
Event Report

Acting Globally: Entertaining Locally

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On February 26, 2010, over 600 students from 40 different business schools gathered at the Media and Entertainment Conference, an annual conference covering all aspects of the industry, from entertainment finance and venture capital investing to marketing, digital distribution and gaming. This year, the conference reflected an increasingly internationalized marketplace with the inclusion of the panel Artists Going Global, a deep-dive discussion on how entertainment and management experts are taking local music acts to all ends of the earth.

When it comes to music, globalization is a difficult subject to tackle: From language barriers down to cultural folkways, isn't entertainment one of the most highly localized industries out there? Not so, argued the panelists of *Artists Going Global* at the 2010 Media and Entertainment Conference. Increased mobilization (migration, as well as simple traveling) has exposed audiences across the world to a variety of cultures and increased the call for music access across borders. But the real nail in the coffin of localized music is the advent of the digital age, which has driven demand for globalized content on smartphones, computer screens and mp3 players across the world.

Matt Voss, the senior vice president of international marketing at Island Def Jam, tells an anecdote about a recently signed 16-year-old artist named Justin Bieber, who jump-started his own career by posting clips of himself singing on the Internet. (For those interested in cultural contextualization, see this widely distributed YouTube clip of a very tiny fan: <http://tinyurl.com/y8rzu8h>.) "On Justin's first trip to the UK, he tweeted as he left JFK that he had an appointment at 10 o'clock the following day to visit Def Jam's London office. The next morning, there were 500 girls outside the Kensington office. This is a kid who's never been to London. It just shows the power of digital media, which has transported this artist's music and message around the world, before he even arrived."

But globalization has done more than simply expand the kinds of platforms on which music is distributed: It has also increased the physical reach of music companies by allowing them to be profitable in locations where piracy had previously made doing business untenable. Camilo Kejner, an executive vice president at EMI Music, explains that through the use of mobile carriers, the music industry has managed to gain back territories it was forced to exit years ago due to adverse market conditions. “In South America alone, more than three-fourths of the territories were lost to physical piracy, but using mobile as a distribution platform has given us a strong base in sales,” he says. In Brazil, for instance, where Def Jam test-marketed the first mobile phones preloaded with music, Mr. Voss found the demand for artist-branded mobile phones (e.g., a Killers-branded mobile phone that comes preloaded with the band’s new album) to be as high as 12 times past record sales.

Perhaps simply due to their innately mobile nature, smartphones have proven to be the perfect cross-cultural carrier for music. Key to these deals is the close alignment with artists and brands, points out Mr. Voss. In order to be successful, record companies must carefully choose the proper technology in the market where they are trying to gain exposure for an artist. For instance, a promotion with American artist Rihanna (who sells twice as many records internationally as she does in the United States) was orchestrated with mobile carrier Nokia. “Nokia isn’t the biggest mobile company in America or Japan, but they are extremely powerful in parts of Europe. This deal gave us the opportunity to launch Rihanna’s most recent album with a large-scale event funded by Nokia, and gave Nokia the chance to load their mobile phones with Rihanna-branded content,” says Mr. Voss. “The partnership turned an approximately \$600,000 spend into \$13–14MM worth of exposure value in markets across the globe.” In the end, overseas markets sales of the first single from Rihanna’s album well exceeded the company’s estimates, with a significant part of the single’s success directly tracked to the Nokia promotion.

Still, in many ways, globalization and digitization have made the music industry a more challenging one in which to compete. Only a decade ago, artist managers needed little more than a strong rapport with a select handful of television networks, newspapers and magazines to expose artists to the audience they needed to reach. Now, due to the fragmentation of both audience and promotional outlets, promoting artists has become increasingly expensive and challenging. Increasingly, music companies are looking to “360-degree deals” to try and solve this problem: “File sharing got away from us quite badly, and we had to quickly reinvent our business and look for new revenue streams. 360-degree deals means becoming a full-service shop for our artists,” says Mr. Voss. This emphasis on 360-degree deals has led to a wave of

horizontal expansions within the industry, with music companies acquiring everything from agencies to management companies to merchandising companies, in an attempt to monetize all aspects of the business. “To do these kinds of deals, we need to build capabilities around servicing the rights that we acquire, be they publishing, merchandizing or performance rights,” says Mr. Kejner. Still, horizontal expansion has produced some tensions within the industry, which executives like Mr. Kejner are paying close attention to and working hard to avoid: “360’s makes for a more fruitful relationship for both the artist and the management company, provided you have the capabilities. If you have passive participation in everything that a band does, eventually it will be seen as a land-grab, and land-grabs lend themselves to feelings of negativity.”

Despite all the changes within the industry, a more macro-force might shape the future of the music business. Mr. Voss looks to Sweden as a case study for how government legislation can affect not only digital consumption of music (currently, upward of 70 percent of worldwide music consumption is digital), but physical sales of CDs as well. Often considered one of the incubators of digital music piracy, last year Sweden passed a law making it easier for content owners to take pirates to court, as well as convicted the owners of the country’s largest Web site for illegal file sharing, Pirate Bay, of criminal copyright violations. The effect? Music sales in Sweden rose over 10 percent last year, even as they fell the same amount worldwide. Not only that, but sales of digital downloads from sites like iTunes rose 28 percent and CD sales rose 2 percent. “Sweden is back to being a major market for us, and I think that the large markets like the US and UK can really learn something from this. With the right models, we can turn the global music business around,” says Mr. Voss.

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