

## **Jambo Records**

The butterflies in the stomach of Laura Martell this Sunday evening seemed to be a different species to the ones that had been fluttering there a week ago. Last Sunday she had been looking forward to starting her new job as marketing manager at Jambo Records, one of the UK's leading independent record labels. After two years working as a marketing assistant with one of the five 'major' record companies, she had finally landed a dream job. After her first full week at Jambo, the job was beginning to look more like a nightmare, and she was feeling increasingly in limbo and uncertain about how things were likely to develop.

During the week, she had learnt more about the background to her appointment, and it helped to explain why she had got off to a difficult start. The creating of a marketing manager's position at Jambo had been at the bank's insistence as part of a recent refinancing deal. The last twelve months had been a difficult time for Jambo's protracted court battle with one of the label's leading acts had been resolved in the company's favour, but had left the label facing an unexpectedly large bill for legal costs. The other difficulties surrounded the purchase of a nightclub aimed at building the Jambo brand, and emulating the likes of the Ministry of Sound, Cream and Knitting Factory. This proved to be a disaster, largely blamed on a poor choice of location, and a failure to invest enough in promotion after the club opened late and considerably over its refurbishment budget. Eight months later the club was sold on at a substantial loss in both financial and public relations terms. Industry analysts forecast that Jambo would be the next in a procession of independent labels to be absorbed within one of the majors. However, Chris Rubold, the founder, CEO and largest shareholder of Jambo had gone to the bank in search of refinancing, armed with the company's first-ever business plan. His proposals had ultimately been accepted, but with certain conditions attached, and Laura's job was one of those conditions.

The first day had started promisingly. Chris Rubold had made her feel very welcome, and had introduced her to the rest of the management team. He also kept stressing how her arrival marked a new era for Jambo, since 'they were now really going to take marketing seriously'. The company seemed to be structured around three areas, each relating to an area of music, and loosely labelled 'hip-hop', 'house/dance' and 'songs/guitars'. Each area had its own product manager responsible for creating the physical product and getting it into the music retailers, and an A&R (artists and recording) manager responsible for finding, signing and generally looking after the recording artists. The finance/purchasing manager and office manager completed the management introductions for the morning. There were two marketing assistants who handled a myriad of logistical tasks, although one seemed largely concerned with artwork and packaging issues, while the other seemed mostly taken up with organizing concerts and personal appearances. Everybody seemed to report directly to Chris.

After a while, Chris had left Laura to her own devices, and to settle into her new office, telling her that he hoped that she would be able to

pick up the marketing ball for Jambo and run with it, because I won't have a lot of time to think about our marketing. I'm going to be much more involved in the technological development of the company. So far we've been slow in picking up the opportunities that the Internet and MP3 provide, but now we're chasing hard to catch up. How we deliver our music to the customer is going to be the key to success in the twenty-first century, and if we can get the technology right, we could be among the winners. But getting it right isn't easy. MP3 has stolen a

lead, and you've got over 25 million consumers already swapping MP3 music files for free through the Napster community. Now there's Windows Media offering the same kind of audio capabilities, and the AB Music Player from AT&T—who knows what the standard will be in five years' time, but we've got to be ready for it. Then we've also got to make decisions about how much product we make available digitally online. Do we try to re-author all our tracks for MP3, Liquid Audio and any other popular format? Or just our current stuff, or just our most popular stuff? It isn't just a question of getting the music to the audience, we've got to work out how we're going to charge for it as well. People have got so used to free MP3 files on the net, that getting them to pay for it could be tricky. So, with all that to worry about, for the next few months I'm going to be up to my eyeballs in the technology, and won't have much time to think about the marketing.

By the second day, things had begun to deteriorate. In a radio interview, Jambo's biggest selling solo artist complained that he had left one of the Big Five to 'escape from the suits and hairdo's—but now they've followed me to Jambo'. Later, he went on to intimate that at the end of his current contract, he would be dispensing with record companies altogether, and would distribute his music direct to fans via the Internet. It also came to light that on the website of one of the label's highest profile guitar bands, the band and their fans had been corresponding on the subject, and postings from members of the band made it clear they were disappointed that Jambo were 'going corporate'.

Most of Tuesday and Wednesday were taken up with more introductions and meetings. Laura met the rest of the staff, a few of the artists, had a tour of the company's recording studio and attended an album launch. Wednesday afternoon was taken up with a sales meeting. The UK market was first on the agenda, and Chris Rubold outlined the situation. 1999 had not been a good year for the UK record industry generally, with album sales down 5.9 per cent from 1998. Overall revenues were only protected by the rise in the trade price of singles of almost 24 per cent. Jambo had under-performed compared to the market with an album decline of almost 7 per cent, and single sales were static compared to 1 per cent overall market growth. More worryingly, none of the new artists broken during the past 12 months had made a significant contribution to overall sales. The major bright spot had been the organization of a new summer festival of Jambo's dance acts in Ayia Napa. This had been a big success, and generated considerable positive media coverage, including some excellent TV coverage. This had fed through into healthy third and fourth quarter sales growth for most of the artists involved.

Next came the USA and Gabriella Roche, product manager for hip-hop, who had recently returned from there, was enthusiastic about Jambo's partnership with US distributor/ promoter Sparkle Distribution. She said:

Sparkle really like our stable of artists, and have made a fantastic effort to push them. They have easily exceeded the targets we set for airplay on the college radio circuit for our guitar bands, and they have really exceeded expectations in terms of getting airplay for some of our hip-hop artists in the big metropolitan areas. I know that might not sound like a big deal, but in the US market, getting radio airplay is a big step towards getting an artist to chart. Of course, if we bring it back to actual sales figures, I have to admit they are disappointing, but it isn't for want of trying. With a music market of over fourteen billion dollars, we only need a tiny slice of it to succeed, and it's growing at over 2 per cent compared to pretty flat

sales in most of Europe. But America is tough for indie labels to crack, particularly because so much of the distribution into independent record stores is dominated by two big players, Valley and Orchid.

Last came Europe. It was confirmed that industry-wide sales for 1999 across Europe had been 'flat', but the first quarter of 2000 had seen promising growth in the Scandinavian trio of Sweden, Norway and Finland. International Federation of Phonographic Industry figures suggested that these had grown by 30 per cent, 11 per cent and 7 per cent respectively (although the Swedish figure reflected a growth in exports as much as domestic consumption). Denmark, by contrast, remained flat, and more worryingly in terms of its size, so did Germany following a drop in sales value during 1999. Peter Allt, product manager for house/dance said that he was looking into an idea to improve Jambo's position on the continent.

A couple of other independent labels have established small regional offices in Germany, and we could look to follow suit. We could put together a little project team, perhaps one Product Manager, one A&R Manager, and they could go out for six months or a year and try to promote our current artists, and maybe find some new ones.

By this stage Laura felt that she had done a lot of listening and learning, but now the time had come to contribute to a meeting. The safest way to do this to begin with, she thought, was to ask a few intelligent questions. 'Why Germany?' she asked. 'Well', said Peter, 'We know their English is pretty good, which will help, and I've got a few useful contacts out there. It's a big market in which dance is strong, and others have done it, which suggests it's a smart thing to do.' Laura sensed that her question hadn't been entirely welcome, and she lapsed back into silence and listened to the others debating the potential costs and benefits of Peter's idea.

On Thursday morning, Laura decided that it was time to get proactive and make progress on one of several ideas she had brought with her into the job, convinced they could make a positive impact at Jambo. She went to see Phil Stone, A&R Manager for songs/guitars to explain her idea. She began:

I really appreciate the importance of the A&R Manager's role; given the pace of change in the industry, the whole business depends on you turning up good new artists. The trouble is, there's a limit to how many bands any one individual can get around to meet up with and check out. I know demo tapes are another way of picking people up, but there's a small mountain of incoming demo tapes in reception that seems to be getting bigger every day. Why don't we follow the lead of websites like Dealwiththepic.com which the Epic label have put together? It allows bands to upload demos through the website, and they are given a guarantee that it will be given a listen by the A&R staff. It's been pretty successful since they had fifty uploads on the first day the system went live.

Laura waited for a reaction, but it wasn't what she had hoped for. Phil said that if she thought she could replace him with a website, she's 'got another think coming' and that he didn't have time for any more of 'this nonsense' because he had to go and meet up with some 'real people' at an artist's store visit. Over lunch she suggested to the product managers that they could insert customer feedback cards into their CDs. This could help gather some useful information about customers, and would only need a bit of merchandise offered as a draw prize to encourage a response. This idea, like the last, went down like the proverbial Led Zeppelin. 'The music business', one of her new

colleagues explained, 'is all about getting the music right. If the music is right, and the radio stations play it, the music markets itself.' Another commented that it was a pity the nightclub had closed down, as that had proved a really good way of finding out about what customers wanted. 'If a new track went down really well at the club, within a couple of weeks you could have it out as a single and moving up the charts.'

Friday, fortunately, was relatively uneventful, and Laura was very glad to get to the weekend. Now, she pondered what she should do and say in the week ahead. She was convinced that Jambo's enthusiasm for trying to break artists into the American market was misplaced. The British presence had been eroding rapidly over recent years to the point where in 1999 no UK artists featured in the 80 US biggest-selling albums. Only Fatboy Slim and Charlotte Church had come even close, by selling just over a million units. Nobody in the current Jambo stable looked likely to take America by storm, and if it happened, they could still capitalize through a licensing agreement with one of the majors. The 'German Project' also looked ill-judged. Jambo's continental business was invaluable, but very fragmented, and she could see little reason why it would be easier to develop further from Berlin as opposed to London. A more effective method might be through joining forces with NetBeat, the multi-lingual music portal, which specializes in partnerships with independent record labels to promote their artists across the continent. Netbeat sells CDs, MP3 downloads and music merchandise, and provides editorial content slanted towards the different continental music markets. It could prove an ideal way to create continental penetration without excessive costs. It would also sidestep the distribution stranglehold held by a handful of channels in countries like Italy. She dug out some of the market research reports she had salvaged from her last job, and browsed through them. Several of them said the same thing, that Western Europe and North America were not going to see much growth in the near future, it was the Latin American and Asia Pacific markets that were up and coming, but could they really form part of Jambo's future plans?

Laura knew that Jambo, like most of the rest of the industry, was at a turning point. It needed to improve sales, it needed to find good new artists, and it needed to respond appropriately to the changes being ushered in by new technology. Jambo, like other independent labels, faced some real opportunities. The prospect of on-line delivery of recordings could allow them to compete more effectively against the majors' giant production and promotion systems. The merger of EMI and Warner, two of the five majors, could also create opportunities. Analysts were forecasting a shake-out of artists following this merger, and a trend towards the majors increasingly shedding artists viewed as incapable of generating sales on an international scale. Again, this could prove beneficial to the independents. Laura was convinced that as Jambo's marketing manager, she could play a leading role in helping the company grasp these opportunities. First, however, she needed to get them to take marketing a little more seriously.

## **Questions**

**1 Why do you think Laura had such a difficult first week?**

**2 What can she do to improve things at Jambo?**

**3 What difficulties might she face in trying to move Jambo towards more formalized marketing?**

*This case was prepared by Ken Peattie, Professor of Marketing, Cardiff University and James Roberts, Informed Sources International. This case is a fictionalized account based around actual events.*