

# Overview of the record labels industry



The aim of this report is to overview the record labels industry. We will first introduce the music industry and its markets. We will define the role of record labels within this industry: recording artists and their composition. We will then notice the dominance of major companies and the place of independent labels in that context.

We also will examine their structure and organisation and discuss the different issues that facts bring us. We will observe how music has become a commodity requiring marketing strategies and notice the predominance of economic interests rather than creativity. We will have a quick look at the effects of the internationalisation of the industry. Record labels industry as well as music industry is also a matter of power in many cases.

Questions and issues are numerous; socio-cultural, technological, economic, political, artistic. Unfortunately, we will not have, the necessary time and space to tackle some problems such as the importance of “ drugs” (which Simon Napier-Bell suggests are almost as important as talent!) or the set up of a company or again the study of a case. However will try to examine some of the most important features of the industry today such as copyrights, piracy and Internet. o An international marketThe market for the music industry is international and enormous as people listen to music everywhere in the world; developed and less developed countries. Obviously developed countries are bigger targets for music businesses as their population is more willing to have a higher purchasing power.

The USA is the largest market followed by Japan, European countries and Canada, Brazil, Mexico and Australia. The UK is the third music market and

its proximity with the continent makes export of British music easier. Development Facts and findings o Role of RL in the music industry Artists usually sign their first contract with managers. A manager administers an artist's career so that he or she can spend as much time as possible making music. Through managers' contacts, artists can sign further contracts with agents who are supposed to get them work, gigs and record deals.

They will also sign contracts with publishers who publish sheet music, get exposition for the artist's compositions and collect royalty payments for them. Artists will also sign contracts with record companies or labels. The role of record companies is to provide finance to manufacture, release and promote recordings. o The major record companies Transnational major record companies dominate the market of record labels. They produce whatever music will trigger the most profit. It costs them about 1 dollar to manufacture and package a disc, another dollar to distribute it.

Artist and songwriter get royalties representing between one and two dollars per disc. The retailer then adds about five dollars per disc, hence it is easy to see that the major record companies are actually making big money. One of the most important characteristics of those companies is that they not only record albums but they also distribute them. After a first phase of industrialisation (getting the processes of mass recording for mass consumption), major companies enter a second phase of concentration and integration. They enter processes of mergers and takeovers as well as horizontal and vertical integration. This means that the record company market is dominated by a few large-scale companies or multinational media

<https://assignbuster.com/overview-of-the-record-labels-industry/>

conglomerates such as Time Warner, Thorn-EMI, Sony, BMG, MCA and Polygram.

o Independent and alternative record labels Besides major companies, hundreds of independent record labels flourish in different countries. They operate in a less conventional way than the majors through networks of independent or localised contacts, producers, and distributors. Usually, contracts are short term based. They market cheaper services.

Indeed, cheaper and efficient technologies for recording music have been a key factor of development of these companies in particular. Frequently, independent labels struggle between operating in a commercial market and innovating. However, they are extremely good at scouting new talents and test marketing them. The existence of independent labels relies as well on a specified demand that major companies do not satisfy. They can be specialised according to different “ styles” of music. For instance Warp Records is specialised in innovative electronic music (by the way, listen to one of their compilations or artists if you can!)

o Structure and organisation of Record Labels The power of record companies depends on the size and the success its organisation.

The organisation patterns of Record Labels are very different from one country to another. This mainly depends upon access to recording equipment, ownership patterns of recording studios and companies, and how musicians can get sufficient public notice. So let us now have a look at the basic structure of a record company: First, you have the managing director at the head of the company, responsible of overseeing the smooth running

of the company (and its various departments) and ensuring that economic interests are met and targets reached. The company is then divided into five main departments: Marketing, Promotions, Sales, Finance and Artists and Repertoire (A; R). The marketing department is in charge of the implementation, management of promotional activities and their budgets and release planning.

It includes Product managers whose functions are basically to organise ; schedule the bands promotion strategy, manage the bands budget (except the recording budget). This department is also in charge of allocating the time of the artist, developing visuals and strategic ties-ins. To sum up, the marketing department is in charge of establishing strategies of marketing an artist or a record and put them into practice in an efficient and productive way. It also produces the link between management, A; R and agent. The promotions department is in charge of securing free publicity through media including radio, TV, press and Internet.

For each of those media stands a manager, for instance a TV promotion manager in charge of promoting a product through TV or a radio promotion manager in charge of promoting a product through radio etc.. These different managers secure airplay (radio promotion manager), video play and TV appearances (TV promotion manager), press coverage (press promotion manager). They all use lots of schmoozing so they all must have very strong contacts in each of their respective sectors; they must know Heads of Music at radio stations, radio producers, TV producers, playlist committees, journalists, editors of magazines etc.. They also must have excellent selling

abilities, business acumen (they must have BCG Matrix, PEST and SWOT analysis, and business strategies in head) and well-developed social skills.

A team is typically working around those different types of managers; assistants and work experience people. Their role is to apply the policy of the company on a day-to-day basis and execute the tasks involved such as co-ordinating phoners, coping with the egos and requests of pluggers, artists, managers and producing promotion materials. Promotion materials usually involve photo shoots, competition prizes, radio edits, video commissioning. Commonly, all of these departments (TV, radio, press, online promotion departments) are run and developed jointly with the marketing department. There is also a Head of Promotion who coordinates the activities of the different promotion managers. He or she is responsible of establishing a budget for the whole department and reports the activities and results to the managing director (MD).

He or she is the person accountable for the department results and usually has many heavy weight connections. The Head of Sales and the Sales department are in charge of establishing sales targets and achieving them through different strategies. There is also the finance department, with at its head a finance manager overseeing the accountancy of the entire company and supervising the work of the accountant(s). Finally, there is the A; R department in charge of searching, signing and developing artists.

This department is usually formed by a parts Coordinator, A; R scouts, A; R assistants, A; R managers and Head of A; R. The parts coordinator is responsible for storing all recording and master tapes so that they are easily

found when necessary. In brief, the scouts go to gigs, listen to demos, look for talent and present it to the A; R manager. The A; R assistants, as their names indicate, assist and support the A; R managers.

The A; R managers search for bands, sign and develop them. They decide which acts to sign and establish strategies to develop them once they have been signed. The head of A; R oversees all of the above and the smooth running of the department. One of their functions is to approve signings of the A; R managers and operate jointly with other departments to determine the best strategies to adopt. The signing process can take from a few weeks to a few months or sometimes more. You have to find a band (or artist), see them live, meet them, hear more music and more of their music, get the band to meet the rest of the company, see them live again with the rest of the company, research what it would cost to produce and market the record, make an offer, meet the manager and negotiate a contract with him or her, meet and discuss with the lawyer and finally sign the deal.

Different factors are taken into account when considering signing an artist. First of all is the music (quality or “catchiness”). Besides music, other factors exist such as star quality, sex appeal (!)(It sells!), individuality and style, ability to perform, potential of development and of course sales. Record companies calculate the sales potential of an artist extremely carefully before investing in it.

Let us also add that the A; R process is roughly the same in different countries and territories. However, some differences appear for various reasons: different legislations, different markets, size of the industry and

population. o Music as a commodity Attracting an audience to a live performance or selling discs means selling one's music. Music is thus considered as any commodity and involves marketing procedures and tactics. Given the potential enormous amount of profit that a worldwide hit or successful artist can trigger, the marketing process gets more and more important.

It is not only a matter of selling one's music; it is also a matter of selling a brand image. Mass Media then play an important role to convey and sell this image. We can ask ourselves what kind of relationship is instituted between major labels and media such as radio stations, TV channels, and newspapers. The music industry uses marketing experts to package and repackage recordings to make them appear new, unique and up to date. The costs being enormous, the risks are then huge and record labels try to cut them whenever they can. o A matter of power Everywhere in the world, musicians have the same aim: performing and getting their music recorded.

To achieve this they need to be financed, given that recording costs are incredibly high. Artists thus need to be signed by a record company and negotiate the fairest deal they can obtain. This involves a relationship of power between artists and Record Labels. Moreover, record companies do not have a good reputation and historically, the music industry unveils many disputes and abuses. Those disputes very frequently revolve around copyright issues.

Contracts give the record label considerable control over musicians' work. The contract will decide how many albums (or singles) will be released in a



given period of time and even influence their content. For the artist or musician, the most essential point of the contract is the label's commitment to record and release a record. Keep in mind also, that tied to a contract, an artist cannot record anything with another company. Ideally, musicians then need legal advice before signing any contract.

However, the practice reveals that this happens in ridiculous proportions. o CopyrightThe most important source of revenue in the music industry is the copyright. The copyright is the right to copy. There are actually two types of copyrights: the song as the music composition (publishing right ; publishing company) and the song as the sound recording (master right ; record company).

You will notice that the major companies holding both copyrights will then make double profits. This is a form of power that only such big companies can afford. In the USA, the Supreme Court ruled in 1989 that in absence of a formal contract linking artist and RL, the artist retains the copyright. Therefore, record companies make their money with royalties that they get from copyrights. Royalties can be mechanical (when a copy is made) or performance (when the record is performed or broadcast).