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EMI-Capitol Forms Arm For Catalog Sales

EMI-Capitol Music Group North America has formed EMI-Capitol Entertainment Properties in a bid to boost its catalog sales. The new catalog sales arm will be staffed by around 125 employees and headed by former Capitol Records Exec VP Bruce Kirkland. The new company will focus on titles from artists that are no longer signed to EMI-Capitol labels. The move reflects a trend that has been occurring in response to the softening of catalog sales as a result of music retail instability.

NEW YORK - In an effort to further enhance the sales of catalog, EMI-Capitol Music Group North America has created EMI-Capitol Entertainment Properties, which will be staffed by about 125 employees and headed by president Bruce Kirkland, the former Capitol Records executive VP.

The company, which will primarily focus on titles from artists no longer signed to EMI-Capitol labels, will handle such trophy properties as the Beatles, the Beach Boys, Frank Sinatra, Garth Brooks, Pink Floyd, Steve Miller Band, Nat "King" Cole, John Lennon, Paul McCartney, Joe Cocker, and Duran Duran.

The move continues a trend that has occurred in the industry as catalog sales have softened because of the turmoil at music retail. Due to a price war and oversaturated music retail space, stores have been cutting down on inventory and as a result carrying fewer catalog titles. The six majors have seen catalog sales drop by as much as 25% and have responded by adding a catalog sales slot to their distribution companies, and, in some instances, at the labels as well.

Earlier this year, PolyGram Group Distribution created the PolyGram Catalog Development Group to oversee sales of catalog titles, special markets, and the Chronicles division. It oversees product lines expected to generate \$500 million in revenue this year.

Last year, EMI-Capitol created the EMI-Capitol Catalog Marketing Group. But that effort, which has been absorbed into the new company, focused on special markets and the company's midprice and budget lines, Pricebusters and Value Plus, respectively (Billboard, April 13). The new arm includes a large portion of the company's front-line catalog. In addition, the new division will focus on distribution channels beyond the traditional music account base. EMI-Capitol Music Group North America declines to specify anticipated volume for the new company.

Charles Koppelman, chairman/CEO of EMI-Capitol Music Group North America, says the creation of EMI-Capitol Entertainment Properties "is all about focus" and not just as it concerns that company's mission but also as to how the various labels fulfill their goals.

"This Monday, when someone picks up Billboard, they will see 16 of our new releases in the top 100 [of The Billboard 200]. Each of our various labels are starting to feel the fruits of their investments in terms of new releases and existing artists," he says. By putting catalog under one umbrella, EMI-Capitol labels can continue to focus on developing new artists while the new company focuses on catalog, he says.

In most instances, EMI-Capitol Entertainment Properties will work catalog titles for acts no longer on the company's labels. Acts signed to EMI-Capitol labels will continue to be marketed under the auspices of their respective labels, with the exception of EMI Records, which has turned over that responsibility to the new company. Other labels can assign the catalog of current artists to the new company on a case-by-case basis, if they so choose. Already, the Brooks catalog falls into that category.

Although the albums will be marketed by EMI-Capitol Entertainment Properties, each label will retain its identification with its artist. "This is only about focus, it is not about disturbing the heritage of the different labels," says Koppelman.

Terri Santisi, executive VP/GM of EMI-Capitol Music Group North America, says that "every major label has experienced a decline in catalog sales. We believe the growth potential is still there, but you have to be much more visionary in managing the process. The old days are gone. Companies can no longer squeak by investing a [percentage] point of sales on catalog; it takes a greater investment."

Labels generally spend 3%-5% of revenue for cooperative advertising, and mainly on new releases. Catalog sales are generally advertised by price line rather than by individual title, except for reissues.

Says Kirkland, "Our mantra will be to take music to the consumer and not have the consumer come to the music."

He says that most catalog marketing is passive, while the new company's mission is to "take EMI-Capitol's core catalog assets under its umbrella and to protect and develop opportunities for them."

He adds, "I am very concerned that people don't just view us as a catalog company. When we look at what the competition is doing to focus on catalog sales, most are looking for answers within their distribution company."

Kirkland says that his company will build "state-of-the-art marketing tools to analyze where the consumer is and what interests they have so that we can determine the best methodology to reach them from a marketing and distribution standpoint."

The core of the company is being drawn from the ranks of the EMI-Capitol Catalog Marketing Group. Eli Okun, who headed that arm, has been named executive VP of the new company. It will also have executives overseeing A&R, catalog development, marketing, sales, finance, business affairs, and special projects.

In addition, about 30 staffers at labels in the EMI-Capitol family will be transferred to the new company, while the remainder will be recruited.

Kirkland says that in addition to music retail, EMI-Capitol Entertainment Properties will explore nontraditional retail, private-label business, and direct marketing. Koppelman adds that in going beyond traditional music retail, the company has to be careful that it doesn't merely displace sales but, instead, creates incremental sales.

EMI-Capitol Entertainment Properties will also be in the market for buying catalogs as well as signing artists. The latter will only occur in the case of acts who do not need radio airplay to be marketed to consumers.

"We are not a record label; we won't have a promotion department," says Kirkland. "But clearly a big part of business will be to have a new product stream, so, yes, we will be signing acts."

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