

LABELS AT WORK: THE MUSIC BUSINESS IN THE DIGITAL AGE



#LABELSATWORK

CONTENTS

1. THE DIGITAL REVOLUTION / REINVENTING THE MUSIC BUSINESS
2. INVESTING IN TALENT
3. ARTIST ROYALTIES HOLDING STEADY
4. VENTURE CAPITALISTS FOR MUSIC
5. HELPING ARTISTS FIND THEIR SOUND — AND THEIR FANS
6. HOW RECORDINGS HELP SEED THE MUSIC ECOSYSTEM
7. EMBRACING NEW DIGITAL TECHNOLOGIES AND SERVICES
8. WHYMUSICMATTERS.COM
- 9/10. BREAKING THE PROMOTIONAL MOLD
11. CONCLUSION



THE DIGITAL REVOLUTION

Over the past two decades, digital, Internet and mobile technologies have revolutionized the way we create, find and enjoy music. Walking down the street, riding the subway, or sitting at a desk, the shift from stereo equipment to screens is so ubiquitous we take it for granted. For many in the music industry, the changes have made for a bumpy ride. But these innovations have also opened up nearly limitless possibilities.

Artists can create in new ways and reach fans with tools that weren't even imaginable just a few years ago. Music lovers can share what we're listening to with our friends, family and colleagues in real time, turning them on to new favorites the instant we find them ourselves. Record collections are going virtual. And new streaming services have stretched our car stereos far beyond five AM/FM presets.

REINVENTING THE MUSIC BUSINESS

Major record labels are still focused on what we do best: finding great artists, helping them reach their creative potential, and connecting them to fans. The difference is that we're embracing new digital tools to do a better job than ever before. We're essentially venture capitalists for music: investing in the great, unknown artists of today so they can become the superstars of tomorrow.

We've built digital networks to wire the 21st Century music business, digitize recordings, and connect seamlessly to retailers and services selling and streaming digital and mobile music. The result is a new, leaner, more nimble music business – one that gives our artists broader reach, creates new ways for them to earn a living from the work they love, and empowers fans to find and enjoy more music in more ways than ever.

We're still evolving, but a quick glance over the last decade or so proves that we're on the right track.

- Over 2,500 digital services licensed and operational today.
- \$13.4 billion spent by major labels to find new artists and help them reach an audience.
- \$20 billion spent by major labels on artist and songwriting royalties.
- Artist royalties paid by major labels increased over 36% as a share of major labels' net sales and gross licensing revenue.
- Songwriting royalties paid by major labels increased 44% as a share of net sales revenue.

RIAA represents the three major labels in the U.S. – Universal Music Group, Sony Music Entertainment, and Warner Music Group – and their wholly-owned affiliate labels such as Capitol, Republic, Motown, Columbia, RCA, Epic, Elektra, Atlantic, Warner Bros., and many more.

INVESTING IN TALENT

In the last decade, major labels have spent \$20 billion in artist and songwriting royalties. And by helping craft hits that reach broad audiences, we help generate billions in additional royalties paid to performers and songwriters by performance rights organizations like SoundExchange, ASCAP, BMI, and SESAC. ASCAP and BMI paid \$1.9 billion to songwriters and publishers in 2013 alone.

Songwriting royalties have skyrocketed as a share of net sales revenue¹ – increasing 44% during the last decade.

In the last decade, artist royalties have increased more than 36% as a share of major labels' net sales and gross licensing revenue.

\$20 B

ARTIST AND SONGWRITING ROYALTIES

AS A SHARE OF REVENUE...

SONGWRITING
ROYALTIES

INCREASED

44%

ARTIST
ROYALTIES

INCREASED

36%

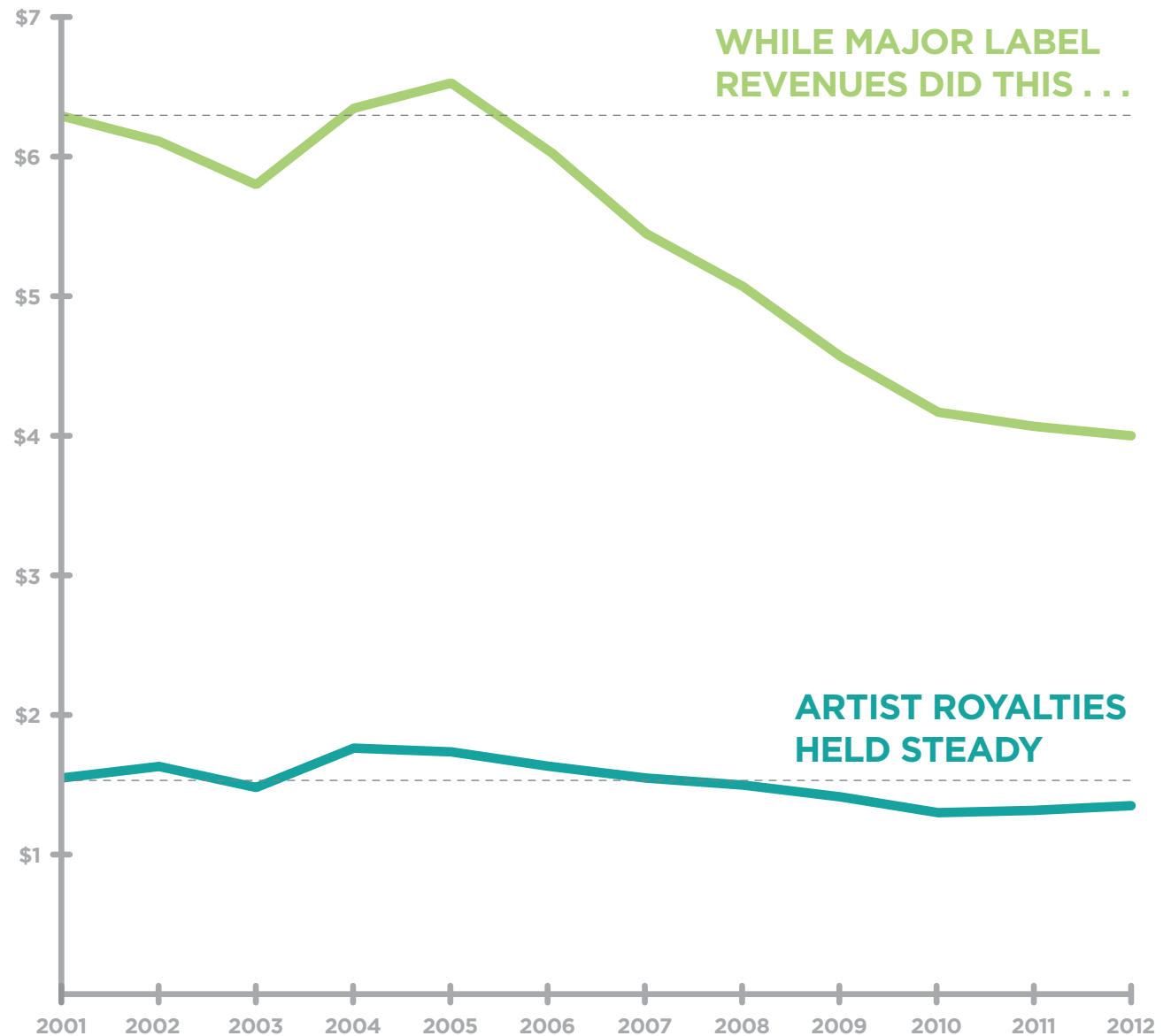
Less streaming and subscription revenue.¹

ARTIST ROYALTIES HOLDING STEADY

Through all the changes in the music world in recent years, we've tried to protect what's most important: artists.

While major label revenues have dropped \$2.3 billion since 2001, the royalties we pay artists have held steady, dropping only \$134 million.

FIGURES IN BILLIONS | LABEL REVENUES  | ARTIST ROYALTIES 



WHILE MAJOR LABEL REVENUES DID THIS ...

ARTIST ROYALTIES HELD STEADY

IN 2011, LABELS
WORLDWIDE SPENT

16%

OF REVENUE ON

A&R

80%

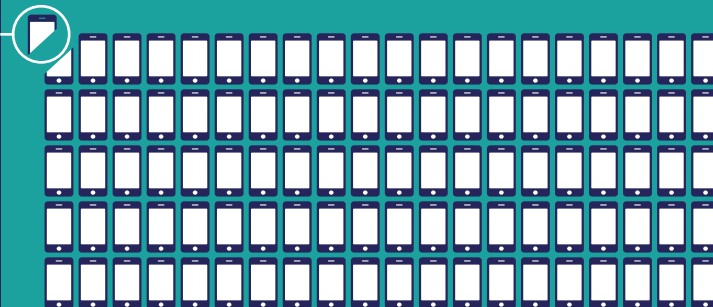
OF ALBUMS
RELEASED IN 2011
SOLD LESS THAN
100 COPIES

94%

SOLD LESS THAN
1000 COPIES

HIT RECORD

IN 2011, ONLY ONE-HALF
OF ONE PERCENT OF ALL
ALBUMS THAT SOLD EVEN
A SINGLE COPY SOLD
MORE THAN 10,000



VENTURE CAPITALISTS FOR MUSIC

Major record labels are making enormous investments to find and cultivate artists. In 2011, record companies worldwide invested 16 percent of their revenues in A&R, which handles talent scouting and artist development. That investment tops other R&D-intensive industries including pharmaceuticals and biotech, computer software, and high-tech hardware.

These are risky investments, since so few songs or albums end up as hits.

- Out of 8 million digital tracks sold in 2011, 7.5 million sold less than 100 copies.¹
- 80% of albums released in 2011 sold less than 100 copies and 94% sold less than 1000 copies.¹
- In 2011, only one-half of one percent of all albums that sold even a single copy sold more than 10,000.¹
- Most record companies recovered their investments in only one out of every five or six new albums.²

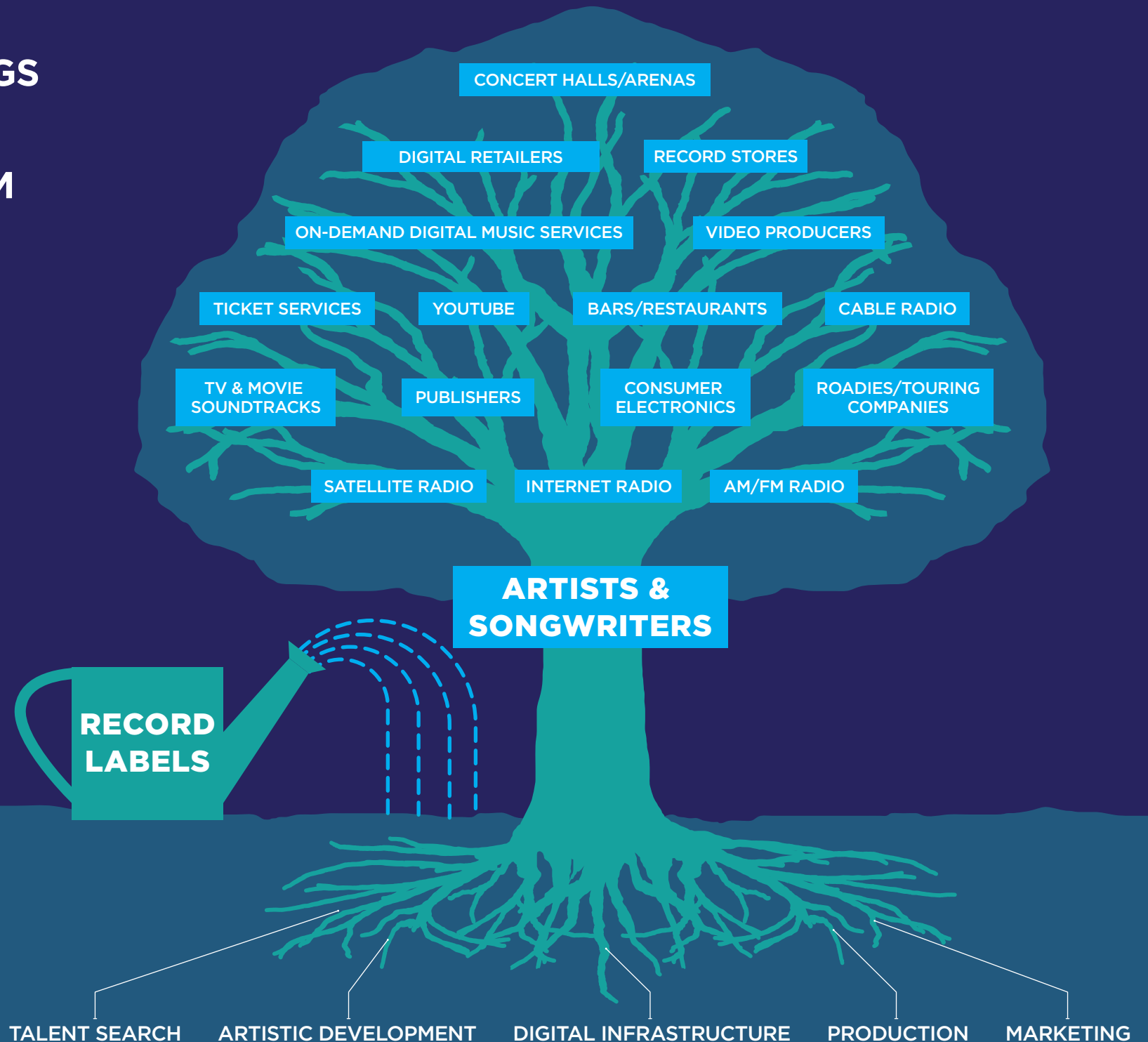
HELPING ARTISTS FIND THEIR SOUND — AND THEIR FANS

It's a tough job, but someone's got to do it. While many play an indispensable role in the music ecosystem, there is no doubting the value of record labels who find great artists and work to put them on a global stage.

In the last decade, the major labels spent \$13.4 billion to find new acts and help them develop their sound and reach an audience. That's tens of thousands of hours on the road, scouring bars and honky tonks, and thousands more online listening for the next underground sound. We connect great musicians and help them collaborate on creative new projects. We gather the producers, engineers, and technology it takes to bring a song to life. We design album launch campaigns and tours to build the kind of fan base that launches a career.

Working hand in hand with our artists, major labels provide the creative and financial fuel that generates hits. Virtually the entire music ecosystem is built atop the foundation of this initial investment, supporting not just artists and labels, but anyone whose job depends on music.

HOW RECORDINGS HELP SEED THE MUSIC ECOSYSTEM





Find Music

Today's music marketplace offers a wide variety of options. Use the music finder below to search for, learn about, and click through to music services that suit your needs.

- All
- Downloads/MP3s
- Streaming
- Cloud
- Music Videos
- Ringtones
- CDs/Vinyl/Music DVDs

7digital MP3 download service.	7digital (Cloud) Store your 7digital purchases in 7digital's cloud-based locker and enjoy remote access.	Acoustic Sounds Online store offering high-resolution digital downloads as well as CDs and vinyl records for home delivery.	Alltel Wireless Store offering thousands of ringtones for Alltel customers.
Amazon Online store for CDs and vinyl records.	Amazon Cloud Player Securely and automatically store in the cloud - at no extra cost - your Amazon MP3 purchases and eligible physical CDs ordered from Amazon, and play them on the web, Kindle Fire, iOS devices, and Android devices.	Amazon MP3 Store Online music store offering 20+ million songs to purchase and play on a Kindle Fire, Android device, iPhone, iPad, iPod, Mac, and PC.	AOL Radio Plus Subscription-based, ad-free, customized streaming radio service.
Arkiv Music Classical music MP3s for download as well as classical music CDs and vinyl records for sale.	ArtistXite Online music store offering downloads across every genre.	AT&T Wireless Store offering 50,000+ ringtones for AT&T customers.	Barnes & Noble Online store offering CDs, vinyl records, and music DVDs for home delivery.
Beatport High-definition digital download music retailer specializing in dance music tracks, continuous mixes, and remixes.	Beats Music Subscription-based, ad-free streaming of millions of songs and albums to a computer or mobile device.	Best Buy Online store offering CDs, vinyl records, and music DVDs for home delivery.	BlackBerry World Store offering songs and albums for BlackBerry 10 customers.

EMBRACING NEW DIGITAL TECHNOLOGIES AND SERVICES

We celebrate the success of licensing new digital services whose revenues and listeners are growing at incredible rates. And we believe that artists and fans should benefit the most from this skyrocketing growth.

Major record labels have inked agreements with scores of new digital music services. We've also supported the Digital Performance Rights Act and the Digital Millennium Copyright Act, which give digital services easy licensing of the music they need, while making sure artists receive fair pay for their work.

At last count, there were over 2,500 authorized digital services that pay royalties to our artists.



Your music finder

Today there are more places than ever to download, stream, listen to and buy music online. Whether it's vinyl records or unlimited digital music on your mobile phone, there's a service out there for you. Click through and we'll show you the world of music downloads, streams, mobile applications, online radio and much more.

LET'S START

Find digital music through a wide variety of more than 70 online music services.

Music is a celebrated part of our culture, a universal language that brings people together. How to keep the music playing? When fans choose from the many authorized online music services listed on this website, from iTunes to Spotify to VEVO, and all the great online services in between, they can be sure that artists, labels, and the many others who make up the music community get paid for their creativity and hard work. And that helps keep the music playing.

[Learn more about digital music online](#)

BLOG

A Chat With Multi-Platinum Singer/Songwriter, Label Exec & Grammy Winner NE-YO

[Read More](#)

VIDEOS



See more videos featuring Jay-Z, Florence and The Machine, Janis Joplin, Louis Armstrong, Robert Johnson, Nick Cave, Sigur Ros, Kate Bush, Thin Lizzy and others ▶

WHAT THE DIGITAL MUSIC SERVICES ARE SAYING

Tweets

Suzy Cole @suzytothec 14m
HAPPY BDAY @chinomoreno! Celebrate w/ this list of @deftones @CrossesMusic @PainsBand songs!
[listen.beatsmusic.com/playlists/pi19...](#)
[pic.twitter.com/fJtwVqINy](#)
Retweeted by Beats Music
[Show Photo](#)

Insound @insound 13m
Tuesday is new release day for A Sunny Day in Glasgow, Ben Frost, Donovan Blanc, & tons more--> [ow.ly/yh9Zu](#)
Expand

Vevo @Vevo 24m
@maroon5 is covering Prince right now. You don't wanna miss this!
[amexeverydaylive.com](#)
#AmexEveryDayLIVE
[Show Summary](#)

Rhapsody @Rhapsody 33m
Making #heavymetal music for over 30 years & counting! Congrats @MetaBlade Records! Read on: [on.rhap.com/UnEhn](#)

Rhapsody @Rhapsody 36m
Nashville's @colonyhouseband just started our weekend off right. #gif #rhapsody [instagram.com/p/pfEu52N6IO/](#)
Expand

Compose new Tweet...

WHYMUSICMATTERS.COM

There are more places than ever to download, stream, listen and buy music online than ever before. We've broken it all down at [whymusicmatters.com](#).





BREAKING THE PROMOTIONAL MOLD

Just like we're embracing new digital platforms, labels are also pioneering new ways to market artists that would have been impossible just a few years ago.

Daft Punk - Random Access Memories

Sony knew it needed a global campaign to match the ambitious scale of Daft Punk's Random Access Memories. It also faced limited funds and its artists were two robots who didn't do interviews and don't tweet.

Building on Daft Punk's inspiration in film and album premieres from the '70s and '80s, Sony created a 'larger than life' campaign that coordinated giant billboards in major global cities with TV advertising blocks showing a short mysterious teaser of the riff from Get Lucky. Fans started to share the teaser all over the Internet, including one who created a 10-minute version. Daft Punk gave their first performance in the middle of the Australian outback, raising buzz to a fever pitch.

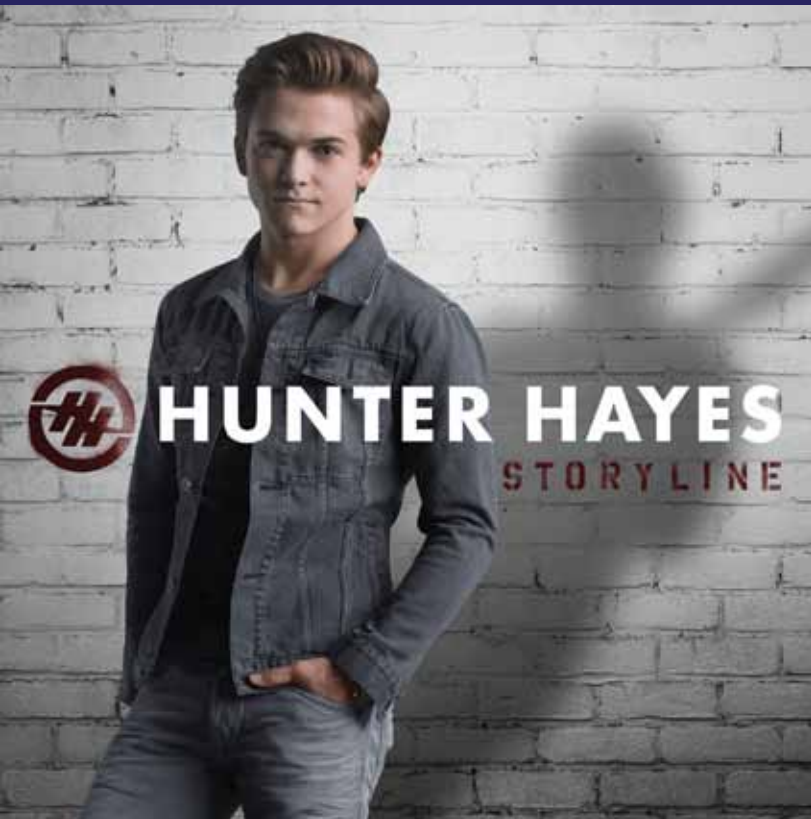
The album was released across all formats simultaneously. Random Access Memories was the biggest ever pre-ordered album on iTunes at that point. It hit number 1 in 97 iTunes stores — while simultaneously breaking the record for the most streamed album of all time on Spotify.

Katy Perry - PRISM For Katy

For Perry's third studio album, PRISM, Capitol Music Group didn't build a traditional promotional campaign that would have focused on a single release date. Instead, they used several different campaigns — making the best use of Katy Perry's natural ease on Twitter and other social media — to promote several strong singles on PRISM.

Katy released short teaser videos to celebrate the release of the first single: Roar. In one video, Katy spelled out the lyrics to Roar in emoticons, and the video generated almost 70 million views. The official video





was promoted using a classic 1930s-style Hollywood movie poster and a series of online teasers. The video went on to be viewed around 360 million times on YouTube alone, while Roar topped the charts in 97 countries.

A promotion with MTV and Pepsi gave fans the opportunity to unlock song titles, lyrics and snippets from the album by tweeting #KATYNOW. They could also listen to previews of the tracks Dark Horse and Walking on Air and vote which they wanted released early on iTunes.

The second single Unconditionally was backed by the promotional campaign #KatyUnconditionally that invited fans to share an Instagram of what unconditional love meant to them and upload it with their story and location to appear in an online PRISM map of the world.

Hunter Hayes and the YouTube Orchestra

Warner Music Nashville/ Atlantic Records wanted to help new audiences discover Hunter Hayes.

The label contacted YouTube and designed a video campaign featuring his song Everybody's Got Somebody But Me recorded with label-mate Jason Mraz. Rather than film in Nashville, Warner arranged to shoot in Los Angeles at YouTube's own creative space, the YouTube Hangar. This enabled the label to pull together a range of the 'YouTube Stars' who post their own versions of hit songs onto the platform together and invite them to perform with Hayes and Mraz.

Stars like Tyler Ward and Kina Granis submitted their own versions of Hayes' song and Warner Music Nashville along with Hunter created a mash-up of the results. It brought together Hayes, Mraz and all the 'YouTube Stars' to create a one-shot music video featuring all of them, dubbed the 'YouTube Orchestra', for the mash-up track. The individual 'YouTube Stars' released their own versions of the track and then the 'YouTube Orchestra' video was released ahead of the official music video, reaching an entire YouTube audience online in their own terms and connecting Hayes to millions of potential new fans who might never have seen a more conventional launch campaign.

CONCLUSION

The music business has changed and record labels are continuing to evolve along with it. But we haven't forgotten what's important: finding great artists, helping them realize their visions and connecting them with broad audiences.

As we embrace new technologies, we're focused on making them work for artists and fans. And we're dedicated to supporting new digital platforms to grow the pie for everyone in the business, starting with the artists whose careers are our mission.

With so much change, the future may be uncertain. But no one ever thought this business was easy.

We know one thing for sure: the challenges ahead will have one hell of a soundtrack.

