3. RICHARD OSBORNE, ‘“I AM A ONE IN TEN”: SUCCESS RATIOS IN THE RECORDING INDUSTRY’

There is a ratio that record companies repeatedly state: they claim that theirs is a business in which only one in ten succeeds. This figure was cited at least as early as the 1950s and is still in use today. It masks a great deal of human fall-out. Artists’ dreams are shattered and projects come to nought. It could also be considered poor business practice: how have record companies managed to be so profligate for so long? Michael Jones has argued that ‘We do not have to ask why the music industry lives with such a high failure rate; the answer is, simply and quite brutally, because it can afford to’ (Jones 1997: 28). The industry works to a simple formula, calculating that ‘as little as 10% of new material must make a profit large enough to offset losses on the majority of releases’ (Vogel 2011: 261).

Yet this failure rate is worth probing further. What I wish to underline in this chapter is the extent to which record companies can afford failure because of failure itself. They do not verify the one in ten statistic, but instead employ it rhetorically. It is combined with a further trope: the companies claim to be risk-taking investors in new music. In doing so, they cast their one in ten statistic in a benevolent light. Artists are not failing because record companies are bad at their jobs; they are failing because record companies dare to push boundaries. This rationale has been employed for a fundamental cause, defending the economic base upon which the recording industry has been built. It has been used in justification of stringent aspects of recording contracts and it has underpinned the record companies’ claims to ownership of sound recording copyright.

This chapter explores the evolution of this rhetoric. It begins by outlining the origins of the one in ten statistic, before tracing its prevalence within the record industry and its analyses within academia. It next examines the uses of the ratio when coupled with the employment of ‘new’ music. Finally, this chapter looks at the promotional literature of the International Federation of the Phonographic Industry (IFPI), which has recently deployed these tropes for a new cause. They are now defending the purpose of record companies in the digital age.

*The origins of the one in ten statistic*

The success ratio is tied to the risks of novelty. How do you attract consumers to a song they have not heard before? How do you interest them in a nascent performer? In the first half of the twentieth century these tasks were as likely to be undertaken by music publishers as they were by record companies. Giving evidence ahead of the UK’s 1911 Copyright Act, the publishers argued that they bore the chief responsibility for finding and popularising hit songs. As a result, they had ‘all the big percentage of failures, and the small extent of success’ (Gorrell Committee 1910: 70). The record companies, in contrast, would ‘never take a thing unless it is popular already’ (ibid.: 53). John Drummond Robertson, head of the leading British manufacturer, the Gramophone Company, could only cite a single composition that had been ‘specially composed for the gramophone’ and he could not state for certain whether this ‘class of composition’ would grow (ibid.).

The publishers used their low success rate tactically during these debates. A new right was being introduced for the use of compositions in ‘mechanical’ devices, such as phonographs, gramophones, piano players and music boxes. They argued that because of the high risks of their business they should be entitled to set their own royalty rates and choose which manufacturers could feature their compositions. The rhetorical tactic was not successful in this instance. The record companies campaigned successfully for a compulsory licence, resulting in a standard royalty rate and the removal of the publishers’ veto on the recording of their copyrighted compositions.

In 1928, at a subsequent UK inquiry into mechanical licensing, the publishers continued to maintain that they played the most ‘important role in bringing out and popularising a work’ and that, conversely, record companies ‘seldom if ever bring out a new work or procure its initial popularity’ (Report of Committee 1928: 9). William Boosey of Chappell & Co. claimed ‘only one song in forty which his firm published could really be described as a success’ (Peacock and Weir 1975: 43). The record companies admitted that publishers bore the primary ‘expense of making a work popular’, but were now stressing their own slim chances of making ‘more than two or three “hits” in a year’ (Report of Committee 1928: 19). They argued that there were ‘about 5,000 Copyright titles in their catalogues’ and it ‘would be idle to suggest that all these are or have been popular successes’ (ibid.).

In Britain and America it was not until the 1950s that record sales overtook sales of sheet music (Garofalo 2005: 70). Counter-intuitively, it was at this point that it began to be suggested that ‘the real money is in the publishing’ (Stanley 2011). The publishers’ gains from recording royalties compensated their losses from sheet music income. In addition, their marketing costs were considerably reduced, as record companies increasingly took on the major costs of promotion. Correspondingly, while there is less evidence hereafter of publishers talking about success ratios, it was in this period that the recording industry’s one in ten statistic emerged. An early use can be found in *Billboard*,21 July 1958. Bob Rolontz calculated that there were about 100 singles released in the American market each week, a figure he regarded as ‘overproduction’:

Since less than 10 per cent of all records released become hits, and the figure is closer to 5 per cent than 10 per cent, the majority of them hardly sell at all. Possibly 60 per cent of all released sell 2,000 to 3,000. Another 20 per cent sell up to 25,000. And another 10 per cent sell 50,000 or more. The hit 10 per cent sell the 100,000 to 1,000,000 records. In other words 80 per cent of all records released are a loss for all concerned. (Rolontz 1958a: 1-4)

From the outset we can witness two characteristics of the recording industry’s success ratio. First, it can be measured in different ways. Rolontz begins by examining the ratio of hits to releases but then addresses the profitability of records. The second is that it can vary. His article alternates between five per cent, ten per cent and twenty per cent. It is nevertheless the one in ten statistic that the business has most commonly employed. Rolontzused it in relation to albums in the following week’s *Billboard*, arguing that ‘true money making LP’s are certainly no more than 10 per cent of all released’ (1958b: 10). These early instances of the statistic are restricted to journalistic investigations and here it is used somewhat disparagingly. However, just as the publishers had done before them, the record companies would utilize failure for their own ends.

*The prevalence of the one in ten statistic*

The one in ten statistic has been employed in different territories and across different time periods. By the 1960s, it was being used in Britain; the *Melody Maker* asked, ‘If, as the record companies now admit, nine out of ten singles fail to make the Pop Fifty, what can the aspiring popper do to shorten the odds against his getting that elusive hit record’? (Anon.1966: 8). It was still being employed in the UK thirty years later. In 1994, the government’s Monopolies and Mergers Commission (MMC) was informed by major record labels that ‘only one in ten of the pop artists with whom they sign contracts turns out to be successful’ (MMC 1994: s. 2.102). As we shall see, a great deal rested upon this statement, but it remained unchallenged and unverified by the MMC. British politicians were similarly biddable. In 1997, Chris Smith, who was then the Labour Party’s Culture Secretary, echoed industry claims that ‘On average, 80-90 per cent of artists signed to record companies will not succeed’ (1997: 81).

Meanwhile, the ratio maintained its presence in the US. Its usage can be traced into the 1970s, when it was argued that ‘only 10 percent [of records] smelled “break even”’ (Denisoff 1975: 5). It was still being employed in the 1990s, when it was suggested that ‘Nine out of ten acts signed to record contracts are losers’ (Goodman 1997: 232). Writing in 2014, Simon Napier-Bell summed up the statistic’s persistence: ‘the ratio of success is what it always was – for every ten artists signed, nine will get nowhere. A contract with a major record company was always a 90 per cent guarantee of failure and it still is today’ (2014: 285).

The endurance of the statistic could be considered remarkable. It has survived despite significant changes in record industry practice. Three factors in particular should have affected its consistency. The first is that the industry has gone through peaks and troughs. The common reaction of record companies during leaner times is to cut the size of their artist rosters and introduce more cautious signing policies. As a result there should be a higher ratio of hits to releases during hard times, at least if measured in relation to chart entries. The second is that the industry has moved from a model in which a major label was defined as an organization that had its own pressing plants and distribution networks, to one where there is there is less physical manufacture, most of which is undertaken by outside companies (Laing 2003: 621). In the 1970s, the majors’ manufacturing interests were viewed as a cause of overproduction, as these companies needed to generate sufficient product to keep their pressing plants busy (Denisoff 1975: 97-8). Manufacture also provided a platform from which to experiment. The majors pressed and distributed records for smaller companies, thus gaining a steady stream of income that safeguarded them against the ‘adverse financial impact resulting from the considerable risk involved in speculative investment in new recording artists’ (Hill 1978: 32). Following on from this, some commentators have maintained that the majors took greater artistic chances when they were in the manufacturing business (Harrison 2017: 178). The third factor is that record companies have become increasingly sophisticated when it comes to consumer data. From an industry which did little audience analysis, we now have one that conducts detailed market research, taking full advantage of the digitization of consumer activity (Frith 2001: 34). Despite this wealth of data, the one in ten statistic has endured.

The ratio is variable nonetheless. As we have moved through this time period it has less regularly been employed in relation to the ratio of hits to releases, which is just about quantifiable. Instead, it has been more commonly applied to the proportion of records that are profitable, or the number of artists whose contracts are renewed because they are providing sufficient returns. When it comes to profitability, we have to trust the record companies’ own calculations. They do not publicize precise sales figures for individual titles, nor do they detail the breakeven points of releases, which can vary widely. There has also been variation regarding which breakeven point they use. Sometimes they employ the statistic in relation to the recoupment of an artist’s personal, recording and video advances. At others they apply it to the overall expenditure on a release, adding in the costs of manufacture, distribution, marketing and promotion. What also gets obscured is the fact that artists and record companies have different breakeven points. A ‘failed’ record for an artist may be profitable for their record company. Interviewed in 1971, Warner Bros. executive Joe Smith admitted that his artists received a lower share of profits than his company did; therefore their debts took longer to pay off. He calculated that it would take sales of 100,000 albums for an artist to recoup ‘their advance and recording costs, and from then on they’re making money. But only 10 to 15 percent of the albums sell that well’ (Sanjek and Sanjek 1991: 212).

Some academics have questioned the veracity of success ratios. Writing in the 1990s, Keith Negus reported an industry belief that only ‘one in eight’ artists recoup their advances. While arguing that this is ‘an elusive figure, hard to verify and as mythical as it is statistical’, he noted that some genres have a higher hit rate than others (1999: 47-50). In 2013, Lee Marshall listed a number of one in ten citations. He questioned their ‘seeming truism’ and suggested ‘the failure rate may not be as high as conventionally perceived’ (2013: 583, 584). Other academics have tested the ratios out. In the early 1970s, Simon Frith quantified ‘A Year of Singles in Britain’, finding a success rate of ‘about one in eleven’ (1974: 40). Jones undertook a similar exercise in 1995, tracking a week’s worth of single releases to monitor how many made the charts (1997: 38-48). His main concern, however, was with the overall profitability of acts. Although he discovered a high rate of failure, he noted:

Without knowing the extent of the recording and the promotional budgets for a new act; or the extent of recoupable debt for an ‘established’ act, we cannot know the sales target figure for a release by that act. Without knowing the sales target figure, and with no access to actual numbers of records sold, we can’t judge whether the act in question is regarded by their label as either succeeding or failing. (1997: 47)

Although the statistic has remained much the same, the academic accounts of it have changed. In the 1970s and 1980s it was used as evidence of the ‘mud against the wall’ approach to releasing music, whereby labels issued a large array of titles hoping some would stick as hits (Chapple and Garofalo 1977: 14). Bernard Miège drew pessimistic conclusions from this scenario, claiming that it resulted in job insecurity and impecuniosity for artists (1989: 89-90). In contrast, Frith saw it as evidence of consumer sovereignty (1978: 97). David Hesmondhalgh added a further view, arguing that the signing policies of these decades resulted in ‘a substantial degree of artistic innovation and experimentation’ (2013: 249).

By the 1990s the costs of recording, promoting and marketing records had increased considerably (Negus 1992: 40). This was also the era in which more sophisticated methods of audience and sales analysis took hold. Negus detailed how this resulted in ‘a straightforward reluctance to experiment, a reduction in risk-taking and a propensity towards a partial view of the world’ (1999: 52), while Jones suggested that record companies were no longer involved in ‘overproduction’; they were instead ‘over-signing’ new acts (1997: 313). This policy was considered to be more cost-effective. Although record companies would ‘initiate the commodification of a number of commodities’ they would ‘choose to concentrate marketing and promotional resources on only a proportion of these on the basis of “intelligence” garnered from the market place’ (ibid.: 149). The essential point of analysis was no longer what happened once a record was in the market, but the system of prioritization that had taken place before it was released.

Building on these studies, some writers have suggested that record companies have a systematic approach to failure. By 2001, Frith was viewing success ratios in a new light. He asked, ‘What if a record’s failure reflects not the irrational activities of musicians and consumers but the perfectly rational activities of record companies themselves?’ (2001: 47). In contemplating why a record company would choose notto promote some of its artists, he outlined the following areas of policy: ‘the development of the portfolio management structure; the carefully orchestrated programme of global release and promotion; the calculation of what budgets are available for what products when; a sense at any one moment of to which project is makes most sense to devote energy’ (ibid.: 48). Marshall has gone further, stating that ‘the high failure rate associated with the record labels can [...] have some beneficial aspects for labels’ (2013: 584). He points out that it ‘serves important rhetorical purposes in relation to governments, policy makers, and consumers, and [...] in contractual negotiations with its artists’ (ibid.).

*Uses and abuses of the one in ten statistic*

Marshall is correct; the one in ten statistic has been tactically employed. In Britain, the MMC’s 1994 report *The Supply of Recorded Music* provides a rare insight into industry policy. Here the statistic is used in defence of the record companies’ ownership of sound recording copyright and their restrictive contractual clauses. The report states at its outset that ‘Copyright is central to the operations of the record industry’ (MMC 1994: s. 1.4). The International Managers Forum (IMF) pointed out to the MMC that ‘the copyright catalogues of the record companies are their most valuable asset’ (ibid.: s. 8.35).

The companies’ claims upon sound recording copyright were contestable, however. In British law, ownership is awarded to the ‘producer’, defined as ‘the person by whom the arrangements necessary for the making of the sound recording are undertaken’ (Copyright, Designs and Patents Act 1988: s. 9.2aa). The record companies argued that

The courts had held that the word ‘undertake’ meant ‘be responsible for’, especially in the financial sense but also generally. It could therefore be assumed that [...] Parliament had intended that copyright should vest in the person who had undertaken the financial responsibility for making the recording. The ownership of that copyright was the reward for the risk they had undertaken. (MMC 1994: s. 12.108)

It is nevertheless rare for record companies to undertake the financial risk or organizational responsibilities on their own. Artists’ recording budgets are usually issued in the form of advances. The record companies claw these advances back from the artists’ royalties: they are ‘recoupable’. In addition, artists will regularly make their own arrangements for recording projects. They will source independent studios and independent record producers. They will also select session musicians themselves. If the companies’ own interpretation of the law is correct, then it is possible to interpret it as positing recouped recording artists as at least the co-owners of copyright in sound recordings. They have contributed to the general and financial arrangements.

The record companies provided one further rationale for their ownership of sound recording copyright, however. They argued to the MMC that only one in ten of their artists would achieve profitability, while the remaining 90 per cent would have their losses written off (ibid.: s. 2.102). Highlighting this statistic, the companies suggested that they bore the responsibility for financing the *totality* of sound recordings. As such, they deserved the copyrights of the few successes to compensate for the losses of the many failures.

The companies’ claims did not end there. They maintained that, in compensation for the low success rate, their artists should be tied for long contractual periods and should not be entitled to record for rival record companies (ibid.: s. 2.41). After hearing evidence from each of the major record companies, the MMC decided:

It was only by concluding contracts which embodied such terms as retention of copyright, exclusivity and a reasonable length of contract term that the companies could reap the necessary long-term benefits for those few artists who succeeded and that the artists who succeeded could reap the long-term benefits in their development and career. (ibid.: s. 12.99)

Yet record companies’ bear much of the responsibility for this rate of failure. One reason why the majority of signings have failed to recoup is because advances have been high. The labels have escalated these payments as a means of outpacing their competitors. Jeff Ayeroff of Warner Bros. has stated ‘If there’s a band that we want, that Interscope want or that DreamWorks wants, we want it really badly [...] and we will pay the money to get it, making the risk higher’ (Stahl 2013: 164). Speaking to the MMC, one of the labels spoke of setting advances at a level ‘necessary to persuade the artist to accept the offer in preference to a rival record company’ (1994: s.11.5). The companies suggested that, for artists, high advances and copyright ownership should be considered mutually exclusive. This argument was nevertheless reliant on the failure of the majority of artists to recoup.

Another reason why so many recordings have failed to achieve profitability is because of the high costs of marketing and promotion. Yet these costs are high because there are so many records. Broadcasters, journalists and other intermediaries are faced with a plethora of releases. One way to filter them is to assess marketing expenditure. Marshall notes that ‘failing to spend substantial amounts on independent promoters makes it look like the label is not serious about a record, thus dooming it to failure’ (2013: 583). This expenditure has enabled major record companies to exercise their power. In America, for example, there have been times when promotion has become so expensive that only the largest labels can afford it, thus providing ‘a means to keep small companies off the charts’ (Dannen 2003: 264).

It is the major record companies, ultimately, who have set the bar for the success ratio so high, but they have argued that they deserve compensation for its effects. In doing so, they have received ample rewards. In Britain, their contractual policies garnered official approval from the MMC, while their ownership of copyright has received scant investigation. To achieve this, however, they have had to make their failure rate appear noble. This is where the rhetoric of new music has come in.

*New music*

New music and success ratios have long been considered in tandem. As an example, they are brought together in the 21 July 1958 *Billboard* article cited above. Rolontz believed that overproduction had a negative effect on new acts, arguing that record companies provided them with little ‘staying power’ as they were constantly looking for acts that were newer still (1958a: 4).

Overproduction came to be viewed more positively. *The Supply of Recorded Music* includes a benevolent self-portrayal of the record companies’ contracts and copyrights. The labels defended their economic system on the grounds that it would facilitate the sponsorship of new British performers:

If material modifications were made to the key provisions in recording contracts, dealing in particular with the extent of copyright acquired by the record company, the length of the contract and the exclusivity provisions imposed on the artist, then the companies would be forced to take a much more short-term view of their relationship with artists, which would not only be detrimental to the long-term development of those artists, but which would inevitably mean that the companies would not be able to invest as widely in new UK artists as they did at present. (MMC 1994: s. 12.103)

This line of reasoning was promoted further in the 1990s, as dialogue between British record companies and governments increased. Writing about this period, Martin Cloonan notes that ‘key people in the popular music industries came to realize that politicians needed to be lobbied’ (2007: 21). In part this was because their industries were being addressed (*The Supply of Recorded Music* was one of a number of official investigations). It was also because governments were keen to open discussions. Their interest was reflective of an era in which the profits of heavy industry had declined while those of the cultural industries had grown (ibid.: 39).

Cloonan argues that the record companies were in need of ‘an image-building exercise’, adding that ‘Clearly at a time when cultural policy was increasingly becoming part of economic policy and when the music industries seemingly felt some unease about stressing pop’s cultural value, the pragmatic response was to make the economic case’ (ibid.: 75). The argument they made was nevertheless balanced between the two. While the record companies promoted their economic worth, they also sought protection. In doing so, their talk of new music leant more towards its artistic qualities than to financial policy. There was no mention of portfolio management or budget calculations; instead there was an emphasis on the risk-taking nature of supporting the new. There was less talk about the search for the next blockbuster acts than there was about promoting the marginal, the challenging and the forward-looking. The companies stressed they were signing ‘creative’ artists, issuing ‘innovative music’ and sponsoring acts with ‘minority appeal’ (MMC 1994: s. 11.29, 12.79, 12.105).

As Cloonan states, the ‘music industries’ commonsense view of the world’ began to permeate British governments (2007: 41). Research undertaken by Negus and Jones in the late 1990s documented a system of tight financial control and restricted musical innovation. It was in this same period, however, that the record companies stressed they were risk taking. This tactic was employed in one of the first investigations into the record business in this era, the National Heritage Committee’s 1993 inquiry into CD prices. The major companies suggested they were involved in ‘a high risk business’. The Committee only noted that they ‘can be’, however (ibid., p. 70).  *The Supply of Recorded Music*,published the following year, evidences a new level of accord with the recording industry. There was now agreement that it was a ‘high-risk business’, driven by the search for new artists (1994: s. 1.13).

The record companies had much to gain by highlighting their audacious deeds. Risk-taking was used in defence of their ownership of sound recording copyright: the MMC conceded that ‘since the record companies take the risk of investing in artists when they are unknown, they should not have the rewards taken away on those occasions when their investment turns out to be successful’ (ibid.: s. 2.140). It also supported their system of exclusive, long-term contracts: the companies argued that they provided the platform from which ‘to take the very significant risks in investing in new artists’ (ibid.: s. 12.99).

Although the MMC endorsed these claims, the record companies’ suggestions did not go uncontested. Giving evidence to the Commission, the IMF questioned the record labels’ quantification of success. They argued that the one in ten success ratio was based on a short-term analysis of an artist’s profitability, pointing to the fact that a record company would retain copyright in a sound recording for 50 years, regardless of whether an artist remained signed to them throughout the whole of that period.[[1]](#footnote-1) Therefore, it could accrue income long after an artist had been dropped on account of non-profitability. They noted that, whereas the losses from ‘unsuccessful’ artists would be detailed in company balance sheets, the value of their copyright catalogues would not appear there (ibid.: s. 8.35). The IMF proposed a shorter duration for the record companies’ control of sound recording copyright, suggesting a period of ten years, after which the rights would revert to the artist. This, they believed, would give artists greater bargaining power in their negotiations with the industry, as the value of these copyrights would reduce the need to ‘obtain capital [...] on disadvantageous terms’ (ibid.: s. 10.50).

The record companies’ benevolent self-portrayal has been questioned elsewhere. Miles Copeland, who has had a successful career as a manager and as a head of independent record labels, suggests that ‘If you’re trying to build a record company, and you’re trying to build an asset, what you really try to do is you try to find a young artist that you can sign and develop’ (Stahl 2013: 155). For Copeland, these are ‘the riskiest ones’, but they are also ‘where you’re going to get the most return. When I go to the marketplace to try to borrow additional money, or get investment in my company, they’re going to look at what are the potential returns of [my] company’ (ibid.: 155).

New artists have offered good returns because they have been contractually weak. In a competitive business, in which only a small proportion of artists are successful and an even smaller proportion is signed, prospective artists have had little bargaining power. Until recently, those who managed to secure record company interest would generally be on lower royalty rates than established artists and their contracts would contain a greater number of restrictive clauses (Dannen 2003: 79; Negus 1992: 149-50). Leslie F. Hill, while a director at EMI, conceded that new artists had ‘the greatest profit potential for the company’ (1978: 35).

In their dialogue with governments, record companies have claimed that their ownership of copyright and restrictive contractual system support the creation of new music. The reverse is also true. The rhetoric of new music supports the record companies’ system of ownership and control. A measure of the companies’ faith in this rhetoric is that it has been adopted by IFPI, their global trade body. Moreover, investment in new music is now being used for an all-encompassing cause: to explain the continued need for record companies themselves.

*Investing in new music*

In the twenty-first century, the profitability of record companies has fallen. IFPI has charted a decline in global income from US$ 27.3bn in 1999 to US$ 19.1bn in 2018 (IFPI 2012b: 7; IFPI 2019: 13). The organization has nevertheless argued that if an artist wants to achieve success, the best chance of doing so is to sign with a record company. This claim has been made most forcibly in IFPI’s *Investing in Music* reports, issued in 2010, 2012, 2014 and 2016. Ann Harrison believes that the aim of these documents has been to ‘debunk suggestions that an artist can develop careers in the business without needing a label’ (2017: 61). The reports admit as much, maintaining ‘There has been a mistaken belief among some that the role of labels would be diminished in the digital age’ (IFPI 2014: 6).

In making their case, IFPI have stressed that new artists are at the heart of record companies’ concerns; each report stresses they are the ‘lifeblood’ of the industry (2010: 6-7; 2012a: 7, 9; 2014: 6; 2016: 10). They offer daunting figures about the amount of money it costs to break a new act. A spend of ‘between US$200,000 and US$500,000’ in 2012 had risen to ‘between US$0.5 million and US$2 million’ by 2016 (2012Aa: 11; 2016: 6). Marketing is shown as taking the lion’s share of industry expenditure, reaching US$200,000-700,000 per new act in 2016 (2016: 6). What remains unstated is that these high costs can at least be partially attributed to the companies’ promotional wars, which are in turn related to the fact that more artists are signed than will succeed.

There is one concession to previous practice, however. The one in ten ratio has been revised. Left as it was, it could have been taken as evidence that record companies are not viable. Why sign with them if there is only a slim chance you will succeed? Consequently, the 2012 report tells us ‘the most common estimate cited by senior music company management is a success ratio of one in five. This is more than the commonly estimated one in ten ratio of a decade ago, reflecting a generally higher success rate than was previously the norm’ (2012a: 11).[[2]](#footnote-2) However, just as record companies provided little evidence for their earlier statistic, this revision is offered without proof.

The ratio is balanced with the idea that record labels support a ‘wide community of artists, many of whom will not be commercially successful’ (2010: 5). Failure is employed as a means of demonstrating altruistic ways. IFPI claim that, while ‘Continually investing in new talent is a hugely risky business’, it is record companies who ‘shoulder the financial risk inherent in trying to break a new act’ (2010: 6; 2014: 5). According to Nick Raphael, president of Capitol Records UK:

We put just as much effort and money, if not more so, into the acts that don’t succeed as with those that do. There may be any number of reasons why they don’t connect with the audience, but it is not for lack of effort and support from labels that want them to succeed. (2014: 9)

There is no mention of the strategic prioritization of acts. The reports claim instead that ‘longterm’ contractual involvement is of benefit to artists, as it allows them ‘to develop their own brand identity and earn a living from different sources’ (2010: 7).

It is not just prospective artists who are expected to read these reports, but also policy makers. To this end, IFPI claim that investment in new music benefits ‘the economy as a whole’ and record companies have ‘sustained their investment in artists despite the significant fall-off in overall sales revenue’ (2010: 5, 7). The reports boast how record companies invest more money in ‘research and development’ than the pharmaceutical and biotechnology sector (2012a: 9; 2014: 9). In order to continue this practice, the companies’ ownership of copyright must be maintained:

It is copyright that makes investment in music possible. It is copyright that allows the industry that helps artists gain a return on its investment, and therefore plough back new funds and resources into the next generation of talent. And it is copyright which underlies the endeavours, the risks and the successes that fill the pages of this report. (2014: 4)

The 2014 *Investing in Music* reportcomes close to declaring the record companies’ self-interest. Placido Domingo, Chairman of IFPI, states that ‘instead of calling this report *Investing in Music*, it could also be titled *Investing in Copyright*’ (2014: 4). For the most part, however, this investment is not discussed as resulting in something that the record companies will profit from or own. The suggestion, instead, is that any income derived from copyright will be ploughed back into the future. IFPI claim that the majority of record companies’ copyright income is spent on new music, as labels ‘reinvest the proceeds of successful campaigns in the discovery and nurturing of the next generation of talent’ (2012a: 7). In reaching this formulation, they provide a phrase that record companies have grasped for in each of their campaigns and reports. What they are peddling is a ‘virtuous cycle of investment’ (2010: 5). This honourable inflection has been implied whenever they have combined the rhetoric of their success rate with their rhetoric of newness.

*Conclusion*

The economic wellbeing of record companies has been aided by their employment of two rhetorical tropes. The first is that only one in ten artists succeeds; the second is that they are supporters of new music. Both are problematic. The labels’ success ratios require verification and their nurturing abilities can be questioned. Artists who are not prioritized for promotion would hardly recommend their companies’ virtues, while those who do succeed can find themselves paying for the losers. Moreover, record companies might be signing new artists, quantitatively, but this does not mean that their music is new, qualitatively. In the current century, for example, theories of ‘retromania’ have taken hold (Reynolds 2011).

This is not to say that either trope is baseless. The careers of most artists will end in failure and the record companies will write-off these artists’ losses. There is also an element of truth in the companies’ risk-taking propaganda. Until recently it has been hard to test their claims because there have been few alternatives to their policies. This hegemony is finally being challenged. The past decade has witnessed the rise of service companies, such as Kobalt, who perform many of the functions of a traditional record company but do not own their artists’ copyrights. How can they afford this? The charge originally levelled against them is that they could only do so because they were not taking risks; they were forgoing copyrights because their deals were reserved for ‘heritage’ artists with proven track records (Anon.2015: 9). Nevertheless, it is now becoming possible for new performers, on a variety of types of record deal, to own their own copyrights. Some of them are also reversing previous practice by gaining better royalty rates than the artists who have preceded them (Ingham 2019). The reason why they can do this, however, is because they are not exactly new. These artists have established their dedicated coteries of followers (both online and in person) *before* contracting with a record company. It is these levels of experience that provide them with their negotiating power.

These changes do not negate the need to monitor record company practice. The vast majority of artists remain on long-term, exclusive contracts and they do not own their sound recording copyrights. The record companies have upheld this position via arguments about failure and novelty. One reason why they have not received sufficient questioning is because of the high success rate of their rhetoric.

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1. In 2011 the European Union issued a directive that increased the term of sound recording copyright in member countries to 70 years. In their efforts to achieve this result, British record companies made much of their risk-taking investment in new music (Osborne 2017: 404-406). [↑](#footnote-ref-1)
2. The 2010 report states that ‘Estimates of the success ratio vary between one in five and one in ten (2010: 7). Curiously, the 2016 report returns to this state of uncertainty, stating, ‘Some labels estimate the ratio of commercial success to failure as 1 in 4; others consider the chances to be much lower – less than 1 in 10’ (2016: 10). [↑](#footnote-ref-2)