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EBM Assignment 1: First Four Elements

And

EBM Assignment 3: Last Five Elements of Business Model – Portfolio

Columbia Records

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**Why I chose this company:** I choose this company because some of my favorite artist are signed under Columbia Records. I am a big Disney fan and my favorite artist from Disney Dove Cameron is sign with Columbia Records. I also like rock music and my favorite artist like AC/DC and Blink-182 is signed with Columbia Records. Columbia Records is one of the oldest labels in the recording industry. My dream is to be an A&R representative and Music Executive so learning and researching about Columbia Records would really help.

**Background Information:** Columbia Records got its name from the District of Columbia. Around the year 1894 Columbia Records ended its work with Edison and began selling its own manufactured recordings. Around the year 1901 Columbia began selling its own disc records. Due to financial reason during the Great Depression, Columbia Records nearly became defunct. The signing of a country gospel group The Chuck Wagon Gang helped the label survived in 1936. In 1938 Columbia Records was purchased by Columbia Broadcasting System or CBS. With the popularity of Frank Sinatra, Columbia Records became a leader in pop music in the 1940s. Around the year 1951 Columbia Records began issuing 45 rpm records. It soon became the standard way to issue recording of all the individual hit songs for the coming decades. Singer and composer Mitch Miller became head of Artists and Repertoire and became responsible for signing artists to the label. Well known legends like Tony Bennett, Doris Day, Rosemary Clooney, Johnny Mathis soon became stars of Columbia Records. The label has earned a reputation as the most commercially successful of non-rock labels. Around the year 1960s, Columbia Records made an impact in rock music. Around the year 1962, Bob Dylan was signed to the label and released his first album. After Mitch Miller left Columbia Records became a key part of rock music.

Columbia records became a rock and pop music records under Clive Davis. Billy Joel, Bruce Springsteen, and Pink Floyd are a few artists that became stars under Columbia Records. Walter Yetnikoff led Columbia to the \$1 billion sales mark for the first time. Around 1988 Columbia was purchased by Sony. Around the year 1991 the CBS Records Group was officially renamed Columbia Records. Around this period artist like Mariah Carey, Michael Bolton, and Will Smith were artist that provided hits for the label. Columbia Records sold more than 10 million albums and 33 million songs recorded by the cast of the TV show Glee in recent years. Currently the chairman are Rob Stringer and co-presidents are producer Rick Rubin and Steve Barnett. Its investment in the artist Adele has sold over 6 million copies of her album 21 in its first year of release around 2011-2012. Adele sold more than 3 million copies of her follow up 25 in just one week. (LiveAbout, 2017)

### **Customer Segments:**

- Men and Women Ages 18-34 years old: The main target market customer for Columbia Records are men and women ages 18-34 years old who listen to music every day. Based on the chart found on (Statista, 2019) 68% of men and women ages 18-34 listen to music frequently every day on a daily base. Many of the fans are musician themselves and enjoy listening to music and going to live concert events.
- Ethnicity: Listener comes from different group of ethnicities like Caucasian, Asian, Hispanic, and African American. Countries that listen to music produced by Columbia Records included North America, South America, Mexico, Japan, China, Taiwan, Europe, and France.
- Genres: People who listen to music produced by Columbia Records prefer rock, pop, hip hop, and rap. (Columbia Records, 2020)

### **Value Proposition:**

- Famous Artists: Columbia Records has numerous of famous artist including Dove Cameron, Adele, Beyoncé, Celine Dion, AC/DC, and Blink-182. All of them are top paid artist with Dove Cameron net worth of about \$3 million (Seventeen, 2019), Adele earning around \$80.5 million in the year 2016 (Forbes, 2016), Beyoncé net worth is about \$400 million (BusinessInsider, 2019), Celine Dion net worth is around \$800 million (WealthyGorilla, 2020), AC/DC earned around \$67.5 million (societyoffrock, 2017), and Blink-182 earning \$148 million (collegecandy, 2016).
- CEO: Ron Perry is Chairman and CEO of Columbia Records. (SonyMusic, 2018)
- Parent Company: Sony Music Entertainment is the parent company of Columbia Records.

### **Channels of Distribution:**

- Concerts/Live Event: The Formation World Tour of Beyoncé had 2.24 million people attending and made over \$256 million. (Billboard, 2016) Not to mention advertising of Beyoncé merchandise and selling of Beyoncé merchandise as well. Celine Dion making Over \$681 million in ticket sales. (Billboard, 2019) Artist like Beyoncé and Celine Dion have fans spending money to see them in concert and make big bucks for Columbia Records.
- Music Streaming: Amazon music, Apple Music, Spotify, and many other streamers services play music that belongs to Columbia Records. Beyoncé making over \$3 million a day on iTunes/Amazon music because of her album Lemonade. (musicbusinessworldwide, 2016)

### **Customer Relationships:**

- Social Media/Website: Every artists of Columbia Records have a YouTube, Facebook, Twitter, and Instagram to keep in contact with their fans from around the world.

Dove Cameron even posted her phone number on Instagram and encourages fans to text her. (TeenVogue, 2019)

Columbia Records have around 508,100 followers on Twitter. Columbia artist Dove Cameron have around 1.7 million followers on Twitter. Dove Cameron also have 33.6 million followers on Instagram.

- Community Outreach: Beyoncé contributed to the Survivor Foundation an organization to help victims of Hurricane Katrina. Beyoncé also supports the American Foundation for AIDS Research and Boys and Girls Clubs of America. (looktothestars, 2020)
- Merchandise: The artist sells merchandise online and at the concert. This helps promote the artist.

### **Key Activities:**

- Recording music: The record label signs the artist and then produce music with the artist. The music producer develops and produce recordings of single and album. (aoundcharts, 2019)
- Music Distribution: Music distribution means getting the music from artist to the store, making it available to the public for purchase. It is the same whether that store is a physical store or digital music retailer. The music distribution company would sign deals with record labels or artists which gives them the right to sell that music to the shop. Which means the distributing company acts as a middleman between the artist/record label and the store. Digital music distribution works the same way, instead of transporting albums to a physical store, the distribution company will distribute music in digital format. All of the

music is sent to online music platforms such as iTunes, Spotify, and AmazonMP3. The distributor's job is to ensure that royalties for the use of the music is passed back to the original artists and rights holders. (horusmusic, 2015)

- **Music Promotion:** The music industry uses different types of media platforms to promote and market the media texts it produces. The music industry would use music magazine to promote and market the artist. Music videos is another way to promote and market musical artists. Album and single covers are another important way of marketing music. Official artist sites exist to promote artists, albums, and singles. Social media can let fans share comments on the music they love. (BBC, 2020)
- **Music Publishing:** In the music industry, a music publisher is responsible for making sure that the songwriters and composer receive the payment when their compositions are used commercially. Music publishing is really all about the songwriters and copyrights. When the music is commercially used the songwriter and copyright owner is owed royalties. Copyright owners receive up to 50% of all royalties the music publisher helps generate. (TuneCore, 2020)
- **Merchandising:** Band t-shirts are important because they can represent and define a band's image. T-shirts help connects artist with fans. It helps put musicians in the eyes of people who might otherwise be unaware of them. Band t-shirts can help bring people together. A band t-shirt usually costs around \$15-\$20, that's 0.43 of an average concert ticket. The band t-shirt sends out a message that the act whose name is emblazoned on their chest is definitely worth checking out. (BBC, 2019)
- **Legal:** Lawyers are responsible for reviewing, negotiating, and drafting contracts, and advising clients about the law, entertainment attorneys also perform many of the same

duties as personal managers, business managers, and agents. The legal aspects include copyright, music publishing, record labels and recording agreements, internal band agreements, and trademarks. (lawarts, 2020)

- Producing and Managing Concert Tours: The tour managers confirms reservations. The tour managers do tour finances. They get everyone to where they need to be on time. The tour managers deal with promoters, venue managers, ticket agents and the like. They also confirm show times. Make sure everyone on tour is on tasks. Tour managers also deals with personal issues the others have while on tour. (thebalancecareers, 2019)

### **Key Resources:**

- Artist and Media Management Talent: The manager is the public representative of an artist. The managers reach out to the partners and incoming offers on the artist's behalf. The artist is not aware of the small decisions. Artist also rely on the manager's judgement, so their relationship is built on trust. The manager is the closest person an artist has. The manager builds and coordinate the artist's team. The management has to consider several keys partnerships. These partnerships are necessary to unlock new revenue streams. The manager responsibilities are to defines and coordinates music and video release, tour strategy and live performance production. (soundcharts, 2019)
- Scouts: Columbia Records have scouts' talents like Dove Cameron, Adele, Beyoncé, Celine Dion, AC/DC, and Blink-182. An A&R scout is responsible for finding new musical talent and developing that talent. The A&R scout go to gigs to listen to the artists and listen to endless hours of music trying to find that special artist. (getinmedia, 2020)
- Engineers: An audio engineer jobs are to work with the mechanics of recording, mixing, and reproducing sound. Audio engineer duty is to piece together parts of a song, use auto-

tune on a recording and add synthetic sounds to a track. Audio engineers would assist record producers and musicians to help them get the sound they want. (careerexplorer, 2020)

- **Marketers:** Music marketing plans are designed to increase knowledge and sales of an artist's music. Giving free promotional singles or other paraphernalia will increase sales. Giving audience specific reasons to buy the music product. Putting advertisements out there that link to the musician's online store on social networking sites and setting up sales tables at every gig. A good technique is to send consistent newsletters. The music marketing strategies are limited by the artist's funds. (bizfluent, 2019)
- **Legal Agreements:** Performance Agreements is an agreement that includes when and where the performance will occur, who will provide equipment and security, how long the artist is expected to perform and how the artist will be compensated. Production Contracts outlines the services your company will provide to produce and master a recording for the artist. Contributing Artist Agreements outline what is expected of the contributing artist, how the contributing artist will be compensated and how rights in the underlying work will be divided. Record Contracts cover an extremely broad range of topics, including the contract term, renewal rights, music publishing, copyright assignment, advances, division of royalties, merchandising, promotion, secondary income rights, artist warranties, tour support, accounting, termination, and rerecording restrictions. (chron, 2016)
- **Intellectual Property:** The four types of Intellectual Property includes: Patents, Copyright, Trademarks, and Trade Secrets. Patent is used to protect useful things or designs that people invent. Copyright is used to protect creative works. Trademarks is used to protect the brands. Trade Secrets is used to protect business secrets. Music is usually protected by

the copyright laws. (brandgeek, 2019)

## **Key Partners**

- Advertising and Sponsorship Agreements: The sponsor provided the artist with free goods, product discounts, money, or a combination of these in exchange to promote their products. The written contract may include the number of shows and appearances that the artist must make on behalf of a company during the agreement's term. The artist must also include a brand's logo on the musician websites or on its social media platforms as well as possibly conducting "in-store" events or other personal appearances on behalf of the company. (tunecore, 2018)
- Distributors: The distributors job is to ensure that royalties for the use of the music is passed back to the original artists and rights holders. Pandora, iTunes, and Spotify are distributors. (horusmusic, 2015)
- Event Companies: Live Nation Entertainment, TicketMaster, and Eventbrite. (Google, 2020)
- Merchandising Companies- Promoting artists, distributing music-related products, or creating strategic marketing plans. (BBC, 2019)

## **Cost Structure:**

- Cost of Content Production: It cost a total of \$8,320 to produce 100 CDs, mastering the album, and recording the album in a week. (laweekly, 2013)
- Cost of Content Distribution: With a distribution deal the person can make money on what they sell, and their label is responsible for manufacturing and promotion. If they make a lot of money, they get to keep it all. But if they lose a lot of money on the album, then the losses all come from their pocket. (thebalancecareers, 2019)

- Royalty and copyright expenses: The music royalties are payments that go to the recording artists, songwriters, composers, publishers, and other copyright holders for the rights to use their intellectual property. Overall, these are the U.S. copyright laws that give artists these exclusive rights to their work. The music royalties are generated for various types of licensing and usage. The types of music royalties may include mechanical, public performances, synchronization, and print music. Which means the music industry relies on these royalties as a primary form of payment to musicians. The overall contracts define music royalty agreements between creator and distributor. (iconollective, 2018)
- Artists' Costs: Most visual artists make more than \$90,050 per year. (chron, 2017)
- Legal Issue: The cost of a music attorney is \$144,230 a year. The music attorney work with songwriters, managers, producers, and record labels, drafting, and negotiating distribution, music publishing, music placement, and other contracts in order to protect their clients' interest. The music attorney can file lawsuits when their clients' intellectual property rights or copyrights are infringed. (study, 2019)
- Advertising and Promotion: It cost between \$72,000-\$108,000 a year to hire an advertising and promotion managers. They are usually someone with a background in advertising, marketing, copywriting, social media, design, and sales. (recruiter, 2020)
- Travel and Entertainment Expenses: The travel and entertainment expenses are usually tax-deductible. It is important that the employee keep supporting documentation such as receipts, mileage logs, etc. in order to claim the deduction. Traveling expenses include money spent on lodging, transportation, and meals. The entertainment expenses include taking a client to dinner. (businessdictionary, 2020)

## Revenue Streams

- Retail Sales: Around 2018 retail sales made 7.6 billion U.S. dollars. Best Buy no longer sell CDs but other retail stores such as Target still do. Artist merchandise, CDs, and DVDs are sold at most retail stores. (statista, 2019)
- Digital Revenue from Streaming: Streaming revenue make up 80% of music industry overall revenue. With Spotify having over 100 million subscribers and Apple Music boasts 56 million paid subscribers. The total revenue from streaming is about \$4.3 billion. In the US the recording industry saw an 18% increase in revenue hitting \$5.4 billion in the first 6 months of 2019. (theverge, 2019)
- Royalties: Payments made from music royalties that go to recording artist, songwriters, composers, publishers, and other copyright holders for the right to use their intellectual property. There are four different types of royalties: mechanical, public performances, synchronization, and print music. The people who get royalties are songwriters, publishers, record labels, performance artists, performing right organization, mechanical rights agency, and sync licensing agency. Royalties are split into two equal halves: writer's share 50% and publisher share 50%. (iconollective, 2018)
- Advertising and Sponsorship: Sponsorships and synchs offer artists a way to fund their music. In a TV commercial for Pepsi or 50 cents for Vitamin Water when Beyoncé appears, they are directly affixing their name and reputation to a product. This means the product's direct association provides a benefit to the brand, the perceived value of which results in a payment to the artist. When there is a greater perceived value, there will be a greater fee. (musicindustryinsideout, 2018)
- Merchandising Sales: Music merchandise (T-shirts, posters, etc.) has become a booming business. Around 2016, sales of music merchandise hit \$3.1 billion, a 10 percent increase.

As this new profit has taken off, more artist is getting involve in the day-to-day operations. Beyoncé invested in Sidestep, an app that allows fans to buy concert merch online and pick it up at the venue prior to a show. (rollingstone, 2018)

## Conclusion

Based on research I do believe Columbia Records is a solid business model. Columbia Records artists makes millions of dollars a year through concert, music sales, and merchandise sales. Columbia Records have around 508,100 followers on Twitter. Columbia artist Dove Cameron have around 1.7 million followers on Twitter. Dove Cameron also have 33.6 million followers on Instagram. Columbia Records has numerous of famous artist including Dove Cameron, Adele, Beyoncé, Celine Dion, AC/DC, and Blink-182. All of them are top paid artist with Dove Cameron net worth of about \$3 million (Seventeen, 2019), Adele earning around \$80.5 million in the year 2016 (Forbes, 2016), Beyoncé net worth is about \$400 million (BusinessInsider, 2019), Celine Dion net worth is around \$800 million (WealthyGorilla, 2020), AC/DC earned around \$67.5 million (societyofrock, 2017), and Blink-182 earning \$148 million (collegecandy, 2016). An issue that Columbia Records is facing is music piracy. A lot of people nowadays are downloading music illegally and no one is getting punish for it. Some of the illegal music website have been shut down but there are still many out there.

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