

Warner Music Struggles to Restore It's Luster

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NPR: All Things Considered - with Robert Segal and Michele Norris

With a story of a major record label as it faces a fast changing music business. After being absorbed by a giant media conglomerate and then spun off again, Warner Brothers is now the third largest record label. And as NPR Neda Ulaby reports, it's looking at the digital domain as a key to it's future.

A band called "The Sun" has just released it's debut album entirely on DVD. "Blame It On the Youth" is comprised of fourteen music videos. You can't buy it on CD. Warner Music expects you to play it on your computer.

The band was signed three years ago. The musicians became frustrated by how it was taking for their album to come out. So, they amused themselves by making videos with a friend in their hometown of Columbus, Ohio. Warner was impressed by how many they produced on a small budget. So the band proposed making one for each song.

"And they decided that they thought it was a great idea and they found more money for us to finish up the videos so that we could get them done in time for this fall release," says Sam Brown.

Sam Brown, is "The Sun's" drummer. He also writes some of the bands songs.

"Being on a major label, you have access to... you know, a little more money than if you were just making videos on your own. So, it definitely made it possible for us to... you know... make fourteen videos," says Brown.

Brown says, those fourteen videos cost about \$50,000. That's a fraction of what it might take to make one video for a star. 'The Sun's' DVD was a cheap experiment for Warner Music at a time when the company is trying to reinvent itself.

The label began in the late 1950's as a way for a major Hollywood studio to showcase the musical aspirations of stars like Tab Hunter.

It took awhile for Warner Brothers Records to hit it's stride. But, by the 1970's, Warner had built a reputation as the most 'artist friendly' of the big labels. And it's roster ranged from Frank Zappa and Jimi Hendrix to James Taylor and Fleetwood Mac.

By the 1980's Warner had absorbed such well respected labels as Atlantic, Elektra, Asylum, and Sire. It's artists included: R.E.M., Madonna and Prince. Warner executives Mo Ostin and Lenny Waronker, were among the most powerful in the business. Then Warner Communications merged with Time Incorporated in 1989. Which merged about a decade later with AOL. A wave of consolidation overtook the music industry. After the dust settled, two labels, Universal and SONY BMG controlled the majority of domestic music sales.

So, last year, AOL/TimeWarner spun off it's once vaunted music division.

"They were basically 'dead weight' inside of the TimeWarner corporate edifice," says Aram Sinnreich.

Aram Sinnreich, co-founded Radar Research, a firm that analyzes media and technology. He says Warner's new owners, a group of investors led by Seagram's heir, Edgar Bronfman Jr., faced a challenge.

"He's a young guy with new ideas and big ego and wants to run a record label. And that's part of what motivated him. But, actually does care about music as a 'product.' Even though he comes from a liquor background. Get's together his friends and buys the label off of this fat-cat corporate entity. They slice costs. They fire a bunch of people. They fire a bunch of artists. Terminate their contract. Cut it down to just bare nothing. Start to stabilize the blood flow. And then they announce all these digital initiatives. And are really trying to kind of re-invent what a record label is. I mean, that's the arc of the music industry right there in that story," says Aram Sinnreich.

Warner made a public stock offer last spring. And paid off it's investors. This upset some of the label's artists. The band "Linkin' Park" accused the company of putting money before music.

"That's to be expected," says Bishop Cheen.

Bishop Cheen is an analyst with Wachovia.

"Name an industry where's the not a lot of friction where there's a lot of dollars?" says Bishop.

And Warner Music is spending them, in the digital domain. The company has announced a deal with MTV to put videos on cell phones. It's launched a wireless streaming music subscription service. And it recently named a top executive to handle digital legal affairs. Those are the choppy waters of copyright and proprietary technology that have caused the music industry to founder online.

Warner Music also lured a legendary music executive out of retirement. Who bluntly questions the industry's approach to matters such as file sharing.

*"I understand that you don't want people stealing your music. But, at the same time I think we could have recognized that the internet was an important force and used it ethically and to great effect," says **Jac Holtzman**.*

Jac Holtzman founded Electra Records in 1950 as an independent folk music label. He went on to launch the careers of Judy Collins, and The Doors.

Now at 74 years of age, he's launching a new online only e-label for Warner Music.

*"When I started to design the e-label, I tried to block out all of my past experience. But, there were certain lessons from the past that became very clear to me. The frequency of interaction between an artist and their fan base by continual release of records. Keeping the costs low. Having a methodology of releasing that... would let us use our medium to introduce our material to people," says **Jac Holtzman**.*

Cordless Records won't feature big names from the Warner catalog.

"Jihad Jerry and the Evil Doers" is fronted by a founding member of the band DEVO. Cordless will concentrate on newer artists releasing their music in what Holtzman calls "clusters of three songs." And when it comes to certain industry norms long despised by musicians, Holtzman promises change.

*"The fundamentals of the Cordless agreement is that the total contract length if we exercise all of our options, and if the "clusters" are delivered on time, is twenty-one months. The artists own their masters. And if they publish with Warner-Chappell, they own their copyrights," says **Holtzman**.*

Another convention Cordless may challenge is the industry's wisdom on 'hits.'

Analyst, Bishop Cheen: " This is a business where you can leverage an entire label off of one hit."

But, that's been less true so far with online music. Jac Holtzman says he's not even thinking about 'hits.'

*"There is no 'hit model,' there's only good music. And if it catches on, maybe it becomes a hit. But, I don't know what a 'hit' is for an e-label. I don't know what those metrics mean yet. We will find out over time," says **Jac Holtzman**.*

Warner Music CEO, Edgar Bronfman Jr. told a recent conference, the industry's paradigm's are changing. Digital revenues now account for 6% of his company's business. And in the wake of several fights with artists over royalties, Bronfman hinted support for a 'new open standard' for managing digital rights. One that foregoes royalties altogether.

Neda Ulaby, NPR News

Another story on the internet:
2005-08-31

Warner Music Group To Form Digital Label

Mercury News:

http://news.yahoo.com/news?tmpl=story&u=/sv/20050831/tc_siliconvalley/www12505582 has announced plans to form a digital label, tentatively named Cordless, which will release songs exclusively for download over the internet or to mobile phones. It's a belated adaption to the decline of the album... not necessarily the CD, I think. As the article points out most albums have no more than three hit tracks, with the rest being regarded as "filler" by all but the die-hard fans and are simply there to justify the album price. With the advent of individual downloads people are less willing to pay for an album when they just want a single song. This affects the way the new label will do business....

"An artist is not required to have enough material for an album, only just enough to excite our ears," Bronfman said in his speech. **"Rather than releasing an album every couple of years, every few months the label will release 'clusters' -- three or more songs -- by an artist."**

It will see a wider range of music too: "Warner's e-label will be headed by noted music figure **Jac Holtzman**, a technophile who pushed early adoption of the compact disc, the LaserDisc and now can be spotted in Warner's New York offices with a flash drive dangling from his neck. Since his e-label starts with modest production budgets of about \$30,000, rather than millions, **Holtzman** is free to sign more eclectic acts, like Devo bassist Jerry Casale's new group, Jihad Jerry and the Evildoers." (via Ringtonia <http://www.textually.org/ringtonia/archives/2005/08/009759.htm>)