

Mike Curb, founder of Curb Records (www.curb.com) and legacy sponsor of the Curb Center for Art, Enterprise, and Public Policy at Vanderbilt, met recently with Vanderbilt students, staff, and faculty at the Owen Graduate School of Management to talk about how a record company can continue to thrive in the era of Internet downloading and mass merchandisers. Curb Records, the only Tennessee-owned record company, has had more than 150 #1 records on the Billboard magazine charts.

*Participants in the roundtable included **David Owens**, professor of management and innovation; **Steven Tepper**, assistant professor of sociology and associate director of the Curb Center; **Timothy Vogus**, Owen research associate; **Buddy Kalb**, songwriter; **Jake Miller** and **Jason Reusch**, second-year Owen students; and **Sonya Waitman**, first-year Owen student.*

Curb: If you get the right song, the right record, the other parts of the record industry become easier. There aren't many Patsy Clines or Eminems out there, but once in a while, there is an artist who is really special. But what we are running into in the industry now is stagnation. There is the whole new Internet world, but people are still trying to market records the old way: get a hit record, get it on the radio, create a demand, and get it displayed in a store, although there aren't as many stores today. People who can think outside the box—that is what the industry needs.

If Wal-Mart and other mass merchandisers do not stock your record, you will lose two-thirds of your sales. There are still lots of mom and pop rap stores in urban areas, but even most of them are strapped. The Christian businesses, particularly the independent record stores, are feeling pressured.

Curb Records is the only record company that has lasted 40 years without changing ownership. If we don't solve the problem of free file-sharing, there won't be a record industry as we know it today. I am thankful that Vanderbilt is utilizing a subscription service through Napster. I know the RIAA would prefer not to sue people and would prefer to have a compromise. I'm very supportive of the actions that the RIAA is taking to protect the industry, particularly here in Nashville, where so many jobs rely on the music industry.

Kalb: Now, if Wal-Mart doesn't want you, where do you go with your product?

Curb: Looking at the bottled water on this table, I realize we are sort of in the same business. The people who market and design bottled water had to figure out how to get people to buy something that they could get for free. We are in the same position—how to get people to buy a box set of Ray Stevens at Wal-Mart, when they could get the songs free on the Internet.

Also, I think that if you don't know where music comes from, how are you going to know where to take it in the future? People debate whether or not an artist is country, whether or not an artist is pop? Nevertheless, in my mind, if country radio plays it, then as far as I am concerned it qualifies as country music. And these questions can affect marketing.

Tepper: How does the music industry think about innovation in relation to formats? It is good for business for formats to collide.

Owens: Part of that could be copying—like a secret sauce, let's copy it and overproduce it.

Curb: Anytime formats collide, you have an explosive hit and an artist who can be played in multiple formats. It is amazing how genres have evolved. There used to be one R&B chart, but when you say R&B now, most people consider that covers hip hop, soul, and some jazz. If there are multiple genres, there are more opportunities for new artists to expose their music.

Miller: I turn on Satellite radio and click on the country tab, and there are 20 versions of country, divided by decade with no commercials. I get my music exactly the way I want it. How do you know what people are listening to if they are going through these other channels?

Curb: Billboard and other charts have clear criteria for what makes up a rap station, an R&B station, or an urban station, for example. They track stations with the Broadcast Data Systems. Streaming radio is definitely not on the chart. There is a digital chart, which is based on reports from 10 companies, such as itunes, musicmatch, yahoo, etc.

Miller: From a consumer's perspective, once you have gone through the download phase, you feel like, 'why can't I just download this? Why can't it be like bottled water?'

Curb: You can't get bottled water for free, but you can get tap water free. If the consumer can get records for free, there will not be a way to pay artists, songwriters, publishers, record companies, recording studios, and all of the other people involved in record industry positions.

Reusch: From a consumer's standpoint, we look at it like why can't they sell the songs for a quarter? It costs them almost nothing to do it. Is that model from your perspective viable?

Curb: If Apple sells a song for 99 cents, they are buying it from us for about 60+ cents. That means we have 30 cents left to figure out how to market the song. In the past, we had margins of \$3. Obviously, there will be great challenges in the future with regard to marketing music more efficiently.

Kalb: Actually, the record industry started as a singles business. When Bing Crosby recorded *White Christmas*, they put a throwaway song on the back, because you had to have something on the back. The industry became so successful, it turned into an album business. You made people buy that one song they liked, and pick up nine other songs that they might or might not like. We are back around to the singles business; people are downloading just that one song. A problem is that the record business is constructed around contracts based on producing albums.

Tepper: That seems like that could have an effect on innovation in the sense that if you were selling singles, you could have other kinds of music on the back.

Curb: We just had a major record, *Live Like You Are Dying* by Tim McGraw. People bought the album for that song. That made me think of bottled water. The bottled water companies have packaged it with blue labels and bottles, suggesting water, rather than with red labels. Now if you want someone to buy an album, you have to have value added. What does that mean? It means you have to have an exciting album cover, interesting information inside the album, a special box set—something they can't download. You can give them DVDs—those are a lot harder to download. That is why I say we are in the bottled water business now. There are two ways a record company doesn't get hit by the Internet—one is to have a huge album, by a Tim McGraw or an Eminem. The other way is your inexpensive catalog—something that you can sell at Wal-Mart for \$5.99, and that price is so low that people won't bother to download it. So then the question becomes how do you make really cheap catalog?

To give a little context, record companies are often misunderstood. The artists need you at the beginning of their careers badly, because they need a contract and a chance to get started. We are also important when an artist is having a problem or at the end of their careers when they have crashed and burned. When they get to the peak of their careers there are so many people around them—accountants, agents, managers, lawyers—oftentimes they don't think they need their record company like they did at the beginning. Meanwhile if there are profits coming from successful artists, the record company is recycling those profits to develop new artists. If there are no record companies, it will be more difficult for new artists. It will be more difficult for artists to succeed if they don't have record companies to make the initial marketing, promotion, and recording investments.

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Miller: Earlier, I vaguely knew what Curb was, but I didn't really know what you were about. If I go to Wal-Mart to buy music, I may be going there anyway, but if I go to Curb Records, I am going because you are a brand, and that upside is huge.

Waitman: If you download a Tim McGraw song, you could send them a free sample of a new artist: "If you like Tim McGraw, you are probably going to like this artist."

Miller: Or, what if your songs were also packaged with an MP3 player?

Owens: It's not that big of deal to download something now. Maybe the industry could collaborate to create its own kind of Paypal.

Curb: It is difficult to direct people to the Curb site, because not many people know that Tim McGraw album is on Curb Records.

Kalb: Why don't you market it that when anyone puts in "Tim McGraw" it comes up and links to the Curb site?

Curb: I readjusted some of my contracts to allow the artists to set up their own sites, and in exchange for that, if someone wants to buy, it links to Curb Records.

Owens: So why buy music in a store? Maybe to get a picture of Tim McGraw and to get other information about him.

Kalb: With an actual CD, you can give them something they can't get anywhere else. You can give them an idea of how a song is layered.

Waitman: Maybe you can give them funny outtakes of recording the songs.

Curb: Additionally, big companies merge, and they don't want to bother with the Kimberly Lockes. They didn't even want to bother with Amy Grant or Wynonna Judd, and they have been big selling artists for us. If you aren't going to sell millions, they don't want to talk with you. What do you do when the two biggest record companies merge? Bertlesman and Sony just merged. So much so that Warner Bros. sold to a private investor, because they didn't think they could compete with these merged entities. Most of the record companies are deriving most of their business from a handful of artists, and that is not good. When Garth Brooks stopped recording, the Nashville office of Capitol Records had to downsize. It's very important for a record company to have a broader base of recording artists, so they aren't completely dependent on one or two artists.

Owens: That is another parallel to the pharmaceutical industry. If pharmas can't sell 500 million, the drug sits on the shelf.

Kalb: I believe in niche marketing, and trying to create something that sparks passion—so much passion that people get up and go somewhere to buy music, whether it is at a computer or in a store.

Owens: There is something about music that demands authenticity—that it is the real thing. That is what Curb has--the sense that it will never go away. Maybe part of the solution would not be competing at 99 cents for generic offerings, but saying that for a few bucks, you can come to our site, and we have something that is real, not something overpolished, but it will cost you a little more. That might be a way to play both ends. You could also pull back from thinking about Walmart, who has 40 percent of your

business, because they end up with too much power. If you sell to individuals, you keep your transaction costs down.

Waitman: We at Owen are also interested in niche marketing and creating classes that attract the best students. What can we do to bring students here and then move them into the record industry?

Curb: We would be open to trying to work with Owen on this. Maybe there is some way the students could get experience working on marketing plans and other aspects of the music business. Maybe it would incentivize students to learn how to start their own record companies or other businesses. I have lived and breathed the music business for more than 40 years, but now am putting much of our profits back into the Curb Center and the Curb College [The Mike Curb College of Entertainment and Music Business at Belmont University] and other educational initiatives to encourage people to learn about the music business.

Pull out quotes:

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