

**New strategies and instruments of artist and repertoire policy in
response to collapsing sales in the music industry.**

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by

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Abstract

In a time of crisis and collapsing sales in the music industry, good A&R work is more important than ever. Only by continuing to create new products and value can record companies compete in the market. The reorientation of A&R instruments and strategies is critical to meeting the consumer's needs in the present climate. The relationship between the product/artist and the fan has to become closer than ever through the use of new marketing and production instruments and strategies. New tools like fan community contests, new gatekeeping functions, new financial opportunities and new technologies afford record labels the chance to rally against falling turnovers. Even if record companies concentrate on buying and selling copyrights and catalogues in the future, A&R departments will be important as a gatekeeper to maintain the company's A&R guiding principles and policies – in other words to ensure the quality of artists and content associated with the record company.

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1. Introduction

“Being one of the key functions of a record label, artist and repertoire management involves talent scouting, recruiting and subsequent artist development. The output of the A&R department is the cornerstone of the end-product which the label commercialises. Now more than ever, at a time of sales collapse in the music industry, good A&R work is needed. Major labels are hit particularly hard by this economic depression.”¹

To be able to survive this crisis new challenges have to be conquered, new requirements fulfilled and new opportunities seized.

As a result of collapsing sales in the music industry, recording labels have less capital at their disposal. Production and artist development budgets have had to be dramatically reduced.

As such, it has become harder for labels to invest in new artists and to develop their careers.²

But the business of finding and recruiting new artists still operates as it has done for decades.

There is no shortage of talented artists who want to become stars but it seems to have become harder for labels to earn money with the music they are producing, and as a result they have less budget for their products. To withstand the drop in sales, new income streams have to be found to ensure the development of and investment in the careers of new artists.³

As long as record companies are developing, releasing and selling new artists, a turnover is guaranteed. A&R management not only involves the process of scouting for and finding new talent, but also acts as a gatekeeping tool allowing record labels to meet the company’s A&R guiding principles⁴ and policies, even if finished products are getting signed to the label. Even if labels decide to concentrate more on buying, selling and monetising copyrights rather than developing and producing new artists and/or products in the future, A&R management will remain one of the most important instruments.⁵

¹ Gangl (2009), p. 3

² Compare with Sperlich (2005), p. 147

³ Compare with Briegmann/Jakob (2008), p. 98

⁴ Compare with Gangl (2009), p. 78

⁵ Compare with Gangl (2009), p. 120

2. New strategies and new instruments of A&R policy

To be able to conquer the current crisis and to compete economically, record labels have to recalibrate the instruments of their A&R policy.

Possibilities and ideas:

2.1 Closer artist – fan relationship

Major labels in particular still have a very impersonal system of information distribution for fans and end-consumers. It has become more and more important to show “the person behind the star”. The product can gain an emotional value by revealing to fans and consumers the real lives of their idols and stars with all their strengths, weaknesses and mistakes. This personalisation evokes sympathy. The fan feels bound to the star, both emotionally and personally. By being transparent about the recording process through daily or weekly reports, pictures and videos of the work in the studio on the artist’s website or blog, it is possible to show the fan how a record is made. Fans learn the intrinsic value of music by seeing the intensive work required before a final product can be bought in the store.⁶

2.2 Product development process

Fans can get involved in the production and the development of the artists via demo listening, remix contests and artwork contests.

- **Demo listening**

Song demos can be uploaded to the artist’s Myspace⁷ or SoundCloud⁸ accounts and fans can vote which songs should be produced as part of the next album.

- **Remix contests**

Remix contests are already a very popular means of creating a more personal relationship between artist and fan. Fans can download the vocal tracks of a song for free, or for a fee, allowing them to create their own version of their favourite artist’s new song. By selling these vocal tracks another source of income is generated. The finished remixes are uploaded by their creators and the fan community can vote for their favourites. Within the scope of a digital or physical release the most popular remixes can be sold,

⁶ Gangl (2009), p. 120-121

⁷ www.myspace.com

⁸ www.soundcloud.com

guaranteeing a further income stream. For the re-release of the 70's David Bowie Single "Golden Years" an iPhone app was created which allowed fans to create their own remix.⁹ The app will be available on the same day that the EP "Golden Days" is released, with remixes by well-known producers.

- **Artwork contests**

The fan community can be asked to upload pictures or graphics they associate with the artist or with the artist's song. After a vote by the fan community, the most popular ones are then included in the booklet artwork or even as the cover.¹⁰

2.3 Improvement of product policy

- **Increasing the average quality of an album**

The 90's were a decade which consisted of many one-hit wonders. To boost the income of successful singles, subsequent albums were often filled by the record label with inferior songs just to have an full-length record that could be sold. However, it is important that the quality of the whole product is high. Even if there are singles and album tracks, the song-writing and production has to be at a certain level. The process of developing the product may take a little longer in order to fulfil these requirements, but in the end the consumer who is willing to pay for an album will expect a perfect product.

- **Long-term careers after winning a casting show?**

The long-term careers of winners of casting shows in the music business are uncertain. Artist recruitment with casting shows on TV or on the radio seems to last just for the period of the show. When the next season starts the winner of the former one is largely forgotten by the consumers.

2.4 Reduction of costs

At the beginning of the crisis record labels tended to reduce their overhead costs and let go of their artists and employees in order to stay competitive in the market. This process of downsizing the company also led to smaller A&R departments. But during a crisis it is important for a company to analyse and to focus on the main cornerstone of its business – in this case the policy of artist and repertoire management. What changes are required

⁹ <http://www.uncut.co.uk/news/uncut/news/14787>

¹⁰ Gangl (2009), p. 121

to reorient the strategies and the instruments of A&R policy? The development of the long-term careers of new artists, and the quality of musical content, have to be safeguarded in order for record labels to earn money in the future. Another effect of the crisis has been reduced production budgets combined with a lower break-even point of sales. Fewer albums, singles or mp3s have to be sold in order to recoup the company's financial investment and to realise profits. Technical advances over recent decades have made it easier to produce music in a cheaper way than 30-40 years ago. With a home studio computer setup, production of almost the same quality as a large professional studio can be achieved. Another opportunity to reduce production costs might be to use the infrastructure of countries where the process of making a record is cheaper than it is in the western world, an approach already taken by the fashion industry.¹¹ Alternatively, production can be moved to countries offering public subsidies for culture.¹²

2.5 A&R competence of sub-labels

To cover a lot of different music genres, major labels are forced to depend on the A&R competence of their sub-labels. Through sub-labels which specialise in non-mainstream and niche music markets, major labels get the opportunity to uncover underground trends earlier and to develop them. As such, sub-labels are talent pools and [experimental laboratories](#) for their parent companies.¹³

2.6 New strategies of market cultivation

According to Marcel Engh, A&R policy has to be the basic element of modern music marketing because it provides and produces the value of the value chain in the recording industry – the content is the strategic factor of success. As the developer of true value, A&R policy has to remain the cornerstone of record labels. A company's turnover has to grow not only through artist copyright but also through comprehensive 360-degree contracts.¹⁴

2.7 The use of new technologies as instruments of A&R policy

With the rapid growth of the internet it has become easy for unknown artists and musicians to share their music over the World Wide Web. With Web 2.0 profiles they can present themselves with their biography, pictures, videos and their music. The challenge

¹¹ For example the Austrian „Österreichischer Musikfonds“. www.musikfonds.at

¹² See 2.1.8 of this paper

¹³ Gangl (2009), p. 125

¹⁴ Compare with Engh (2008), p. 114

of using the internet as an A&R instrument to find new talent is the vast number of new and unknown artists that it provides access to. Fan communities can act as gatekeepers to show A&R departments which artists are likely to appeal to potential customers. Relevant indications include the number of plays of uploaded songs, the number of profile views and the comments written on an artist's wall.

The popularity and media presence of casting shows helps record labels increase their income. But developing long-term careers with the winners doesn't appear to work all the time. It is hard for the artists to compete against the following season's participants and often the winners of one year disappear from the screen when the next show begins.

2.8 Public Subsidy

During the global financial and economic crisis of 2008 and 2009, automobile companies had recourse to financial support in several countries in order to be able to survive and avoid bankruptcy. Something similar has also occurred in the music industry. Examples of public subsidy for music production are the "Österreichische Musikfonds"¹⁵, which is a subsidy provided by the Austrian Federal Ministry for Education, Arts and Culture and "Initiative Musik"¹⁶ by the German government.

¹⁵ www.musikfonds.at

¹⁶ <http://www.initiative-musik.de/>

3. Summary

Through the reorientation of instruments and strategies of A&R policy, record companies can overcome the recent sales collapse. However, the industry needs fresh ideas and creativity when it comes to selling new products and artists. The days of sitting back and waiting for the big money to roll in are long gone. It has become difficult for record companies and artists to promote and to sell their music. Only with good ideas, extraordinary marketing tools and instruments can companies maintain the consumer's interest in buying .

Major labels in particular have to get back to developing long-term artist careers instead of relying on one-hit wonders and casting shows, even if these do provide short-term increases in turnover. Successful long-term careers such as those of U2, The Rolling Stones and Robbie Williams remain the ones which generate the most income for record labels.

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