

AN OPEN LETTER TO RECORD COMPANIES EVEN IF THEY DIDN'T ASK FOR ANYTHING

LE 6 MARS 2010 VIRGINIE BERGER

What killed the music industry ? Arrogance. The arrogance of believing that one does not need to understand, or to change... I want to tell all my friends in record companies that they need to understand right know that we are no more in the business of selling CD's. We are in the business of creating value around music. Once you understand this change, I assure you that the rest will come much more easily.



Virginie Berger (@virberg) former marketing director of Myspace, is analyzing the reasons why record companies failed to embrace the digital era. But she doesn't only criticize and gives some pragmatical advices to her pairs. This open letter has already been published in French, on Virginie's blog "**Don't believe the hype**". The author adapted the text and Owni translated it in order to share it worldwide.

An open letter to record companies even if they didn't ask for anything or chronicle of a death foretold

It was ten years ago, in France. I had a job interview with the CEO of a record company. The job I was applying for was head of the interactive marketing (yes, at that time, marketing was interactive). When we brought up the Napster issue, I told him that Napster should be use as a promotion(al) tool and that artists could get closer to their fans thanks to (by using/through?) it. I was young and naive. What haven't I said ! I wasn't that far from the "Vade retro satanas!". Despite the fact that I totally screwed up my job interview, my interlocutor told me that "we don't care about the audience", that "only the protection of copyrights matters" and that "the CD is and will be the one and only music format". And that was it.

Ten years after, nothing changed here.. When I talk to the same people (yes, those people who told us that they killed piracy by closing Naspter ten years ago are still running the business), we still have the same conversations...

Between "I don't see what mistakes we did since 10 years" and "You know Virginie, online marketing is useless to promote music" (those two quotes are true and were said by the CEO of a record company in 2009). We are not yet in the post-Napster era...

I don't want to sound like an industry veteran, but it's been a while that I'm hanging around in the music business. In 1997, I was finishing my business studies in the US and

was discovering MP3.com. I was on Napster in 2000. Then I worked for television channels in the radio broadcast industry and online, always with a position that has to do with music. I was always in touch with the record industry.

For ten years I've been observing (and participating to) all the attempts to save music : the Napster to Go, online media players launched by major labels (highly secured, with no common catalogues and no interoperability), 360 deals, Comes with Music, Starbucks Music, MySpace, Spotify...

None of these attempts appeared to be the future of music. And Spotify won't be. I remember talking about it with the head of strategy of a record company. He told me that he wanted to work exclusively with Spotify because that was, according to him "the future of music". I answered *"for you, the future is free listening based on advertisement revenue?"*

We can only be sure of one thing: that Spotify isn't alone the future of music. Maybe because there is no future of music. And how can we even think that a single private company can save a whole industry... Anyway, there is not future for the current music industry. Not in the way it is currently evolving. And by the way, what is the music industry ? Hundreds of doers divided in different sectors, functions, styles...



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You spent millions of euros in inadequate strategies or lobbying and your practices are now outdated. Not to mention the waste of time. It is now time for you to care about what is happening. And to fit in. It's not how it should have been, or how you want it to be or even how it should be... It's just this : to adapt or to die.

Allow me to share some thoughts that are going through my head for a long time now. I'm not aiming at teaching you lessons. It's neither my role, nor my job. It is only reflections, carefully thought through by somebody who is absolutely piqued at the way things are evolving.

Know your environment

I'm extremely surprised by the space given to digital in record companies in France. We have project managers and digital project managers. Promotion and online promotions. Sales and digital sales. It is as if digital was a minor media which has to be treated differently and most of all kept away from the teams... It is surprising. Digital is a component of mix marketing, and a way to distribute. It has to be integrated, from strategic reflection to operational. There is no such thing as TV project managers or radio project managers, so why digital project managers ? Digit is transverse by nature and serve as a support for creating sales. It stars a promotion and support sales. So integrate it, for real...

Get your teams ready

The NY Times recently asked its teams to seriously embrace digital or to leave... Do the same. How can you really comprehend and assimilate the market if you don't understand, if you don't try to anticipate its evolutions, if you don't integrate theories and case studies. When I speak about Connect with Fans and Reason to Buy, fans segmentation, freemium, access to music, datamining, Bandcamp or TopSpin, people look at me in a weird way. That is to say that these different well known, recognized and tested concepts, on which modern music marketing is based, are unexplored by the very people who have to implement them. Most of the time, I'm told about NRJ playlist (first french music radio) and ways to get your artist broadcasted in Le Grand Journal (a french tv show). That is the marketing strategy of record companies in France. Without any prior strategic reflection.

It is true that the example has to be set at the top. And when people at the top are proud of understanding nothing to digital, of not using it, of spitting on Facebook and Twitter (this is a metaphore), of saying that "anyway, we don't need it, it's useless", the situation is very problematic.

Assume what you are : mongers

You sell music, you earn money with music, you then are mongers. It's not pejorative, it's just reality. It is sales and marketing. We set up a value to a product and we sell it. I will not enter in the artistic sphere : it has a magical and handcrafted aspect. But then, when you decide to sell an artist, sell him truly and take no chances. It's not because we work in the music business, because we're cool and wear sneakers and are familiar with cheek-kiss that this business is not serious.

For example, work on your marketing like it is marketing, and not only promotion. Work on your marketing like Microsoft, Apple or Unilever.

Marketing is not evil, it is not dirty, it doesn't mingle with the artistic side but it helps you to sell it. Isn't it the goal of it all ?

To sum up : define and know your consumers, set up some objectives, plan out your offer to fulfil those objectives, integrate the fans in the sales cycle, collect and monitor data and results and then improve. Marketing, I told you !

Invest in R&D : focus on technology

Understand that mobility and data are the future. Think about new advertising patterns. Develop applications, don't be afraid of embedding Facebook connect everywhere or even Google connect. Don't follow EMI, use the embed players (60% of Youtube traffic). Use the SoundCloud player: it grants you access to top quality analytics. Let your consumers do some of your marketing.



Data is the new gold

You have to understand that you can make money around musical content, not necessarily just on music. Set up innovative business models based on monitoring behavioral data and personalised brand content. Check what TopSpin is doing. Their use and monitoring of data is really impressive but especially concrete. And sales follow !

Understand that the future of music is mobility, discovery and social

That's it : share the music licence fees instead of simply selling copies. Invent new revenue streams and systems that involve all the network : from operators to online distributors.

Again, think about access to music and freemium

You want to do free streaming? Then think about a way to convince users to pay. You have to give them a reason to buy.

How? By putting back the artist at the center of it all. Offer high def versions, merchandising, specific premiums, gigs, digital compilations, specific playlists.

There is a huge opportunity in discovering new talents : seize it ! Look at what Bandcamp do, they start to take the lead in this field. Integrate bloggers.

For most of people, record companies are evil

They can take the shape of Pascal Nègre (CEO Universal Music France), Pascal Obispo, Popstars or Zazie. Pirates believe that what they are doing is for the common good. They pirate an industry that don't hesitate to display big salaries, to throw disposable music to our faces or to compare pirates with nazis. Artistic considerations are not taken into account. For most of them, the industry they are pirating an industry that made the most of it for a long time by making money exploiting the consumers. For the general public, you are responsible for everything.

So stop making your consumers angry and engage with them. Now ! Engage the conversation, create a blog, be transparent. Transparency = confidence. For users and for artists. Your biggest problem is not piracy but darkness. Engagement creates attention which creates monetization.

Aside from engagement, the key to success is differentiation. We now have the tools that allow us to create customized business models for each artist, label, audience, service. The unique business model is gone. So why don't you do it ?

Technology isn't magic, it won't solve a business problem. Think about the digital environment as a lego.

Compete against free, precisely because what you offer isn't free. For most people, it is free to copy a CD, to upload music to a USB key. But the connection with the artist, the experience around music and value-added formats like videos, unplugged recordings, merchandising, unreleased tracks, lyrics, pictures, concerts -context, to say it briefly- isn't free.

We have to stop being obsessed with making money out of every copy, instead of providing global access to music with a context that will give reasons to buy.

Adapt yourself : avoid asking huge and unadapted guaranteed minimums, stop refusing to grant access to catalogues with no particular reason (without the absolute control of the market), stop tracking down your consumers, being tough-minded on prices, refusing all technological standards, setting up copyright policies beyond understanding, destroying private life protection... Nobody will follow you. Unless it is your strategy.

Don't be tempted by secured format. If few years ago you didn't try to impose DRM, you wouldn't have created the iTunes monster.

And give some space to other talents : innovation often comes from outside.

To sum up, don't wait to be saved, save yourself !

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