

The Value of a Label

'THIS IS AN ERA OF INVESTMENT'

Record companies are both the spark and the engine, igniting and driving music, working to discover and develop artists around the world and connect them to fans everywhere in unprecedented ways.

A dominant feature of the return to growth in recent years has been the expanded levels of investment record companies are making in their offerings to artists, in their people and in their global presence. Record companies are investing more than one-third of their global revenues, or US\$5.8 billion, in Artists & Repertoire (or A&R) and marketing each year, to break, develop and support artists.

Dennis Kooker, President, Global Digital Business & US Sales, Sony Music Entertainment, says: "The most obvious impact the streaming-driven growth has had on record companies is that it has allowed us to be more aggressive with investment, specifically to invest substantially more in things that directly support artists."

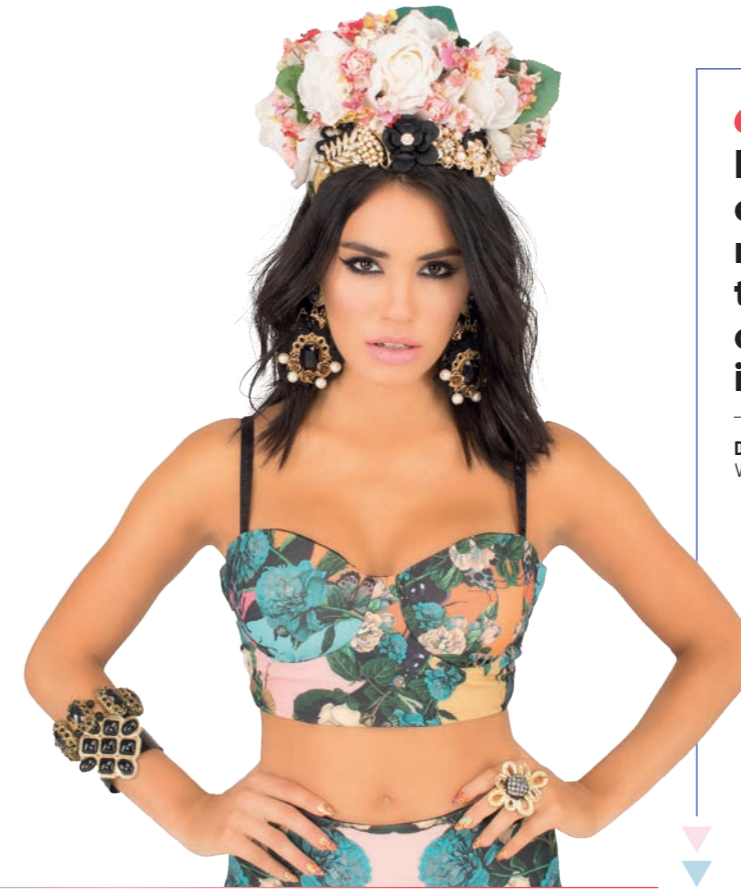
Jeremy Marsh, Chief Global Marketing Officer, Recorded Music, Warner Music, says: "This is definitely an era of investment: investment in artists; investment in staff; investment in infrastructure. We've invested in companies and teams such as [major merch company] EMP, [youth media brand] UPROXX and [multimedia/production studio] The Firepit - all of which increase the ways that we can partner with artists."

Glen Barros, COO, Concord Music, talks of both a "human and financial energy" returning to record companies, a new cycle in which resources become dynamic and a contributor, not simply ballast in a storm. He says: "You ally it with passion and it becomes a major factor in helping connect artists with the widest possible audience."

'IT'S THE PASSION'

Not only has increased investment allowed record companies to evolve their infrastructure and enhance their global footprints, it has also enabled the industry to empower the vibrant, passionate people who are the bedrock of the business.

Ole Obermann, Chief Digital Officer Executive Vice President, Business Development, Warner Music, says: "The DNA at Warner Music means that everyone in the company is entirely focused on working for the artists on our roster. We want our artists to be able to focus on their art, so we take care of running the business. There's a dedication to that goal that isn't matched by other players in the music ecosystem. Only a record label has that focus and capability and the necessary belief to break and support artists."



My job, and that of everybody who works with me, is to do whatever it takes to turn the vision of these strong artists into reality.

DERRICK AROH
VP A&R, RCA Records

with artists that change culture through bodies of work, and change lives in three minutes.

They want to be challenged within the context of fully-fledged partnerships with ground-breaking artists.

'I LOVE ARTISTS WITH STRONG IDEAS'

Aroh says: "The artists that I love the most are artists that have strong ideas, a strong will and a narrative that they're not willing to give up. It's easier for me to work with an artist who says, 'I'm not going to do that', than with an artist who says, 'Okay, give me 800 things and we'll choose'."

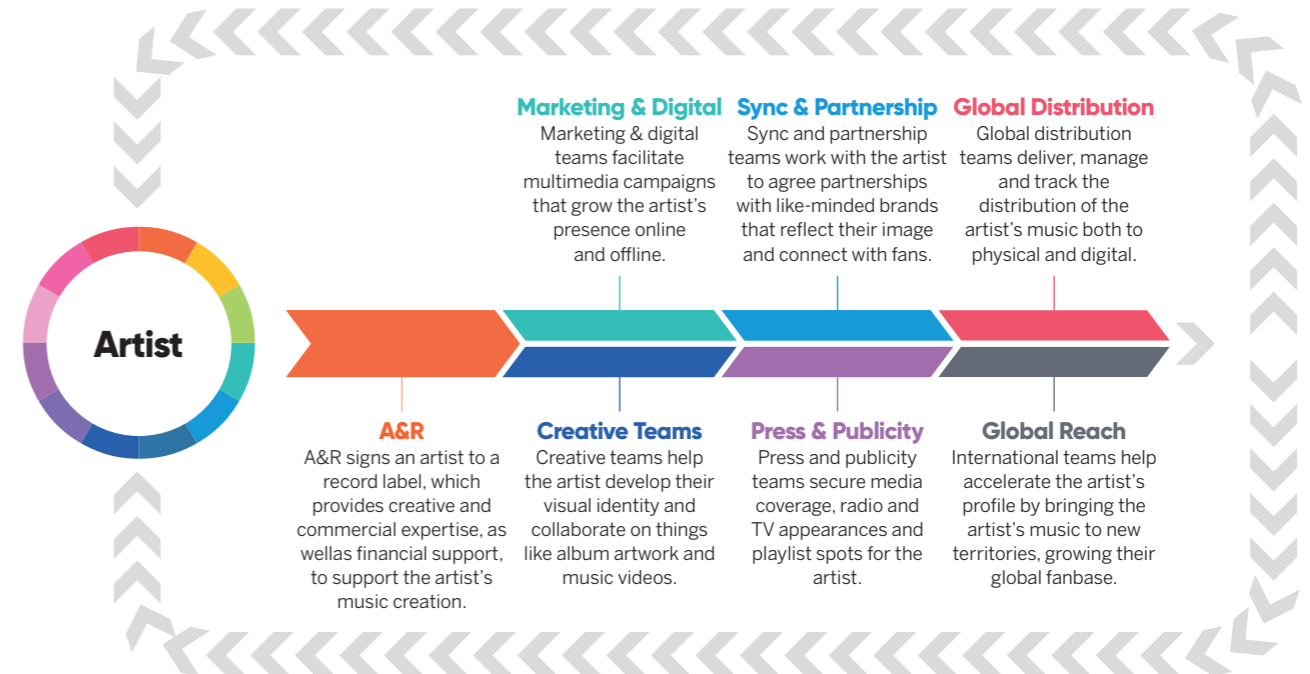
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Konrad von Loehneysen, Founder, Embassy of Music GmbH, makes the point that the power of a record company can actually enhance the power and influence of an artist. "It's always a more

Derrick Aroh, Vice President, A&R, RCA Records, says: "I think the most important thing artists get from us isn't just the manpower, but manpower made up of individuals who really care about their careers. The reason people sign to us isn't the size of the operation, it's the passion we show them."

That passion is reflected by a commitment to an artist's vision. Record companies want to work

Record labels provide artists with unique, unmatched support





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GABRIELA LOPES
SVP Global Insight, Universal Music

successful relationship if the artist can really think freely about the music; all my artists have 100% creative control and they can have that because they don't need to worry about the metadata, the delivery of the records, the promotion and the marketing."

Eric Wong, COO at Island Records, re-iterates the importance of rooting all strategic thinking and creative executions in the vision of the artist. "Everything starts with the artist and with the music, that's what opens the door and that's why it's important that everyone at the label has a close relationship with artists and managers. Each campaign needs to be bespoke and needs to reflect who an artist is and what they want to say. Trust is where it all begins."

In such an environment, strong relationships built on trust are developed, and are crucial in the modern music world. Fans are engaged by narrative, and by artists who share insights into their lives and lifestyles.

This will only cut through, however, if it reaches the right audience through the right channels – and then resonates truthfully when it hits.

'YOU CAN'T HAVE A SINGLE PLATFORM STRATEGY'

Gabriela Lopes, Senior Vice President, Global Insight, Universal Music, says: "Our mission is to guide our labels and our artists through what is an intricate and ever-changing landscape, highlighting creative and commercial opportunities based on an in-depth understanding of market trends – how consumer

behaviour is changing and how fans are interacting with our artists."

It is a discipline that is growing in importance (and complexity) as the idea of fans 'just' listening to music, usually on the same device, often in the same locale, becomes more and more redundant.

Lopes says: "You can't have a single platform strategy in today's world, because the holistic view of the consumer is key to what we do as music companies now.

"A great example is Lady Gaga. If you're a fan, you're into her music, but she's a performer, so you want to see her live, you want to see her audio-visual content, you want to see her Netflix documentary, you want to see her at the Super Bowl, her film, you



The portfolio of what we provide has extended beyond recognition.

PATRICK MUSHATSI-KAREBA
CEO, Sony Music GSA

follow her on socials, and so on. There are so many different touch points, and the job of the label is to identify the mix that's right for our artist and create a meaningful connection between artist and fan."

Gary Kelly, EVP/Chief Revenue Officer, Interscope Geffen A&M Records, Universal Music, highlights another factor in the new 'much-more-than-music' content economy: "Artists are always on, and they are everywhere. We have mirrored that approach as a company and have built up teams that can handle that volume on a 24/7, truly global scale."

'WE CAN AMPLIFY THEIR STORY'

Insight also plays a key role in brand partnerships, with record companies able to conceive and deliver career-driving opportunities for breakthrough artists and global superstars alike.

Bettina Dorn, Senior Director, Brand Partnership Licensing, Warner Music Central Europe, says: "In a nutshell, we marry artists with brands, but we can only do that by having close relationships. We need to know the artists' personality and mindset, because only then do you get emotionally impactful branding, which is the only kind worth doing, because consumers, especially millennials, are so selective when it comes to media consumption. Data is now a hugely important part of the role, giving us more insight into the people we're targeting and the impact we're having. Partnerships have also evolved from one-off deals to long-term relationships with a significant cultural impact to the benefit of artists and brands."

Cassandra Gracey, President of 4th Floor Creative, Sony Music's creative department in the UK, also stresses the value of not just close, but fully-rounded relationships. She says: "We like the music, that's why they're sitting in our office in the first place, but we want to know everything else about them: what makes them tick; where they're from; what their background is; all those types of things. With that information, our insight team helps identify the audience (and potential audience), work out which brands and what media platforms they're currently caring and talking about.

"Then we can help them amplify their story, pick out the different things that just help flesh out their character and give more for the audience to latch on to."



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President, Global Digital Business & US Sales, Sony Music Entertainment

That amplification can come via a range of in-house technologies, skills and platforms, all at the artists' disposal. Gracey gives some examples: "We have video commissioners, stills commissioners;

we have designers who do everything from logos to a complete range of campaign assets. Then we have the content team: directors; producers; editors; plus, a photographic studio and a recording studio.

"All of which means we can do TV commercials, vertical videos, music videos, acoustic recordings, podcasts, voice-overs."

Record companies, then, provide artists and managers with a suite of services, more wide-ranging than ever before, and then allow them to choose what to utilize. The result is the ultimate combination of absolute freedom backed by truly global resource and power.

'THE PORTFOLIO OF WHAT WE PROVIDE HAS EXTENDED BEYOND RECOGNITION'

Patrick Mushatsi-Kareba, CEO, Sony Music Germany, Switzerland, Austria, says: "Telling an artist they should work with us because we can give them a certain amount of money, make their music available and roll-out some promotion, that's nowhere near enough, and nothing remotely like a reflection of what we do in this era. If we limited ourselves to those aspects, we'd be obsolete.





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A record company is truly invested in an artist. An artist wants a partner who really cares and is going to put their time, their money, their energy and their know-how into building a career alongside that artist.

GLEN BARROS
COO, Concord Music

we're very open to working with new partners to get the artists' voice across new platforms."

Warner Music's Obermann signals the continued importance of voice-activated devices as a platform for fan engagement: "I think we're at a tipping point with voice-activated devices, we're about to see them improve exponentially

- become more accurate and user friendly. They're great for discovering music while multi-tasking, which benefits listeners and artists alike. People are already comfortable with them in their homes, and we're just starting to see how they will be used in cars, which presents a huge opportunity for experimentation and growth."

Andreas Weitkämper, Managing Director, Domestic, Warner Music Central Europe, circles the relationship back to the music: "[German rapper] Bausa, for example, was making his new album and he was looking for producers all around the globe. We asked him for his wish list and one of the names he sent me was Jae5, from London.

"At the same time, he told me it would not be realistic to work with him because he's so well booked and very picky; he had no 'in'. I contacted Kevin Christian-Blair at Asylum Records/Atlantic, and he connected me with Jae5's manager within, I think, 30 minutes, and we had a session for him two weeks later. That's the kind of network we have, with producers, with songwriters."

"We still, of course, help get the music made and get the music out there, but the portfolio of what we can provide has extended beyond recognition from 10, 20 years ago. We connect them with brands, we connect them with tech companies, we can create their own platforms - their owned platforms, in fact - so there isn't a reliance on third parties to kick-start momentum."

Increasingly, record companies are seeking out new and innovative ways to connect artists with their fans, this includes fueling investment into technological developments.

Sony Music's Kooker says: "A key part of our mission as a music-first business is providing the artist community with cutting edge technology solutions and world-class operational capabilities that support their creative growth and expand their opportunities to reach fans in the commercial marketplace. We do that by continuing to innovate and evolve in-step with ongoing changes in technology and preferences for consuming music."

Universal Music's Wong explains: "The world of music is the most powerful way of connecting with people on an emotional level. We continue to be at the forefront of every new technology and platform across the board for all opportunities. At Island

'THE LABEL MODEL CONTINUES TO EVOLVE IN ORDER TO BE AN INTEGRAL PART OF THE SUCCESS FORMULA'

Today, artists have more options and easier routes than ever before when it comes to making their music available. At the same time, however, the landscape of music markets globally is varied, complex and often highly competitive. Record companies play a key role in helping them to navigate this.

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STU BERGEN
CEO, International and Global Commercial Services,
Warner Music

Stu Bergen, CEO, International and Global Commercial Services, Warner Music explains: "Significant success, regionally or globally, remains rare and elusive. It takes a combination of great creative talent coupled with a passionate

workforce to cut through the tens of thousands of releases each week. The label model continues to evolve in order to be an integral part of the success formula.

"Artists really benefit from having an infrastructure to support them, backed by human resource and expertise, that allows genuine creative freedom. Artists should

be able to focus on their art. They shouldn't need to worry about organising their tour, trying to get media coverage in Germany, or running analytics on their streaming figures."

It's also worth noting the landscape into which a single track is uploaded. Adam Granite, EVP, Market Development, Universal Music, says: "As we see a rise in DIY artists, there are just so many releases every week. There's so much noise out there. Even for me as a consumer, there's just too much music to get my head around. That's when you need a label - to help an artist rise above, get noticed and have a successful career. I'd say the value of a label, in that regard, has never been higher."

Joseph Cacciola, SVP, Global Research & Analysis, Warner Music, says: "Here's the thing: what record companies can deliver is an army of thousands of people constantly working on behalf of their artists, calling the local streaming services, with whom they have incredibly close relationships, and saying, 'Hey, what are you doing with this new record?' And, in my view, that's what really helps to gain impact on a global scale."

Barros of Concord Music concludes: "You can get financing, promotion, distribution, marketing, PR, everything - all those services you can hire in. But I think where record companies come into play is that they are connected, these services come in one package and they come with experience."

He also believes that the concept of a team (one company rather than a temporal collection of separate, but not necessarily culturally united, component parts) is one that brings more than logistical advantages to the table. "A record company is truly invested in an artist. An artist wants a partner who really cares and is going to put their time, their money, their energy and their know-how into building a career alongside that artist."

