave Matthews' career before RCA signed him, by never losing sight of what the most fundamental elements are in this business – Artist & Audience. Or Martin Kirkup and Steve Jensen (Direct Management) who have launched Jamie Cullum, a young "piano man" who had put out his own CD prior to his debut. The choices they made along the way in Cullum's career, from showcasing him to the tastemakers at SXSW last year to not over-hyping him, illustrate an entirely different way of thinking about an Artist and their career. Another example is the Double Platinum Debut of The Scissor Sisters, who went to the UK (after finding no interest whatsoever in the US Marketplace) to launch their career, and have been able to build an audience for themselves. Careers are not supposed to be events, that have a huge build-up and then are over like The Super Bowl. The best ones are long journeys that are built on a solid and viable foundation that can sustain a wide array of paths and experiences. Each of these artists was able to build extremely solid and viable foundations without a Major Label and in most cases, no mainstream radio airplay at all. What these artists (and their managers) do have in common (regardless of genre) was an entirely new way of thinking and approaching the marketplace with regard to the development of their careers. They all utilized new and non-traditional methods that did not have the luxury of an enormous marketing push behind it to create awareness. Most were lucky at the

start to get Public Radio exposure and critical acclaim in the press.

But today with so many more marketing and exposure options available to artists (digital downloads, iPods, pod-casting, Internet radio, websites, non-traditional retail) the artists who develop and build a career for themselves over time won't necessarily be household names in the first few years, but they will have built a very solid base of fans that will actually want their music and will attend their live performances. These artists will have built their following over a long period of time, not through hype and over-exposure on MTV or other media outlets that in so many cases can actually damage careers instead of enhancing them. Today, in music, more than ever, we are looking for something real, something we feel a connection with.

This is the tragedy of Major Labels– (Tragedy, in the classic definition, is defined as "the fall from greatness through an unseen flaw in one's character). They keep looking for the "formula" that will give them the huge Multi-Platinum sellers that they once enjoyed in the past. Only problem is, the system today doesn't allow these types of massive sellers like it once did. Today, we have far too many choices. And that's their tragic flaw. Major labels can not see that the harder and louder they continue to market their acts, the more the audience they're trying to reach doesn't seem to hear them or care for that matter.

It is this particular phenomenon that I believe will alter the type of artists, regardless of style, that will emerge and be able to build viable careers for themselves in the coming years. Will this new business model look like what came before? Not a chance! This will be one of the more difficult lessons for us as an industry to get. Letting go of what we've always held as the definition of success (Out-of The Box Top-10 radio hits, videos on MTV, endorsements for anything and everything, commercials, transitioning into motion pictures) will no longer be seen as a path to career longevity. These are all things we have seen over and over especially in the last 10 years that

have hurt careers when they occur too quickly or without any direction. Too many of today's "hit" artists seem so afraid that this moment right now is their ONLY chance in life to have a career, that they simply overwhelm the marketplace with every conceivable form of over-exposure, and often like the Major Labels, don't even see their own part in any of it. Beyonce, Queen Latifah and even the wonderful actor Jude Law – who has appeared in six films over the last year -- are just three examples who come to mind in different arenas of entertainment. Radio Hits, television ads, forgettable movies, MTV videos, magazine covers (Beyonce's 35 non-music magazine covers over the last 18 months were enough to overwhelm and alienate even the most devoted fan), along with countless product endorsements, award show appearances, movie premiers, television interviews, even boxes of hair color that stare back at you with their image from every grocery shelf in America. Today, Hit Acts are not out of our cultural consciousness for more than an hour. How can you ever look forward to anything when it's never gone long enough to miss it? It's like meeting someone for the first time and feeling you have to tell them every single thing about yourself on the first date. What's the mystery? What's left to discover? And yet this has become, especially in the Music Business of the last 10 years the "accepted modus operandi"

Is it any wonder that we don't have many artists who've been able to build successful and lasting musical careers for themselves over the last 10-15 years?

The new breed of artists and managers (and yes, there are a few who do think long-term) emerging today do not appear to see their clients' careers with this same unhealthy compulsion. They have a solid grasp of who and what they are and have been able to map out a career path that is consistent with that vision. Norah Jones is a classic example of this approach. I know for a fact that after her debut CD sold over 8 million copies in the US, she turned down literally millions of dollars in offers of all kinds, because she knew where that would take her career. It was a conscience choice NOT TO OVERWHELM the market that

has given her an on-going career. These are the kinds of choices that many of today's up-and-coming Artists are making more and more. In the long-run, it is this consciousness that will contribute to building a career, rather than destroying one prematurely.

A development in the industry that we would be remiss in not mentioning is the recent trend of "upstreaming". This is where an Independent label develops an act from the ground up and at a certain sales level, the act goes upstream to the Major Label system. The catch is, of course, that the smaller label will have to give up their acts to the major if the act they signed becomes commercially successful. The great flaw in this scenario is the thinking behind it. The major labels have traditionally thought that any act doing 100-250K on an independent label should be able to do at least three times that within a Major Label System. As we've seen so many times over the last few years, "it just ain't so!" Most acts do not go from 150K to 500K in the course of one album. And there is nothing wrong with that. An act's evolution (artistically and commercially) is an organic process and a long one. We don't expect our children to walk in their first six months nor should we. So often we see labels set their spending based on totally unrealistic sales expectations. All too often, a label declares that its sales goals have not been met and drops the act. Is it any wonder that our industry has produced fewer and fewer career artists over the last fifteen years? That is also why all of the Major Label Artist Rosters will continue to get smaller and smaller. Like we said, from the way Major Labels operate today, it's clear that they no longer have the desire to be in the business that they've built over the last 40 years and as such, they no longer need the enormous infrastructures they once had when they needed to support three hundred artists on a roster. With the labels continuing to operate in this manner, you have to wonder where the great artist catalogs of the future will come from. Well, one thing's for certain, it won't be from the major

labels - they have no interest in this process. They want the natural forces of the marketplace to develop talent for them.

It is a truly fascinating phenomenon to watch the major labels put time, money, energy and focus into developing up and coming independent labels rather than develop artists themselves. The most fascinating aspect of this process to me is how many artists and bands today WANT NOTHING WHATSOEVER TO DO WITH MAJOR LABELS AT ALL! So many artists today have seen too many acts over the last several years just implode or become neglected or lost in a system that they truly had no business being in the first place.

If Major Labels are to survive in the future they are going to have to completely re-invent themselves. They are going to have to start seeing their business as it truly is in the world today – Not how they would "like it to be" or "how it was" but how it actually is!. Like Werner Erhart so brilliantly said, "The Truth will set you free, but first it will really piss you off!"

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