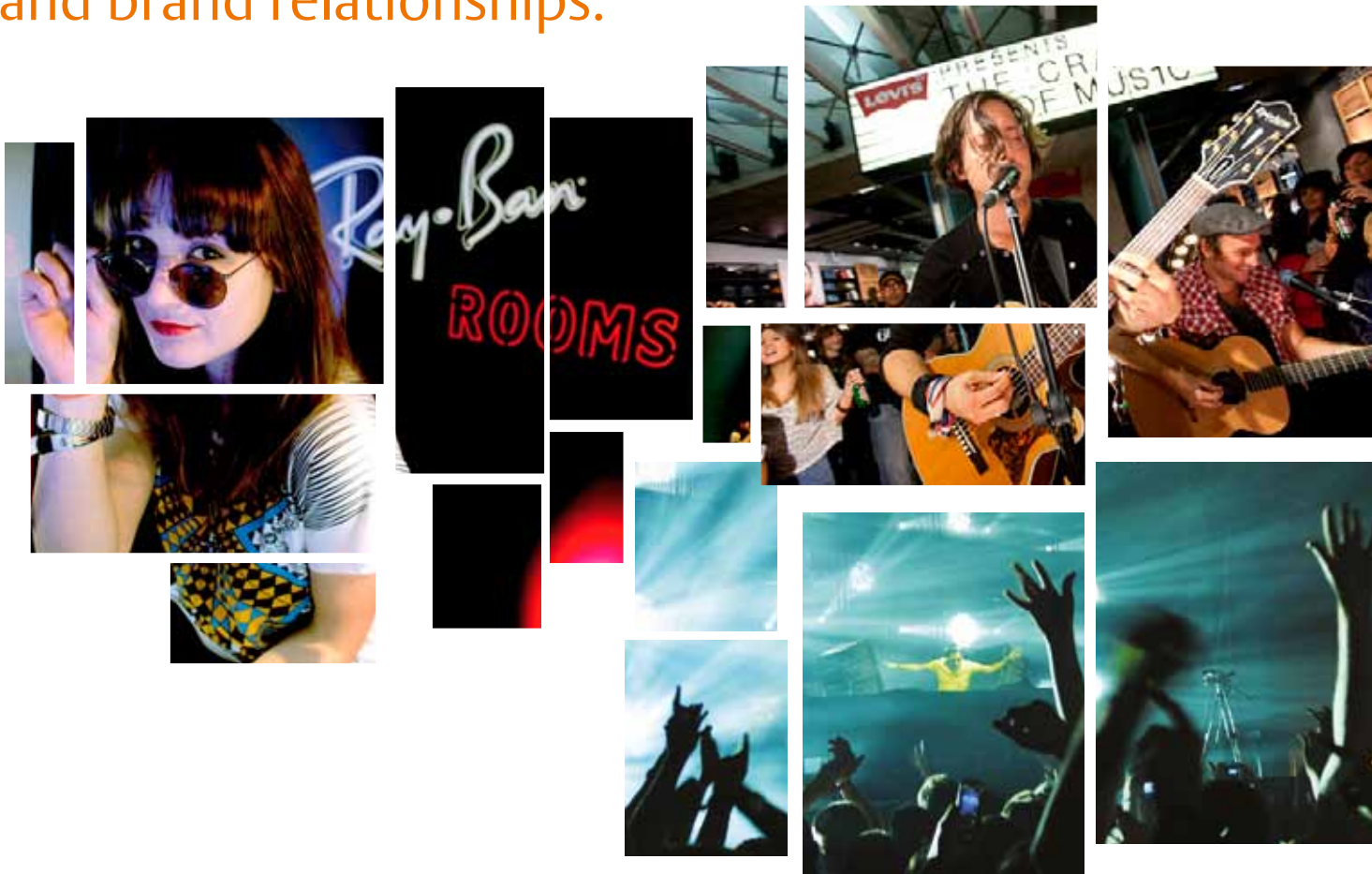


Music and Brand Partnerships

Staying on top – building brand / fan loyalty and increased monetisation requires a fresh perspective on sustainable music and brand relationships.



Report and Summary

Henley Business School invited consumer brand managers and music industry executives to come together to discuss future innovation, pioneering methods and best business practice within the field of music and brand partnerships as one of the launch activities for the MBA programme for the music industry. Building best business practice is something that can only be done under a shared ethos for strategic development and change. Events of this nature provide exactly the right environment and mix for this to happen.

Guest speaker Richard Moore CEO of Capitalize 'The Brand Fan Agency' whose clients include: Puma, Bacardi & Ray Ban, presented a market comparison between sport and music, highlighting several key areas that shone out as being of substantial opportunity. He felt it was time for the industry to really visualise and implement a strategy that should consider how a 'brand partnership' might truly live up to the title. He made the comment that "The glue between the industries is very real. Both industries at their core want and need customer loyalty and long lasting relationships. Music and brand work is not new for the industry, but what is changing is the attitude of both sectors."

It is true that the music business has seen tangible growth. Labels and artists are now more proactive within the area of brand partnerships; this has resulted in dedicated departments and staff handling this key area which is now establishing itself as being of significant importance.

Understanding how brands develop their strategy is a key component to forging a partnership. When industry investigates this element, it provides a fresh perspective as to what is achievable. Brands exist in a world of ROI (return on investment) having an understanding of what quantifies a real return on investment for both sectors is what can really enable the tipping point for a campaign to evolve into a full partnership of mutual benefit. Naturally it is likely that such developments will include new creative ideas around how the 'Rights' holders can leverage artist activity in return.

Case studies of successful partnerships, forged out of this understanding were presented by guest speakers from Vision Artists (Ronnie Traynor and Matt Luxon) whose client list includes: Carl Barat for Phillips, Tribes for Casio, Plan B for Jack Daniels, Mystery Jets for Dominos Pizza, Friendly Fires for Reebok Classic, White Lies for Boxfresh, Ellie Goulding for Sobe and The Enemy for Adidas.

As confidence and understanding grows between two industries who have a diverse approach to planning and a marked difference in culture, communication and work ethics, it is likely to become a revolutionary area delivering a variety of new ideas and income with the extension of commercial marketing partnerships across all artist and brand platforms.

It became evident throughout the seminar that the impetus that brings artists and brands together are often very different and whilst opportunities abound for new business, a word of caution about how to handle and plan this relationship and business opportunity is key. Miscommunication and frustration on both sides often leads to an inability for the bigger commercial benefits of fan and consumer integration to be missed or too short term.

The session examined a review of attitudes and highlighted the required areas of change currently being played out.

Key areas for review included the importance of:

- Clear contractual negotiations
- Ease of business
- Labels and artists to 'value' the relationship and move away from prioritising the capital injection.
- Collaboration
- New business models and revenue streams - potential for shared risk
- Delivering on creative ideas
- Establishing benchmarks and return on investment (ROI) for both brands and label/artist - (all Rights holders).
- Fresh perspectives - identifying market opportunities

Current Attitudes

Snap shot of attitudes

Label perspectives

A short survey of the attendees that day showed that 60% of labels considered money to be the most important contractual aspect.

Brand perspectives

Brands wanted to focus on trust and collaboration and felt a clear set of objectives would help attain a more successful outcome.

Artist Management perspectives

An opportunity exists to consider new business models whereby the artist / industry might benefit from a shared risk but a larger back-end return by receiving a % of any new brand product deployment in the market place. This and other ideas may offer scope for the development of a new business model and provide a 'shared risk' and reward, which in itself offers a more strategic partnership approach. Major labels are experimenting in this area. Clearly this may be a very smart move between the right artist and brand partner, but without a general re-think of the industry's thought process, the definition of success could be severely hampered.

Legal perspectives

Early involvement of legal teams during deal negotiations to ensure a clear control of 'Rights', creating value, financial remuneration and satisfaction between both parties as key. Lawyers representing; Magrath LLP, Pitmans and Sheridans were jointly concerned that the creative discussions should not 'run away' before some contractual involvement, as promises are often made on what artist activity can be provided without the artist or their representatives being fully aware of the implications.

Size of Market Opportunity

Richard Moore also reported on the potential of new business for the Music Industry in comparison to the money flow into sports sponsorship. A number of clear differences were discussed as to why the sporting industry fares so well within the sphere of brand partnerships and the resulting revenue. Primarily it was assumed that a key factor is 'teams' having a longer 'shelf life' than the individual. It seems there is an opportunity for clever labels who have an established brand to look at this blueprint for successful long term partnerships.

Capitalize used figures from 'Price Waterhouse Coopers' sport and entertainment outlook 2013 -2015. It showed total sponsorship revenues @ 43 billion with sport commanding 31 billion of that sum and music reported as being less than 10% of the total revenue (approx 4 billion)

Value benchmarks and ROI measures

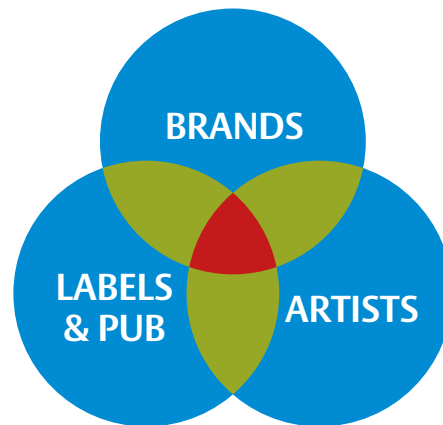
Capitalize felt that 'value benchmarks' don't yet exist within the area of music and brand partnerships, making the field ripe for further research. This may be an area to be considered by key music industry umbrella organisations.

Critical Success Factors

Brands suggested the industry needed to:

- Lose the stigma (that artists have for brand sponsors)
- Identify real revenues - that can be subsequently shared with artists being transparent in operation.
- Use data (value benchmarks) to enhance strategic planning.
- Commercial innovation - could cut across all music assets not just the tour, track or artist. Consider also video, sleeve notes, studio work, product placement and much more. (On the flipside a commercial partnership deal could also be spread across sync, advertising, branded content, on pack promotion, corporate performances & more).
- Stop giving music away for free - this doesn't work for brands and diminishes value as far as they are concerned.
- Consider smaller brands and difficult areas in the market.
- An opportunity to bring a fresh perspective and real creative ingenuity to areas that are usually overlooked.
- Place 'collaboration' as a key component in the relationship.
- Plan ahead and build something sustainable.

Building a brand partnership framework



Red

Represents the core of the relationship, the passion and the heart.

Unless all key aspects are in alignment, it would be hard for the status of 'partnership' to be reached and success would likely be limited or short term.

All participants need to buy into and have a clear vision of objectives, scope, expectations, best fit, share creative ideas, vision and passion. Language between the creative participants and the legal department must be ironed out so that what is planned to be achievable can be carried through. A working formula between creativity and the necessary 'Rights' to be cleared have to be worked out in detail and go hand-in-hand with such creative discussions.

Green

Defining and agreeing the key commercial points and with this the 'value' of these Rights.

Such 'Rights' should not be under-valued and the brand should be encouraged to recognise such 'value' when working towards and achieving a 'brand partnership'. Value benchmarks can only strengthen industry negotiations.

It's essential to iron out such commercial terms during the early stages of scoping the partnership. Clearly artists and managers are not generally in control of such areas and so promising 'Rights' that can't be given only adds to the potential confusion and frustration with the Brand. At this point the relationship starts to misalign. The contract has to be functional and allow the relationship to develop. The obligations by all parties need to be expressed in legal terms and will include undertakings and warranties by both parties.

Blue

These should be points that all parties respect such as recognition & credits, and positioning of brand logos.

Considering future spin-offs and required endorsement for a product from the artists. Artists to consider the requirements, company structure and ethos of the brand they are working with. Understanding the key messages and measureables that a brand requires to deem the partnership a success. Whilst brands should not have unrealistic expectations of what an artist will be willing to do, in recognition that the artists are also a brand in their own right. Kudos and credibility amongst an artist's fanbase, being key elements that underpin their career.

Summary

The key to successful brand partnerships is to understand the ideals of a creative versus those of a corporate. Deals should be brokered via infinite negotiations born of an all round vision of the bigger picture for both parties. Whilst the end goal for an artist is, essentially revenue, if the artist's camp is simply looking to fill a gap in their income, then they are missing some essential added value that a brand can also bring to the table. In addition if a brand enjoys the process of working with the artist and see's a solid return on their investment there are opportunities to develop the relationship for the artist concerned over a longer term, ensuring a consistent income stream and additional marketing platform/ audience reach, via the brands own consumer database.

Opportunities for the industry to develop and partner with new, perhaps unconsidered areas should also be investigated. Smaller brands or unsexy brands that have huge pots of revenue set aside such as the financial and service industry sectors, could be a regular income stream for the industry to tap into if done in clever and insightful ways. For instance sponsoring the recycling opportunities at a music festival is something that all major music events require and a generation of environmentally conscious festival goers would appreciate the foresight and care involved in a partnership of this kind. Ultimately rendering the partnership worthy and credible enough. The financial industry is also an area (especially in the current climate) that would prove to be controversial, but it has been tackled before quite successfully and in both cases requires the industry to stay true to imaginative and creative use of music and delivery of key messages that fit both the brand and artists target audience. Cultural understanding between both parties whilst embracing creativity may be a key component for success. All markets might be penetrable for the industry with careful planning whilst letting the music draw the fan in.

The discussions and networking that ensued at Henley Business School clearly indicated that the industry was left totally energised. The creative minds attending were left with some serious food for thought and both industries have a new ball in play.

The industry has an opportunity to take the lead now and come together with some constructive research, develop and understand what constitutes 'Value benchmarks' within the area of music and brand partnerships.

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