

For Some Music, It Has to Be Wal-Mart and Nowhere Else

Robert Levine

One of the biggest music events of the summer has already taken place in Fayetteville, Ark. From Tuesday through Thursday last week, the Bud Walton Arena at the University of Arkansas presented shows by Journey, the country singer Keith Urban, the "American Idol" personality Carrie Underwood and the alternative rock group All-American Rejects.

The occasion that brought this all-star line-up together? Not a festival or cause but Wal-Mart Stores' annual shareholders meeting. Wal-Mart was the largest music retailer in the country last year, so musicians (and their labels) are eager to maintain good relationships, appearing in the special concerts for the chain, which are also open to the public.

During her performance, Ms. Underwood volunteered that a Wal-Mart had recently opened in her hometown, Checotah, Okla., and Keith Urban changed his lyrics from "Goodbye, city, I'm country-bound" to "I'm Wal-Mart-bound." And the retailer is using its leverage to aggressively pursue new deals.

On Tuesday Wal-Mart started selling on an exclusive basis a three-disc collection by the popular 1980s band Journey called "Revelation." The difference, however, is that there is no middleman: the album was bought directly from the band without the help of a record label. Journey went right to Wal-Mart and kept most of the money a record company would normally take as profit for the group. Last year Wal-Mart made a similar deal with the Eagles, who like Journey are represented by Front Line Management, the nation's largest music management company.

The deals highlight the changing dynamics of the music industry as once-powerful labels decline because of the migration to digital downloads. To fill the gap, musicians are scrambling to connect with fans, and Wal-Mart is using these exclusive deals to assume a new role: hit maker.

The Eagles' double disc, "Long Road Out of Eden," sold 711,000 copies in its first week and three million since its release, according to Nielsen SoundScan, impressive numbers at a time when CD sales are declining. Journey sold 45,000 albums in its first three days on sale, and Irving Azoff, founder and chief executive of Front Line Management and a music industry veteran who ran MCA Records in the '80s, predicted that it would sell more than 80,000 copies in its first week. That is probably enough to debut in the top five, and significantly more than its last album sold in total.

"With the downturn, the labels couldn't match the marketing commitments that Wal-Mart could make," Mr. Azoff said. "It was well in excess of anything a label could do."

Front Line took on some of the traditional work of a record label, producing a video and promoting songs to radio. But most of the marketing was done at Wal-Mart itself. The chain ran print, radio and television advertisements that promoted the exclusive availability of the Eagles album. Stores display the Eagles and Journey albums in several locations, not just the music department, and this week some stores had the Journey DVD playing on their big-screen televisions.

In some ways, the arrangements that Wal-Mart has made with Journey and the Eagles represent the mainstream equivalent of the path that artists like Radiohead and Nine Inch Nails have taken by releasing albums on the Internet without a traditional label.

"It just goes to show you that fewer artists need to be associated with record companies," said Larry Mestel, chief executive of Primary Wave Music Publishing and former chief operating officer of Virgin Records. "They don't need to give up a big chunk of money to the record companies when they're iconic. They can go direct to Wal-Mart and make four to five dollars per CD."

It's hard to tell how much traditional labels are threatened by the prospect of artists' selling directly to retailers. New albums from more established acts can be less profitable if they have negotiated a higher royalty rate. And although the Eagles are reliable sellers, Journey is what industry executives delicately refer to as a "heritage act," a steady summer concert attraction that sells relatively few albums of new material.

One reason the Eagles and Journey albums have sold so many copies is their price: \$11.98. That's an unusually low retail price, especially for "Revelation," which consists of one CD of new songs, one CD of new renditions of Journey classics and one DVD of a recent concert performance. But one of Wal-Mart's goals in promoting such releases is drawing customers into stores with a bargain they can't find anywhere else.

"The goal with almost everything we do is to figure out how to make some kind of a profit," said Gary Severson, Wal-Mart's head of home entertainment. "But this can also give us the opportunity to add to the brand, and I hope we've accomplished that as well."

Exclusive album deals have been happening for some time with that goal in mind. Wal-Mart and Best Buy, the two largest physical retailers of music, often get special editions of albums, with exclusive songs or video footage. In 2005, Wal-Mart made a deal to become the exclusive distributor of Garth Brooks albums, including a new collection of outtakes. But the Eagles and Journey are the first two major acts that have released albums of new material that are available at only one retailer. And although record labels tread carefully around such deals, for fear of upsetting rival stores, bands need not be so sensitive.

This summer Wal-Mart will carry an exclusive release by the young country singer Taylor Swift in a promotion that also calls for Ms. Swift to promote L.E.I. jeans. (In this case, Ms. Swift's label was part of the deal.) And Mr. Azoff said that he was already talking to Wal-Mart about an exclusive deal for Fleetwood Mac's next release. "Classic rock really works there," Mr. Azoff said.

Front Line is only one of the major management companies that are trying to take on roles that have traditionally been filled by labels. The Nettwerk Music Group, which manages Avril Lavigne and Sarah McLachlan, has set up custom labels for some small artists. And Q-Prime, which manages Metallica, recently hired an executive to start an independent label of sorts.

The idea of treating the label as a middleman that can be cut out fits Wal-Mart's approach to cost-cutting. In the past the chain has pushed record labels to lower their wholesale prices, arguing that customers would buy more CDs if they were less expensive.

"I think that with any product, when the price goes up, the demand goes down," said Mr. Severson. "Sometimes it's about the right artist with the right product at the right price."

For Journey, some of the success of "Revelation" is also about the right timing. For a band that hit its commercial peak in the early '80s, Journey has enjoyed an unlikely revival in the last few years. The song "Don't Stop Believin'" has been licensed for "Family Guy," "Scrubs," "Laguna Beach" and, most famously, the last episode of "The Sopranos," and the exposure increased the song's sales on Apple's iTunes store. Journey, which has gone through several vocalists, recently hired a new singer, Arnel Pineda, whom Journey's guitarist, Neal Schon, discovered singing the band's covers on YouTube.

But Journey would almost certainly not be selling as many albums without the support of Wal-Mart.

"Shelf space has shrunk so much over the last five years that for anyone to give you shelf space and exposure is a big deal," said Terry McBride, chief executive of Nettwerk Music Group. "Should the labels be worried? There's been a move away from the labels for a number

of years now. And it's not necessarily their fault. The shelf space to have those records sell just isn't there. That's the market reality."

Disponível em: <<http://www.nytimes.com>>. Acesso em 9/6/2008.

A utilização deste artigo é exclusivo para fins educacionais.