A&R Management in the digital paradigm shift

by Robert Klembas, University of Music and Performing Arts, Vienna
Schillerstraße 6/5, A-3500 Krems, Austria; RmmK@gmx.at; +4369910535805

1. Topic of Research

After a period of sustained growth over several decades, the structure of the phonographic industry has undergone dramatic change due to the impact of digitization. This transformation was triggered by a change in the central communication technology in our society – a process that is referred to as **digital mediamorphosis**.[1] Through this process, the predominant use of electronic media for content production and communication was increasingly replaced by digital media. This led to a transformation of the entire techno-economic and socio-cultural conditions of our society. For the phonographic industry, the transition of its dominant design from physical records to digital music files combined with the mass-production of digital communication technologies (PC, Internet, mobile devices) led to profound changes in the production, distribution and reception of its media content. This structural break fundamentally changed the direction of the industry and can be described as a **digital paradigm shif**t.

However, despite these dramatic changes, the industry's foundation in the digital age has remained much the same as since the beginning of the commercial music industry: attractive music content and exciting artists. The development of such content and the creation of appealing artist images are activities that have belonged to the core competences of the phonographic industry ever since. In the organizational structure of the record companies this task was traditionally assigned to a specific professional role: the so-called Artist and Repertoire, or short, **A&R management**. A&R managers are in search of artists and songs that can be marketed successfully. Their job is to act as a link between the economic interests of their company and the artistic interests of their acts in order to enable the production of both the musical repertoire and a consistent artist image. Thus, A&R management is instrumental in the creation of the basis for all subsequent processes of value creation in the phonographic industry. This study aims at giving a detailed description of the role of A&R management in the digital paradigm shift.

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[1] see SMUDITS, 2002

In this light, the main question of research in this study is:

• *How does the digital paradigm shift in the phonographic industry affect the role of A&R management?*

To this main question of research the following sub-questions are connected:

• *What new challenges are posed to the established routines and heuristics in A&R management?*

• *How do the established representatives of A&R management react to these challenges?*

• *What new players have begun to take over duties of traditional A&R management and how do they go about it?*

To answer these research questions, a special model of analysis for the profession of A&R manager was created. Its starting point is the realization that ever since the advent of audio recording at the end of the 19th century music has been spread and economically exploited through processes of mass communication. If from this perspective the audience and the music buyers are referred to as recipients, both the physical sound recording and the digital music file are understood as media and the musical content is defined as the media message, then the A&R manager can be seen as having the role of a **communicator in the field of mass communication**. With this central research approach it is possible to analyze the activity of A&R management in the context of various models of media theory and communication research.[2] Additionally, the Production of Culture perspective [3] can be used to analyze the changes in the environment of the phonographic industry and to relate these changes to the A&R management's area of responsibility. The conclusions of this approach are incorporated in the central analytical model of this study:

[2] see MALETZKE, 1963; BURKART/HÖMBERG, 1997; SHOEMAKER/VOS, 2009
[3] see PETERSON/ANAND, 2004
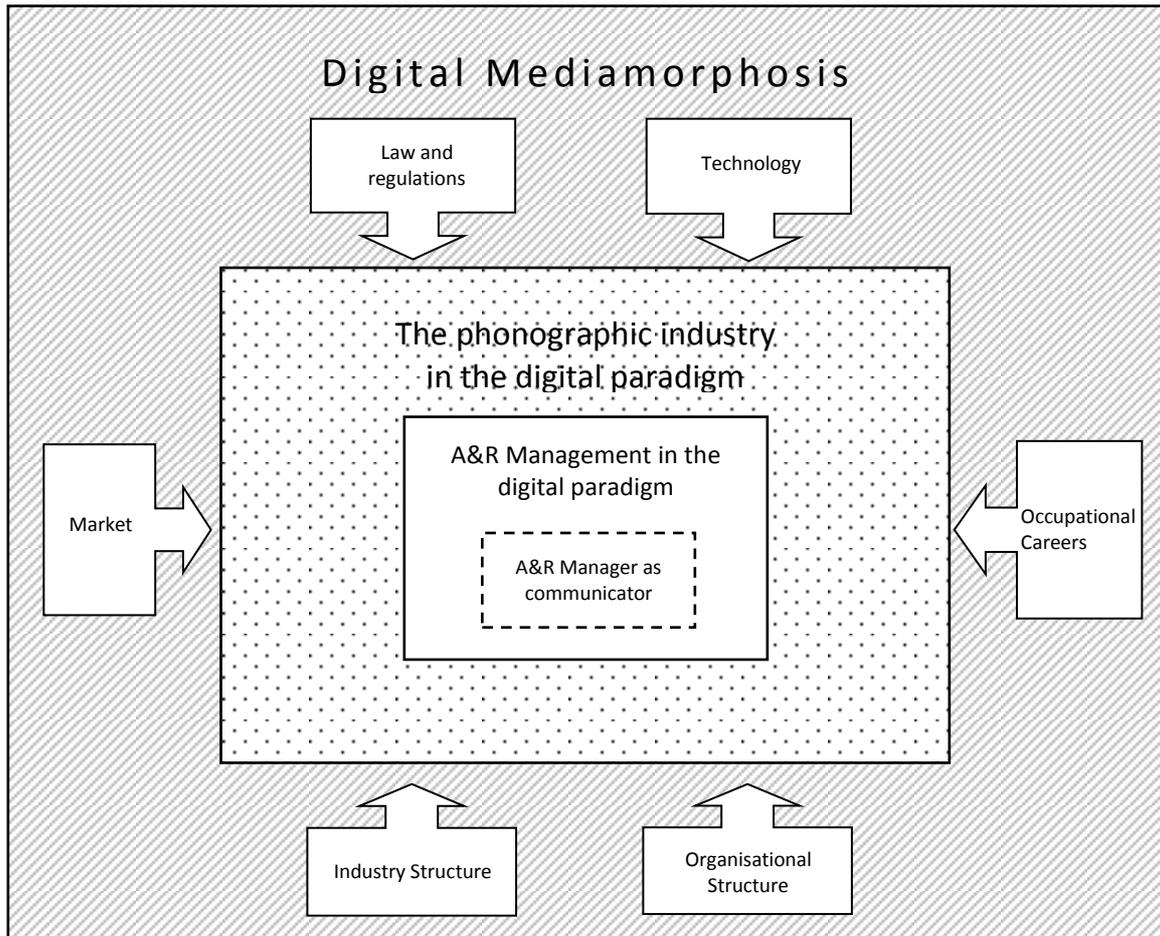
Element 1: Model of analysis for A&R management in the digital paradigm shift
(author's illustration)

2. Analysis

To what extent does the digital paradigm shift show effects on the environment of the A&R management and how can these changes be made visible? From the author's perspective the central heuristics of A&R management in the physical paradigm of the phonographic industry were based on three main aspects:

- **The physical record as the industry's dominant design** brought about decades of market growth and helped safeguard jobs in A&R management. In addition, the capacity of physical media also defined the maximum amount of musical content to be stored on the same - which in turn led to specific prerequisites for the content creation process in A&R management.

- **The album as the industry's central content format** had not only established itself as an important artistic statement since the 1960s but also generated significantly higher revenues than the single. Due to the fact that it was not possible for the consumer to purchase

individual tracks out of the album context it had established itself as the recording industry's major sales driver. Consequently, it became the primary format specification for A&R management.

- **The super star system** as the final goal of mass media marketing was based on the global exploitation of artist image and hit repertoire through a maximum number of media outlets. By selling large quantities of albums the superstars helped underpin the importance of the album format for the industry. At the same time their success not only secured jobs but also allowed for the cross financing of new acts in A&R management.

2.1. New challenges in A&R management

With the introduction of digital music files and the resulting digital paradigm shift, the conditions around the central A&R guidelines mentioned above changed abruptly. As a result, A&R management was faced with a whole **range of new challenges**. Naturally, the aforementioned loss of revenue from the sale of physical media was particularly visible in the sharp decline in CD album sales after the millennium.[4] At the same time many of the new digital marketing channels of music proved to be strongly single-oriented (from early ringtones to YouTube to streaming services). A combination of online piracy, the newly available option of single-track purchases, the considerable acceleration in the publication of media content and the increasingly shorter attention span of consumers put substantial pressure on the former A&R guiding principle of the album as a central content format and major sales driver in the industry. In order to remain competitive in the light of these changes, many record labels were forced to reduce their number of employees. Consequently, this also led to **job losses in traditional A&R management**.[5] At the same time, the aforementioned high revenue losses resulted in substantial **budget cuts in A&R management**. This in turn led to a reduction in the resources available for the signing and development of new artists.[6] Furthermore, due to the high market turbulence and the lack of experience in dealing with the new digital communication channels, **hardly any new superstars** with successes comparable to those from the period of the physical paradigm could be established in the first years after the millennium. In addition, the increasingly easier access to high-quality tools for content production led to a **shift of power** in favour of the artist. In the physical paradigm, producing a high quality studio recording proved to be a major financial challenge for unsigned acts.

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[4] see IFPI, 2013
[5] see RESNIKOF, 2012
[6] see ESRA, 2011

Now, due to the slump in production costs, it is possible to create professional results with a very modest budget.

Finally, and perhaps most importantly, because of the digital paradigm shift the record companies **lost control over the distribution channels** – the key for their market leadership in the physical paradigm. In terms of mere product availability, the elimination of entry barriers to international distribution channels suddenly enabled independent acts to play on a level field with established stars. The possibility to directly promote their products to fans around the world through a variety of promotional channels only added to the aforementioned shift of power in favour of the independent artist. As a result of these developments, a growing number of artists concluded that the traditional record label contract and its access to A&R management were now no longer a fundamental prerequisite for having a successful career. Consequently, more and more artists began to step away from aiming for a traditional record deal. However, the elimination of many of the former entry barriers into the music business also led to a veritable **flood of releases** of countless independent acts on the Internet. As a consequence, the huge number of artists and the enormous amounts of (rarely reliable) user statistics on the Internet posed a growing challenge on A&R managers to identify potentially successful acts.

2.2. Reactions in A&R Management

A large part of the phonographic industry's response to the changing environment can be summarized under one common denominator: **risk reduction**. In terms of A&R management this appears reasonable in so far as A&R management is traditionally one of the most risky and least standardized processes in the value chain of the phonographic industry. In this light and given the high level of uncertainty and turbulence in the market, it seemed logical for the established players in the industry to reduce risk, at least in areas that had remained under their direct control. Consequently, A&R management was among the first areas of responsibility to be affected by the growing tendency of risk reduction. A first step in this direction was to **outsource various A&R processes** to external partners in corporate networks of production - a strategy that had already proved successful before the onset of the digital paradigm shift. Moreover, it was attempted to reduce risk and costs in **artist development** by cutting both the number of new signings and the resources available for the

artist development of existing signings.[7] In many cases this resulted in drastic consequences, such as the sharp decline in the share of newcomer acts in the charts of many international markets.[8] In addition, when a new act was signed, it was increasingly tried to **delay this signing to a later stage** in their career. By doing so it was attempted to outsource the risks and costs associated with the early stages of an artist's career both to the act and its management.

Another development in A&R management was the growing focus on the commercial exploitation of existing **back catalogues**. Remasters, special box sets and limited collector's editions proved to be successful tools to support the tendency of reducing risk. All these releases are based on the repertoire of long-established stars who had already proved their hit potential and had grown a large fan base which could easily and quite accurately be addressed through fan sites, blogs and groups on social networks. At the same time and as a result of the significant decline in revenues through the sale of recorded music, record companies tried to **expand the portfolio of rights** in order to open up additional revenue streams. Thus, when new artists were signed, the record labels began to not only just acquire legal rights in their traditional field of expertise. Instead, artist contracts were expanded to also include ancillary rights in areas such as live performances, ticket sales, merchandising, etc. The expansion of the framework in artists' contracts became referred to as **360-degree deals**. This development was supplemented by the concept of positioning **artists as a unique brand** – a strategy that had been derived from the commercialization of superstars in the physical paradigm.[9] Here, A&R Management was instructed to develop a coherent overall concept of image and sound based on the findings of modern marketing and brand management. Similar to the superstar system, the brand of the respective acts was to be positioned on the maximum number of media outlets in the market. However, given the growing fragmentation of the digital music market, the once successful superstar system became increasingly difficult to apply to the digital music business. This was further increased by the fact that many of the new digital music services have a strong tendency to focus on the single track instead of the album. For A&R managers, this once more results in a **shift away from the album** as the primary content format. Instead, the **pressure on the creation of hit repertoire** with strong mass appeal has increased as the overall industry shifts from an album- to a more single-driven business. In order to better position its releases on the digital music services and as a step

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[7] see ESRA, 2011
[8] see IFPI, 2010
[9] see ENGH, 2006

towards regaining a bit of the lost control over distribution, the major labels began to **integrate digital distribution services** in their own company structure. For A&R management, this has the advantage of getting more insight into the performance of both its own and foreign acts. Emerging trends can be identified more quickly and, most notably, on the basis of actual sales figures. As a result, this adaptation of organizational structures proves to be of high importance in the course of reducing uncertainties and risk on the market.

2.3. New players in A&R management

The abovementioned findings mainly dealt with the challenges and reactions of traditional players in the field of A&R management. However, developments show that ever since the digital paradigm shift there has also been a growing number of **non-traditional players** who have begun to perform tasks of A&R management. One of the most important trends in this development is **Crowdsourcing**. This term refers to the attempt of encouraging the mass of users on the Internet to participate in the performance of various tasks such as solving problems, creating content or the evaluation and selection of content.[10] Crowdsourcing is based on the fact that the digital revolution in media increasingly turns recipients of media content (who for a long time were deemed to be more or less passive consumers) to become active producers and broadcasters of media content. In this light, **crowdsourced A&R** tries to involve the users on the Internet in different processes of A&R management. This can be achieved by involving the user in the selection and evaluation of promising artists and songs or in the processes of creation of different types of content.

Another increasingly popular variant of this approach is **Crowdfunding**. Here, the mass of users on the Internet is asked for financial contributions to fund a specific project. This too involves several implications for A&R management. Firstly, the process of securing a budget for a production is outsourced to the music fans, which once again helps to reduce financial risks in A&R management. Secondly, the selection of projects supported by the fans provides important information on the market potential of an artist or a particular project – sometimes even well before the actual beginning of the production process. In addition, the incoming amounts provide valuable feedback about the size, the demographic structure and the actual willingness to pay among an artist's fan base. All of this can provide A&R managers with important information that can help reduce the level of uncertainty involved in positioning an act and their production on the market.

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[10] see HOWE, 2009

One more step further in this direction is undergone by specific platforms focussed on **market research, statistics and data analysis**. These specialize in the gathering and evaluation of data streams and user behaviour on a large number of media channels, both on the Internet and in traditional offline media. The results are structured and offered to media companies for an appropriate fee. Other platforms will focus on building as diverse a community of music fans as possible, which is then prompted by various incentives to evaluate different tracks and artists based on various A&R criteria. The goal is to utilize the community feedback to determine both market potential of artists and songs and audience reactions ahead of the product launch or, ideally, even before the beginning of the actual production process. All these measures help A&R managers to more accurately identify target groups in size, demographic structure, geographical location, musical preferences and a variety of other factors. From an A&R manager's perspective the information provided by these platforms can represent valuable tools for market research - an instrument which was only rarely available before the digital paradigm shift due to its considerable costs in time and finances and the fast pace of changes in musical trends. At the same time, however, it becomes evident that the use of such data can bring media companies and A&R management in a certain position of dependency of such companies. However, it yet remains to be seen if data analysis companies will really be able to expand their influence in the phonographic industry and, consequently, on A&R management.

2.4. A&R Management in the digital paradigm shift.

In order to answer the main research question of this study (*"How does the digital paradigm shift in the phonographic industry affect the various tasks in A&R management?"*) the understanding of the A&R manager's role as the communicator in the field of mass communication needs to be updated. In this regard, analysis based on the six levels of the Production of Culture approach reveals that the **change in the communication field** shows particularly strong impact on the environment of A&R management. With the use of technology and the new digital means of production and communication, the recipient of messages of mass media must not be understood as a passive consumer anymore (a notion that communication research had proved to be incorrect anyway). Instead, digital mediamorphosis has turned the recipient into a proactive consumer − the **prosumer** − who now more and more acts as an active creator and communicator of media messages. These

changes become visible those parts of BURKART/HÖMBERG's model of the field of electronic mass communication which directly influence the communicator (red highlights):
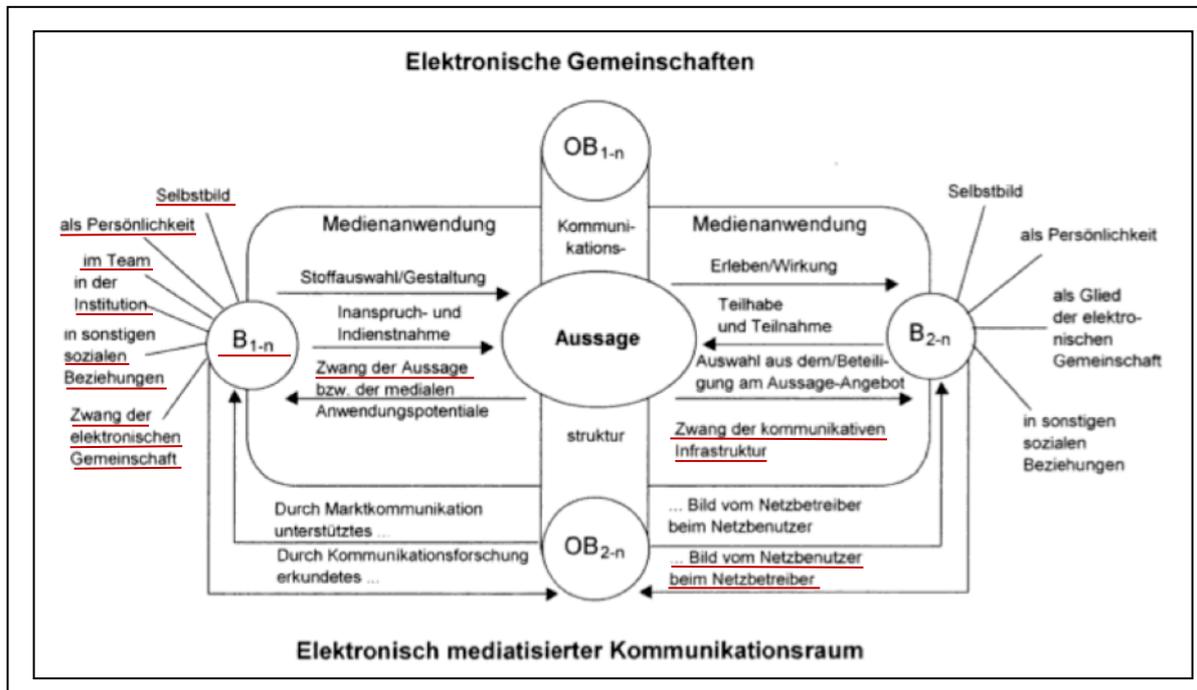
Element 2: Modell elektronisch mediatisierter Gemeinschaftskommunikation
(BURKART/HÖMBERG, 1997, S.84, highlights by the author)

The shift towards the prosumer not only leads to new forms of cultural expression ("track culture") but also to a change in professional and communicative roles. As a result, the balance of power in the communication field begins to shift - the A&R manager's role as a communicator of media messages is supplemented by the proactive consumer. For the A&R manager this brings about a wealth of new sources from which both information about the user's behaviour and direct feedback from the user can be obtained. In addition, this once more displays the aforementioned shift of power in favour of the artist: more and more acts are no longer willing to sign record label contracts they perceive as unfairly balanced. Instead, they use the possibilities of digital production and communication to produce their own music and distribute it to their fans.

In addition to the Production of Culture approach, the understanding of the A&R manager as communicator in the field of mass communication enables the use of media theory for additional categories of analysis. Especially, the application of the aforementioned "Modell elektronisch mediatisierter Gemeinschaftskommunikation" by BURKART/HÖMBERG offeres several categories of characterization of the communicator. These were applied to investigate on further changes in A&R Management. With regard to the **self-image** of the

A&R manager as communicator, the considerable number of layoffs in recent years led to a growing number of A&Rs working outside their traditional field of expertise. At the same time more and more non-traditional players have begun to perform various processes of A&R management without explicitly referring to themselves as A&R manager. As far as **personal qualities** are concerned, the ability to build and maintain an extensive network of contacts remains a central requirement for every successful A&R manager. In addition, profound understanding of the patterns of digital media communication becomes increasingly important in order to be able to create and communicate a coherent set of sound and image associated with an artist. Regarding the cooperation within the A&R manager's **team**, a shift in some of the professional roles becomes evident. The producer, for instance, has transformed from operating as a man in the background to being marketed as an artist in its own right. At the same time, the role of the artist manager has gained importance due to changes in the industry's legal, institutional and organizational environment (see 360-degree deals). In addition, many members of the team are now able to work increasingly decentralized due to the possibilities of digital communication – a change that affects the A&R manager's work in coordinating tasks and schedules of different members of the team. At the **institutional level** of A&R management, the tendency for risk reduction and the resulting trend towards outsourcing of A&R processes lead to a growing number of A&R managers operating in networks external to traditional record companies. Out of these networks, content is allocated on demand, which offers more flexibility in acquiring new artists and repertoire. This development further increases the importance of networks of business and social relations in A&R management. A number of online platforms takes advantage of this development by offering A&R managers opportunities to connect not only within their community, but also with experts of additional areas in the media. These platforms can be both A&R specific (e.g. Hitquarters, A&R Worldwide, Music2B) or more general (business networks like LinkedIn, Xing, etc.).

However, the growing number of new channels for communication and marketing on the Internet also brings new challenges for A&R management. The Internet's increase in the distribution range of media messages has also increased the number of potential recipients of the same. This in turn leads to new forms of **constraint** on the activities of the communicator **by the digital community**. Now, the recipient has a wealth of opportunities to immediately provide positive and negative feedback to both the communicator and other recipients. This has become a powerful means for influencing processes of creation and communication of

media content. In parallel, the impact of digitization shows a shift away from traditional opinion leaders (music press, charts, etc.) to new media such as blogs, apps, genre-specific online platforms, social networks, etc. Furthermore, the digital paradigm shift in the phonographic industry also brings about new forms of **constraint** emerging **from the media message** itself. In an increasingly single-driven industry this is visible in the growing pressure on A&R management to deliver hit-repertoire - in many cases despite cuts in the available budget. Furthermore, the increasingly brief life cycle of content on the Internet increases the need to continuously create and communicate new media messages in order to maintain the recipients' attention. In this context, it is important to be aware of the fact that nearly every statement on the Internet is a public statement by definition. As such it is available on a worldwide basis in an instant – an aspect that can be of great advantage, but may also hold the potential to pose serious drawbacks on the communicator. Finally, the growing degree of connectivity also increases **constraints emerging from the communicative infrastructure**. The technical specifications of the technical infrastructure represent important preconditions for A&R management and marketing and thus need to be considered in the creation and configuration of content. On the other hand, new and innovative content formats such as digital booklets, apps, etc. bring about opportunities to communicate artist image and repertoire in many new and innovative ways.

Finally, the combination of all of these different developments ultimately contributes to a growing tendency to **relativize the role of the A&R manager as a gatekeeper**. On the one hand, due to the layoffs of recent years, quite a few A&R managers simply no longer represent the gates of the traditional companies in the phonographic industry. On the other hand, the growing trend towards outsourcing led many A&R Manager to work as external content providers. As such, they find themselves competing with other content providers for a signing of their production. In other words, these A&R managers are now trying to pass the gates in a way similar to the artists they once had to turn down. In addition, the gatekeeper role of A&R management is relativized due to the fact that the number of available slots for signing new artists has been significantly reduced as a result of the trend towards risk reduction. Consequently, if the gates are to remain closed for most artists, the need for a whole staff of professional gatekeepers becomes increasingly obsolete. However, as a result of this development, many artists have begun to turn their backs on traditional record companies and now increasingly try to advance their career on their own. With the wide availability of professional means of production, the access to worldwide distribution and the

possibility to directly interact with their fans, artist have become less dependent to the support of a professional A&R manager - especially in the early stages of their career. This, again, tends to weaken the gatekeeper role of the traditional A&R manager.

3. Conclusion

The digital paradigm shift in the phonographic industry affects A&R management by posing a significant number of challenges on this specific field of occupation. At the same time, technology opens many new ways for production and communication of content as well as for innovative means of audience and market research. From the author's perspective, despite the abovementioned challenges, it seems unlikely that the role of A&R management is becoming less important on an overall level. Of course, the elimination of many thresholds for access to professional equipment for content production and to the channels of worldwide distribution have improved the artist's position immensely. Do-it-yourself production, direct-to-fan marketing and multi-channel promotion are powerful tools most of which have not been available to previous generations of artists to this extend. However, the economically successful release of content on a consistently high level of quality not only depends on easier access to equipment and online platforms. Today, more than ever, industry knowledge, a reliable team and an excellent network of contacts is crucial when it comes to aspects like the internationalization of an act, the coordination of a multitude of industry players or the addressing of a truly global audience. All of these are goals professional A&R management can help to achieve. In addition, A&R management's filter function is a valuable service for consumers overwhelmed by the flood of releases. Professional A&R management can play an important role in creating high-quality productions by exciting artists that positively stand out from the large number of releases available on the market. The same may be said for the artist, who may need any help for raising its profile in order to stand out from the crowd of acts competing for the attention of today's audience. As a result, these developments underpin the importance of A&R management as a key competence in the future of the phonographic industry.

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