Summary

References: music industry, industry structure, globalization, digitalization, Argentina.

This Master Thesis contains an explorative research on the Argentinean music industry. In following the scientific approach of New Institutionalism (DiMaggio & Powell, 1991), through extensive fieldwork in Argentina, an answer is given to the central question: *'How do major record companies in the Argentinean music industry handle domestic products and in what way is this influenced by globalization?'*

The research is considered relevant, because issues concerning music industries are approached from a different perspective than is generally done in the theoretical debate of this field. Theories by for example Negus (1999 and 2001), Rothenbuhler & McCourt (2004) and Küng (2008) are generally focused on Anglo-Saxon industries, while the case of Argentina can give different insights. The peripheral music market, the status of development of the country and the country's music culture, make it an interesting example. In addition, globalization is considered to be a determining influence for current music industries around the world and is also expected to remain important in the future.

To find an answer to the central question, general characteristics of Argentina and her media landscape are described. Furthermore an analysis of the commercial development of the Argentinean music industry is given. Finally the operation by employees of majors is exposed as a result the analysis of semi structured interviews with people working (in among others marketing positions) in the industry. Successively general characteristics, structure, digitalization and globalization are discussed.

In conclusion, it is argued that the handling of domestic music by local branches of major record companies in Argentina is a result of all different aspects of the industry. In the first place the country characteristics which (have) shape(d) the music industry to a great extent appeared to be influential. With this, especially the (relatively) small size of the market is determining, as is also visible in company structures and strategies. Parent companies appear to be very dominant, which greatly influences the operation of the local branches. Also the relatively small development of digitalization affects the working methods. Finally, globalization influences the Argentinean music industry. Music from different origins is popular and the influence of digitalization is considered small in this matter. Besides, quality is not considered inextricably bound with origin and heterogenization occurs. Straubhaar's concept of cultural proximity (2003) has to be nuanced for the Argentinean situation, and the European roots of the inhabitants appears to be influential in this matter. Finally, Argentina is not considered a music export country. In conclusion, the growth of the music industry after the 2002 national crisis is considered a very interesting result. Explanations are found in the strength of the music industry

and the operation by the majors. Secondly, for the future is expected that domestic music will become more important. Independents will benefit from this in the first place, as they are investing nowadays. Secondly, there is also an opportunity for the majors, as this music might become popular abroad.

In summary, the uniqueness of the Argentinean case and situation appears to be the reason for the inapplicability of the consulted theories. For further research not only a non-Anglo Saxon point of view is suggested, but more attention should also be paid to influence of cultural uniqueness.

Domestic Music in a Changing Industry

Research on the handling of domestic music by major record companies in Argentina

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January 17th, 2010

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Preface

Before I take you along into the interesting world of the Argentinean music industry, I would like to thank a number of people who helped me while compiling this research.

Firstly, special thanks to Manuel Peña and Bart Engel, for their trust and assistance with contacting so many interesting people. Without them my research would never have been possible. I would also like to thank the people from Universal Music Argentina, Warner Music Argentina, EMI Argentina, EPSA Music, Leader Music, Hernan Ambrogi and Carel Kraayenhof, for allowing me the opportunity to talk to them. All interviews were very interesting and definitely the most enjoyable part of my research. Furthermore, many thanks are in order to Javier Delupi and Martín Geck of the CAPIF, and Paul Solleveld of the NVPI, both for providing an enormous amount of information on the commercial aspects of the music industries.

My supervisor Dr. Erik Hitters deserves special thanks for his enthusiastic, cooperative and flexible attitude while helping me through the research process, even while I was on the other side of the world. Many thanks to Dr. Miriam van de Kamp who was invaluably helpful with the research design. Also thanks to Maria Castro, for helping me with the *'montón de traducciónes'*, Dave Lowe for editing of the final version and David Gomez Sarmiento for designing the beautiful cover.

Additionally I would like to thank the Stimuleringsfonds Internationalisering Erasmus Universiteit Rotterdam and the A.A. van Beek Fonds for their generous financial support.

Last but not least, I would like to thank my mother and sisters for their endless support and encouragement, my friends in the Netherlands for their continuous interest, and my friends in Argentina for giving me the time of my life..

Marjolijn Winten
Amsterdam, January 17th 2010

Introduction

Thanks to constantly improving communication and transportation links, it is becoming increasingly easier for people to connect with each other around the world. They can converse more easily, share cultural products, and as a result of the digitalization and growth of the internet, these 'little pieces of cultures' can travel the world in a fraction of a second. People from different cultures are exposed to more and more products from different cultures, and this in turn influences and changes other cultures around the world. A question which rises with this, and which is central in this master thesis, is 'What is the effect of these changes on one of the most universal cultural products in existence: music?'

In the past decades, much research has been done on cultural globalization and structures and strategies of music industries. Since approximately ten years, also influences of digitalization have been added. However, most of these theories are derived from research on big, Anglo-Saxon music industries and smaller, peripheral industries are generally left out of attention. As it was considered to be interesting to approach these issues from a different perspective, this research takes a smaller music industry as a case; Argentina.

What typical characteristics of Argentina influence the music industry? How did the industry develop (commercially) in the past decade? What does the structure of the Argentinean music industry look like? Which strategies are used by local branches of major record companies? What is the role of the parent companies in this matter? Is the influence of digitalization in Argentina as big as in Western markets? And last but certainly not least: in what way is it influenced by globalization?

This master thesis covers all these kind of issues through extensive research on the Argentinean music market. This question will be answered:

How do major record companies in the Argentinean music industry handle domestic products and in what way is this influenced by globalization?

In answering this question, opinions and practices of employees of the major record companies are taken as a starting reference point. To place the recent developments and current status in perspective, a period of eleven years (1998-2008) was selected. This period of time was seen to give enough information to draw significant conclusions.

1.1Why Was This Theme Chosen?

Key inspiration for this thesis comes from the study undertaken by Hitters & van de Kamp *Tune in, fade out; Music companies and the (re)valuation of local music products in the Netherlands*

(2008). Their study on the classification of domestic music in the Dutch market gives interesting insights into the way domestic music is classified and related to foreign music by employees of major record companies. For this thesis, it was deemed interesting to research a totally different music industry, in a country with a totally different culture.

As shortly mentioned before, Argentina was chosen as a case because it was expected to have a different music market from the markets which generally appear in theories about music industries. Differences may be results of the second world status of the country, its (partly) remote location and the medium size of the music market. With this, the lively (domestic) music culture was regarded as an interesting feature. Considering the popularity of tango outside of Argentina, domestic music was expected to play a big part in the music industry and the cultural embedding of (domestic) music was assumed to be very strong.

1.2 Scientific Relevance

The scientific relevance of this thesis is that there has yet to be much completed research on small music markets. Most theories, like Negus (2001), Rothenbuhler & McCourt (2004) and Küng (2008), focus on large markets like the United States or the United Kingdom. It is unique in that Argentina is a Latin American country, which doesn't appear in the international theories to date. This explorative research could therefore provide basic information about a field which has not seen much research. In addition, it will show if the Anglo-Saxon theories are also valid for peripheral markets, or that adjustments have to be made. If outcomes conflict with theories derived from the formerly mentioned markets, the importance of domestic peculiarities in music industries will become visible.

Finally, this thesis gives a snapshot of the Argentinean music industry's status while in a phase of transition. While already influenced by globalization and digitalization, these developments haven't yet balanced out the industry. Therefore, this research sheds light on an industry during what is considered to be an important era in the development of cultural industries.

1.3 Practical Relevance

The practical relevance of this thesis is that it can give insight into the meaning of domestic products for employees of major record companies from a small Latin American market. Obviously every market is different and this research can show in what way the particular characteristics of the Argentinean music market are influential.

This research also gives insight into the working practices of major record companies on a local level. This is a part of the music industry that only rarely receives attention.

Furthermore, the special attention paid to domestic music can become relevant in the future. As mentioned by van de Kamp (2009), domestic music can generate higher profits for the local department than that earned from international music, if the rights are owned by that department. As a result of digitalization, it might be possible that more music industries will focus on domestic products. If that is the case, the reputation, performances and promotion of domestic music will increase in importance, and an analysis such as this on the handling of domestic music in a relatively small market could be a relevant example.

1.4 Report Preview

To find an answer to the central question, this research report begins with a theoretical framework through which the most important theories regarding general international music industries, cultural globalization and two Argentinean music genres are described.

A selection of methodology follows. This chapter explains why this methodology is considered to be appropriate for the completion of this research.

Chapter 4 follows with the unique characteristics of Argentina considered to be important for the music industry. This contains general information, the political and economical situation of the country and a map of the media landscape. Chapter 5 describes the commercial development of the Argentinean music industry: general developments, changes in the preference of music by origin, an interpretation of the division between majors and independents and the influence of piracy. In chapter 6 the handling of music by Argentinean record companies is extensively researched. Insights from employees of major record companies on different music styles, characteristics of the Argentinean music industry, influences of digitalization and the effects of globalization are all investigated.

The conclusion is a retrospect of the chapters contained in the research, giving answers to the main question. The report closes through a reflection and recommendations for further research.

2. Theoretical Framework

This theoretical framework contains general scientific perspectives on international music industries, the influence of globalization on music, and the Argentinean music industry itself. In particular it discusses two specific Argentinean music genres at length. Each subject topics are derived from the theory and deemed to be relevant for the research. These topics will form the sensitizing concepts from the fieldwork in Argentina.

2.1 The International Music Industry

This paragraph provides a general picture of international music industries with attention focusing on major record companies. First, the most important characteristics of the music industry are described. Second, the industry uncertainties which result in policy strategies are explained. Finally, changes which have occurred in the music market due to digitalization are laid out. All these paragraphs end with expectations regarding the Argentinean situation.

2.1.1 Characteristics of the Music Industry

In order to get a clear picture of the music industries in general, some characteristics are considered to be essential. In this paragraph the market structure is explained, like economies of scale, oligopolistic structures, the existence of conglomerates and barriers to entry. In the second part a general business model is explained and finally the influence of parent companies on local divisions is discussed. The paragraph ends with expectations on the Argentinean situation.

2.1.1.1 Market Structure

Four characteristics of the music industry can be distinguished after examining several articles about recording industries. First, the music market is characterized through the distinction between hits and niches. Economies of scale are possible because for records, the ratio of fixed costs (recording, distribution and promotion are examples) to marginal costs is relatively high. This situation leads to a quick payoff of fixed costs; once enough copies of the CD have been sold to cover these expenses. A high percentage (Vogel (1998 in: Rothenbuhler & McCourt, 2004: 235) estimates it at 93%) of the company's revenue earned from each subsequent disc sold will be pure profit. The burden of financially unsuccessful albums is offset by the few that are successful. This explains the continuous search for hits and therefore an industry that is hit-orientated (Rothenbuhler & McCourt, 2004: 236).

The second characteristic is that the music market is oligopolistic in structure. According to Negus (1999: 35) in the 20th century, the absorption of independent labels by majors has become a feature of the recording industry. The business became more institutionalized through a series of joint ventures, production, licensing, marketing and distribution agreements which have lead to the blurring of 'independent' and 'major' organizational distinctions and belief systems (Negus, 1999: 35). Since the late-1980s six, and later four, record companies have dominated the distribution of popular music. The market share of the four globally active majors – EMI Music, Sony BMG, Universal Music Group and Warner Music – while varying between different countries, generally accounts for approximately 75%. The four companies combined also handle 80% of all new releases (Küng, 2008: 74, 75). However, it should not be overlooked that there is an element of contradiction to the conglomerate's dominance. According to Handke (2006: 40), there is an upward trend in the number of record companies in the German music market as a result of digitalization, despite the recession between 1998 and 2005. The German music market is considered to be an important example in the worldwide recession, and what makes it noteworthy is that the growth of importance of independents is part of a global trend. Küng also argues that there are high levels of independent small-scale niche activity through the constant stream of emerging Indie labels and new genres (Küng, 2008: 74). The fact that Negus (1999) and Rothenbuhler & McCourt (2004) never mention this movement, while Küng (2008) considers it to be an important characteristic of the music industry, could be explained through the suggestion that it has been a movement over the past few years.

The third characteristic regards the existence of conglomerates. To accomplish synergy, the majors are highly vertically and horizontally integrated. (Rothenbuhler & McCourt, 2004: 229, 231). Vertical integration, and its influence on the way the industry functions, will be more fully explained in the next paragraph. In general it can be said that until the boom of digitalization, majors were active in all stages of the value chain (Küng, 2008: 75). They traditionally owned publishing divisions, recording facilities, manufacturing plants, distribution operations and/or promotional branches. Occasionally companies were also involved in the manufacture of musical instruments and audio equipment. This kind of integration always has been a key characteristic of the music industry. According to Peterson and Berger, vertical integration has been one of the key forces in the major record companies' ability to maintain their oligopolistic status (1975 in: Rothenbuhler & McCourt, 2004: 229, 231). However, digitalization has changed these structures, and will be discussed in greater depth in the following paragraph.

According to Rothenbuhler & McCourt, horizontal integration concludes that major record companies have been increasingly absorbed by multinational corporations that do business across (and in some cases even outside the) media. The opportunities for cross-promotion are essential; conglomeration allows recorded music to be incorporated into the revenue streams of their parent companies. Through re-issues, compilations and licensing through cross-media ties, the conglomerates exploit the profit potential of their property.

Intellectual property rights are therefore very important. Electronics and recorded music can also be linked under the current situation of conglomeration. The hardware (equipment) and software (recording) divisions of a company can become not only interdependent, but also strategically linked (Rothenbuhler & McCourt, 2004: 232, 233).

The final characteristic contains barriers to entry. In theory, only a few barriers exist for both artists and small companies. There is an oversupply of songwriters and performers while recording technology is very inexpensive and easily accessible. While marketing and distribution via the internet are becoming more common, the barriers to entry to the national and international music market, where the big money can be earned, continue to remain high. Access to these markets depends on substantial amounts of capital and the control of an extensive distribution and promotion system (Rothenbuhler & McCourt, 2004: 232, 233).

2.1.1.2 A General Business Model

As described in the previous paragraph, generally speaking most major record companies are vertically integrated. This type of integration then leads to a general business model which is considered to be an important characteristic of the music industry.

According to Küng (2008) the music industry's value chain from artist to consumer is as follows:

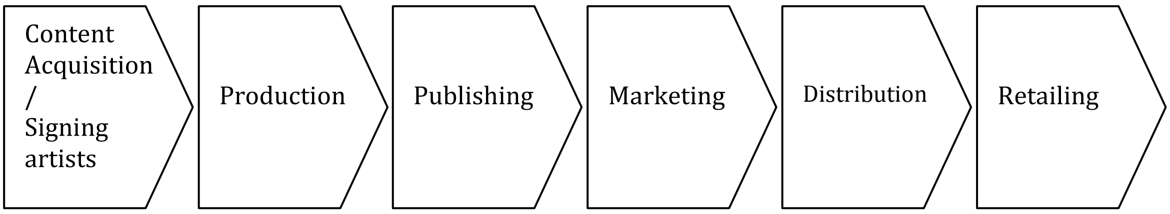

Figure 1: Value chain – the music industry (Source: Küng, 2008: 77)

Content acquisition in the music industry consists of artists sending their demos to record companies. Low-cost digital instruments and recording technologies have increased the flow of content even more. Only a few of these tracks are ever picked up, which results in the signing of these artists to a particular record label. Record companies normally agree to the *signing of artists* when they consider the artist to be talented and with a strong market potential. An 'A&R' (Artist-and-Repertoire) manager handles the development of a musical style, setting up the marketing strategy and planning recordings. A&R managers are considered to have unique skills that recognize talent and then develop that talent by introducing the artist to the right specialists (songwriters, recording engineers, etc.). The *production* stage implies all activities which prepare the record for the market: beginning with rehearsing, recording and mixing musical tracks to budgeting and arranging copyright licenses. This process is guided by a producer, who acts as an artistic and business manager. The final result is a master tape which is delivered to the record company. In the *publishing* stage, sheet-music publishers promote and manage the sale and use of sheet music used in recordings, both on air and at live events. For each piece of time sheet music that is used, a royalty is paid, which is divided equally between the composer and publisher. Because the music industry is highly competitive, the promotion and *marketing* stage can be a determining factor in the future success of an album. This stage encompasses promotion, merchandizing, publicity and advertizing and making the marketing department often the largest and most powerful department within a record company. The next phase begins when the record companies *distribute* their products through a variety of distribution channels. Retail chains still remain the key distribution channel for record companies. This must be managed efficiently because the unpredictability of market tastes requires that recordings be shipped quickly and in large quantities. The *retailing* phase is the last step before a product reaches consumers. There are two types of physical retailers: specialists and discount retailers. Since digitalization, online retailers are starting to become more important sales channels for music (Küng, 2008: 77-79).

Through this value chain, the two main sources of income for record companies have traditionally been the sales of sound carriers and royalties from music publishing. As a result of digitalization and the spread of the internet (as further described in paragraph 2.1.3), the sales of (physical) sound carriers have decreased enormously. Digital distribution bypasses the stages of CD pressing and shipping distribution, leaving out these formerly highly profitable phases of the value chain. However seventy-five percent of the company's revenues still come from back catalogue sales. These carry higher profit margins because production and marketing costs have been written off.

Music publishing has been less affected by increases in technical developments and internet piracy. This secondary source of income contains the exploitation of catalogues of song rights for use in film, television, advertizing and video games. Originally, music publishers dealt with printed music and scores. This is still the case for classical music, but publishing for pop music consists of matching new compositions with recording artists, collecting royalties and protecting against copyright infringement (Küng 2008: 76, 77).

As mentioned in the introduction, the main goal of this research is to find out how major record companies handle domestic products and the influence of globalization on this. 'Handling' could imply the entire process from artist to consumer, but since the previously mentioned value chain shows that this process is very large and the means of the research are limited, a choice is then made. From this theory comes the realization that the marketing stage can be a determining factor for the success of an album. Because the marketing department is considered to be powerful within the companies, focus has been centered on this department.

2.1.1.3 The Influence of Parent Companies on Local Divisions

A third important characteristic of music industries regards the structure of major record companies. When the structures of subdivisions within major Argentinean record companies are exposed, it is expected that a strong influence from their parent companies will be visible. Negus (1999)argues that the influence of multinational corporations is of a very indirect nature, evidenced in terms of the pressure to conform to a series of aesthetic and commercial agendas, working practices, production routines and working codes. The company can then be subdivided into a series of strategic business units, which levels of efficiency, performance and profile are evaluated by various economic indicators. Concretely, this leads to three types of staff divisions:

1. According to specific occupational tasks, into departments as A&R, marketing, promotion, business affairs, etc;
2. According to genre or music style. For example jazz, classical, dance etc;
3. According to specific notions of geographical territories. On the one hand these are related to political institutional structures and 'markets', like the nation-state, regional or global level. On the other hand, towards ideas of what constitutes a 'domestic' sound vs. an 'international' sound.

Likewise, record companies use portfolio management to structure the production and consumption through the organization of catalogues, departments and promotional systems according to specific genre categories.

The goals of this structure are twofold. Firstly it is part of a strategy of diversification - the company spreads its risks. Because it is hard to predict potential popularity of (new) music or genres, the companies release various kinds of music. A division of departments, artists and genres in categories as 'Stars', 'Cash Cows', 'Wild Cats' or 'Question Marks' and 'Dogs' offers a mode of assessment and characterization of the behavior of a particular department. Secondly it provides a way of managing diverse ranges of interests. Each unit can be assessed and categorized according to its performance, artistic peculiarities and level of required investment (Negus, 2001: 22-24).

However, according to van de Kamp (2009: 223-224) the operation of a major record label is influenced by its organization culture and the local interpretation and adaptation of corporate strategies and local initiatives. The local operation of a major is therefore not only based on international principles of the global economy; Van de Kamp argues that the influence of local managers is bigger than is often perceived through research from international cultural industries. Besides this, the strategies and policies of competitors in the local market appear to be influential.

2.1.1.4 Expectations

Because the previously mentioned theory is mainly written by scientists from the United States and the United Kingdom, it is expected that these descriptions generally suit large, Western (or particularly Anglo-Saxon) music markets. The smaller size and location of the Argentinean music industry might cause these theories to only partly correspond with the reality in Argentina.

In general the characteristics of the music market are considered to suit the Argentinean music industry to a certain extent. Since economies of scale are inextricably bound together with the 'product' music and this is assumed to never depend on a certain market or industry, it is believed that this feature is also applicable to the Argentinean situation. However, digitalization and the spread of the internet have caused physical sales to decline and could therefore have changed the traditional division between hits and niches.

All four majors have local offices in Buenos Aires (EMI, Sony Music Argentina, Universal Music Argentina, Warner Music Argentina) and their presence has generally lead to the expectation that the market is structured in an oligopolistic way. However, there is also a great amount of independents located in Argentina (CAPIF). This could result in a relatively smaller market share and therefore less dominance from the majors in comparison with Western countries.

Since there are no indications that point at the contrary, it is supposed that the conglomerate structure described by Rothenbuhler & McCourt (2004) can also be found in Argentina. Sub divisions are expected to be as vertically orientated as described in this theory, following the very general characteristic of major record companies. However, it is questioned as to what extent horizontal integration occurs. From common sense it could be expected that media use in Argentina is different from Western countries. It might for example be more difficult to reach synergy through the use of different media, since the penetration of internet access is considered to be lower than in Western countries, as a result of the general status of development of the country. Nevertheless the exploitation of profit potential by reissues, compilations and licensing through cross-media ties probably occurs in Argentina. This is thought to be a general strategy and there are no indications that it is not used within the country. Finally, the linking of electronics and recorded music is considered to be small because the penetration of electronic media is expected to be lower than that found in Western countries.

It is questionable if the final characteristic regarding barriers to entry suits the Argentinean music industry. It is likely that songwriters and performers are in oversupply, but since Argentina (as a result of the semi-developed status of the country) is probably less affected by digitalization, it is doubtful that recording technology is inexpensive and accessible. Besides, the internet penetration is expected to be lower, what could make online marketing and distribution not very influential. This should point to higher barriers to entry for both artists and small companies.

Furthermore, since the above mentioned value chain appears ordinary for any other music industry, it is likely that it also fits the Argentinean music industry as well. The expectation that digitalization has probably been less widespread in Argentina leads to the possibility that the value chain and business model are affected to a proportionately smaller extent.

Finally, the influence of parent companies on their local divisions is expected to be large. Taking the size of the music market into account it seems plausible that the local offices are strongly guided by their parent companies. This is visible through aesthetic and commercial agendas, working practices, production routines and working codes, but also in the staff divisions and use of portfolio management. Since the theory puts forth that local managers are considered to be influential in the local operation of a major, it seems interesting to not only take the international company structures into account, but also focus on the interplay between the influence of the global and regional offices and the opinions and values of local managers.

2.1.2 Strategies

The market structure, general business model and influence from parent companies as described in the former paragraph are expected to heavily influence the strategies followed by local subdivisions of the majors. Another determining factor in these strategies is perceived to be uncertainties, typical for a cultural industry like the music industry. In this paragraph, the uncertainties considered being the foundations for strategies, and the four strategies most commonly used, are explained. The paragraph ends with expectations about the Argentinean situation.

2.1.2.1 Uncertainties

Just as in other cultural industries, it is difficult to predict whether a product will be a hit and therefore a commercial success. According to Negus (1999: 32), the uncertainties a record company must deal with can be divided into three issues.

First are the artists. Prioritized artists and repertoire are not by definition a reflection of the talent that is available. Record companies sign artists as a result of commercial judgments and cultural assumptions, signing artists that could be successful and sustain this success. They have to be able to produce music in popular genres, which suit the current trends, features that are hard to predict. Another uncertainty concerning artists is that the ‘product’ the record companies must deal with is human - and therefore often temperamental and unpredictable (Negus, 1999: 33).

A way to deal with this uncertainty concerns that artists and personnel are frequently judged by their past performance and reputation rather than their current work. Decisions are more often based on the track records of the people involved rather than the merits of the project, which can be more difficult to evaluate. If a recording fails to generate excitement, resources are shifted to other projects. For this reason, structured contracts are common in the music industry. People are hired who present themselves as specialists and their professional's performance is routinely evaluated. Rewards can be given when specific performance criteria are achieved and contracts can be either renewed or cancelled, on account of the companies' wishes (Peterson & Berger, 1971, in: Rothenbuhler & McCourt, 2004).

The second uncertainty is the activity of audiences, known as 'markets'. Markets are not considered to be formed by the public gravitating towards certain recordings; they have to be carefully constructed and maintained. Every recording has to pass a series of stages, what filters the products with the greatest hit potential. Songs must be recorded and published, recordings must be selected for release, the quantity of releases must be decided, a promotional budget and strategy must be developed, retail stores must stock the releases and radio stations and cable networks must select releases for airplay. This implies that all industry staff, with their different positions, interests and criteria for decision-making, functions more than gatekeepers; they participate in creative decisions (Rothenbuhler & McCourt, 2004: 236-239). Therefore investment in this staff and systems is required for monitoring and researching the purchase and use of recordings.

Despite several changes of organization and corporate ownership, there is a claim that only one in eight of artists acquired by a record company will sell enough recordings to recoup their initial investment and be considered as a financial success. According to Vogel (1998, in Rothenbuhler & McCourt, 2004) this is even believed to be one in ten. In the past, attempts to reduce this 'failure ratio' have led to the restructuring of companies, the appointment and dismissal of highly paid senior executives and the cyclical acquisition and 'dropping' of artists.

Finally technology is an important insecurity. According to Negus, the struggles through which new technologies are produced and introduced can have a considerable impact on how the 'product' of popular music is conceptualized. Its importance is also visible in the artist contracts, because not only is the ability to perform as a musician important, but also movements and cross-collateralization into related media are included (Negus, 1999: 32, 33).

2.1.2.2 Four Kinds of Strategies

Responses to uncertainties mentioned in former paragraph are visible in the policy strategies of record companies. According to Negus (1999: 33-35) four different responses are used. The first two are 'cynical' responses derived from a more corporate vision. The second two are so-called ‘mystical’ explanations of how industry staff copes with the previously mentioned uncertainties. Negus states that these are not simply ‘academic’ theories, but explanations described by people working within record and media companies.

The first cynical response is called the ‘mud against the wall-formula’ and is a policy of overproduction. Companies buy up as much repertoire and sign as many artists as possible, in as many areas as they can, and ‘throw’ it all out in the hope that some of it will ‘stick’. If it does, the companies increase investment, and if it doesn’t, they drop it. This strategy has been used regularly in the past, but it has become increasingly wasteful as recording and marketing costs have increased. Companies prefer nowadays to invest in more expensive ‘targeted’ marketing across different kinds of media.

The second cynical response is a strategy by which majors hold back from involvement and wait until the independents prove the commercial potential of something new. In this case, the majors ‘swallow’ the independent companies, their artists or their repertoire and integrate it in their own business. This often happened in the previous century and became a characteristic of the recording industry (as described in paragraph 2.1.1.1).

The first mystical response implies that companies believe that good music will always ‘rise to the surface’ and that inspirational, idiosyncratic ‘music men’ should locate, support and then ‘nurture’ such talent. However, over the long run these inspirational individuals appear to be inconsequent because of death, retirement or dismissal causing few noticeable changes to individual companies.

The final mystical strategy derives from the belief that there is an unpredictable development and cyclic logic that determines the history of music. Therefore companies should wait until a change in external factors appears and then throw up new talent (Negus 1999: 33-35).

2.1.2.3 Expectations

Because the previously described uncertainties are quite general in nature, it is assumed that they also appear in the Argentinean music industry. ‘Artists’, ‘markets’ and ‘technology’ are therefore used as central concepts in the research.

It is also supposed that some of the company working methods partially fit the strategies mentioned above, but there is no indication which one(s). However, it seems more likely that cynical responses are more often used than mystical ones.

2.1.3 Market Changes From Digitalization

As mentioned in previous paragraphs the media landscape has changed enormously since the 1990s due to the 'digital revolution'. The (international) music industry has been greatly influenced by this.

In this paragraph, the impact of digitalization on the music industry and the expectations on the specific situation in Argentina are described in detail.

2.1.3.1 Influences on Music Industries by Digitalization

Providing a new way to reach consumers and to promote music has been a positive consequence of the spread of the internet. New formats for music delivery have been created and artists have a more dynamic connection with fans. Mobile music sales for ringtones are an important growth area and new niche audiences have emerged. Another outcome is that the industry has become more track focused instead of album orientated (Küng, 2008: 79).

Obviously the digitalization and spread of the internet also have a significant downside. The stages in the value chain that have traditionally brought in the most value for the record companies – CD printing and distribution – can now be avoided by consumers in the digital world. This has cost the music industry a great amount of revenue.

Even more important could be the threat of digital piracy. While piracy was still limited in the era of tapes and CDs, with digital copying today, an infinite number of useable copies can be made. The internet has made it possible to spread this pirated content very easily. Peer-to-peer networks allow users to share music files through bypassing music companies (Küng, 2008: 80). The most coveted target group – 16 to 24 year olds – a demographic traditionally very important for hit products, are expected to be heavy users of pirated products (Küng, 2008: 74). This made the losses relatively large.

A final significant issue is that in developed markets like the Americas, Western Europe and Japan, due to digitalization, the competition from other digital media products (like PCs, the internet, mobile phones, games consoles, etc.) grew (Küng, 2008: 74).

Combined with this has been the rise of MP3 players as a sound device, which happened outside the control of the majors and offered no intrinsic protections against copying. The response of the record companies has resulted in claims against the spreaders of this content, for example Napster. Despite the fact that these companies won their cases, the illegal selling of music continued, and the industry was forced to realize that it was impossible to stop this development (Rothenbuhler and McCourt, 2004: 239-241).

The next step is therefore to adapt business models matched with this new situation and to search for new platforms and sources of income (Rothenbuhler and McCourt, 2004: 239-241). According to Küng (2008: 76, 77), physical sales remain central to the business. However, it still takes many years before it is surpassed by digital business. Nevertheless, there is a fundamental transformation going on, already visible in the development of new revenue streams like audio downloads, ringtones, touring, merchandizing and sponsorship. The music industry is trying to find a new balance in his challenging environment.

2.1.3.2 Expectations

Since the digital revolution unfolded around the world, it has been assumed that Argentina has seen its share as well. However, internet penetration is still considered to be lower than in many Western countries because of the reduced general development of the country. Influences on the music industry as a result of digitalization are therefore expected to be smaller in extent. This probably concerns the use of the internet as a promotion tool, but is also expected for the negative developments: while the value chain of the Argentinean music industry might still be more traditional, digital piracy and competition from other digital media products are supposed to be less. However, the companies might have responded through legal actions and are also expected to change their business models in response.

2.2 Globalization and Music

The major record companies and the music industry have been internationally orientated for decades. An advantage for companies in releasing domestic music abroad is that they can benefit from economies of scale (Negus, 2001: 25). A 'plus' for the artists is that they can connect and communicate with transnational populations about local conditions (Macgregor Wise, 2008: 90). Since the late 1980s, when major labels began deploying discourses of 'globalization' as a way of 're-imagining' the world, the status and influence of international marketing departments of major record companies has increased.

In this paragraph, a definition of 'cultural globalization' and its (possible) influences on the (global) music industry are laid out. In following this, the Argentinean situation can be researched and interpreted.

2.2.1 Cultural Globalization in General

For this research it is necessary to use a proper definition of cultural globalization. The definition devised by Crane can be adopted. It contains the idea that cultural globalization means 'a transmission or diffusion across national borders of various forms of media and the arts' (2002: 1). It is assumed that cultural globalization is comparable with media globalization. By following Crane, this paragraph contains the four models which explain the phenomenon in different ways. Based on the aim of the research and expectations of the Argentinean music industry, one of these models will be used as a starting point for the research. This is argued in the following paragraph.

The first model Crane mentions is Cultural Imperialism, defined as a kind of cultural domination by powerful nations (the centre; Western, capitalist states) over weaker nations (the periphery). According to this theory, the relatively homogenous mass culture, proclaimed by global media conglomerates, is accepted passively and uncritically by mass audiences and this results in a homogenization of global culture (2002: 1-3). Macgregor Wise (2008: 78) agrees with this perception, though he approaches it from a political economy perspective. According to him, the music industry is dominated by European and Japanese corporations and American artists and music forms. He quotes Pilkington and Bliudina (2002: 14);

> 'The American popular music industry (...) has experienced such extensive trans-nationalisation that it has undermined domestic industries in almost all other countries and acted as a medium for the transmission of a wider set of American youth and African-American cultural styles.'

But Macgregor Wise observes at the same time the existence of 'reterritorialization'. This implies the reworking of global musical forms to respond to or resonate with local meanings, conditions and events. He is also aware of two important marginal comments. In the first, thanks to cross-cultural borrowing, it is debatable what can be defined as 'Western music'. In the second, it cannot be argued that Western music necessarily displaces domestic music as people can listen to both.

The second model Crane mentions is the cultural flows, or network model. This concept argues that the transmission process of cultural products and values does not necessarily originate in the same place or flows in the same direction. Regional and national conglomerates and corporations are the principal actors and there is no clearly defined centre or periphery. Cultural influences move in many different directions and have, according to Appadurai (1996), their unique effect on media, technology, ideologies and ethnicities. Cultural hybridization rather than homogenization takes place (Crane, 2002: 3,4). Appadurai's point of view about the new global cultural economy is based on the interplay between economic and symbolic dimensions of public communications, and the importance of the symbolic meaning. According to him, the new global cultural economy is:

> a complex, overlapping, disjunctive order, that cannot any longer be understood in terms of existing centre-periphery models, nor as simple push and pull, or of surpluses an deficits, or of consumers and producers. (Appadurai, 1996: 27-33)

He suggests looking at the relations and disjunctions between economy, culture and politics. To do so, he mentions five 'scapes:' ethnoscape, mediascape, technoscape, financescape and ideoscape as building blocks of what he calls 'imagined worlds'. From his point of view, he emphasises the fluidity and irregular shapes of the scapes. He also claims that instead the United States is in the centre of this creation, it is more plausible that there is a transnational construction of imaginary landscapes and worlds (Appadurai, 1996: 27-33).

The reception theory, the third model mentioned by Crane, explains the responses to cultural globalization. This model does not view globally disseminated culture as a threat to national or local identities because audiences are expected to respond actively rather than passively to mass-mediated cultural expressions. Because a process of negotiation and resistance takes place by the reception, not cultural imperialism, but multiculturalism should be a consequence. Criticism of this model states that global media conglomerates or cultural policy is not affected very much by audience response (2002: 4).

The final model focuses on the influence of strategies used by nations, global cities and cultural organizations to cope with, counteract, or promote cultural globalization. The process of cultural transmission could be described as framing of national cultures and possible consequences are competition and negotiation. Crane describes it as 'a disorderly process, fraught with tension, competition and conflict' (2002, 4).

2.2.1.1 The Cultural Flows Model as Starting Point

From the previous descriptions of the different models, the decision has been made to use the cultural flows model as a starting point for the research. This model pays adequate attention to all important aspects of the industry and leaves room for new findings. Possibly the Argentinean music industry is versatile and complex and could be affected both by Western music industries and domestic productions. With this hybridization might take place as a consequence of globalization. Therefore this model seems appropriate to use as point of departure.

The other models seem less applicable. In the cultural imperialism model, Argentina would be considered as a peripheral nation, and therefore culturally dominated by Western countries like the United States and the United Kingdom. In the first place this can be contradicted by the expectation that independent record companies are influential in the Argentinean music industry. Global media conglomerates are considered to be dominant in Argentina, but they probably do not totally undermine the independents. On the level of cultural domination, homogenization of the Argentinean music industry can be contradicted by the existence (and probably great popularity) of domestic genres like tango, folklore and *rock nacional*. To some extent reterritorialization may take place, but it is also expected that traditional domestic genres, which are not affected by international music styles, are influential.

The reception theory is not a proper perspective for this research, because it takes a reception point of view, while the research is aimed at the production side of the music industry.

Finally the model which focuses on the influence of strategies used by nations, global cities and cultural organizations, is expected to be partly applicable to the research, because these kind of strategies might occur during the study of the industry. Since the focus lies on major record companies and not on these kind of organizations, this model will not be the central perspective of this research.

2.2.2 Application of Cultural Globalization on the (Global) Music Industry

This paragraph contains of important definitions and possible influences of globalization on music, derived from articles concerning cultural globalization. These can serve as central concepts or guidelines for the research.

2.2.2.1 International, regional and domestic music

A practical expression of globalization in the music industry is the division by the record companies between global, regional and domestic repertoire. According to Negus (2001: 27) a certain image of the 'global' underlies this distinction. What determines 'global markets', is based on several aesthetic, political, economic, marketing and financial and legal judgements, which depend upon a very particular experience and perception of the world.

Negus describes 'international repertoire' as music that is marketed to a 'global' market; the recordings are released simultaneously in all of the major territories of the world. The decision to class a recording under 'international repertoire' has great consequences for the allowance of budget and, through that, the potential success. Therefore artists and their representatives often attempt to make changes to the recordings and artists, in order to be placed on the international priority list. In this way international repertoire functions as a set of stylistic characteristics or a genre label within the corporation. 'Regional repertoire', which is according to Negus the second division, is released in a broad area. An example is as Spanish language (popular) music in Latin America. 'Domestic repertoire' is solely released in one national territory.

The procedure governing the division of music in these categories, not only contains the use of considerable financial resources, but also involves a particular type of economically oriented, instrumental rationality. This dynamic, which is profit aimed, has a powerful influence on the way the music industry works and shapes a context in which musicians have to realize their creative aims (Negus 2001: 27, 29-31).

It is expected that this idea and division are created from a Western point of view, but that they are also used in non-Western countries like Argentina. Therefore they are taken as a reference point for this research. The possible influence of a certain division on the rationality and the way the industry works, will be taken into account during the research.

2.2.2.2 Possible Influences of Globalization on Music Industries

Articles covering cultural globalization show that it can influence music industries in several ways. This paragraph contains examples of cultural globalization on the music industry, which might be possible in Argentina. These cases are used as points of interest during the research.

The first example discusses the appearance of nationalizing the 'global'. Fernandes (2000: 611, 612) researched the influence of globalization on media images, cultural politics and the middle class in India. The article discusses how the production of 'the global' occurs through the nationalist imagination. She distinguishes three central components in the post-national thesis of the globalization paradigm. The first is that the imagined form of the global is represented through nationalist cultural signs and symbols. In the Argentinean music industry, this might occur as music from the US and UK is 'Argentinafied' to products which better suit the Argentinean society and audience. An example would be songs translated from English into Spanish, or Latin styles that are added to American or English music.

The second is that there is a productive hybrid relationship between the national and the global and it is depicted through media representations. As in liberalizing India, global and national images could weave together the symbolic fabric of a hegemonic culture in Argentina. The comparative relation of the amount of global, regional and domestic music could be an indication of this relationship.

The third is where Fernandes argues that globalization led to reterritorialization, which is also mentioned in the first part of this paragraph. This might be possible if in some music styles or genres no global aspects are visible. There might be a local, 'old-fashioned' nostalgia which could point at the occurrence of reterritorialization (Fernandes, 2000: 611, 612). Unless this theory is focused on perception and meaning giving while the research has a production perspective, it is considered to be interesting. It is also assumed that production methods are inextricably bound to perception, since production determines which cultural products people can consume and in what way.

A second example is an article by Straubhaar (1991, in: Straubhaar 2003: 80-81) on the influence in the choice of watching TV by cultural capital, language and cultural proximity in Brazil. Cultural proximity tries to explain why television production is growing within Latin America and other regions of the world at both the national and regional levels. The argument, building on Pool (1977, in Straubhaar 2003), is that all other things being equal, audiences will tend to prefer programming that is closest or most proximate to their own culture. Secondly, he mentions that language is of a great importance in creating television markets. Producers with a large natural language market possess a distinct economic advantage. As well as languages, in the case of Brazil and Spanish speaking Latin-American countries, shared histories and geographic proximities, can bridge the language difference. A third statement is that globalized symbols are mostly localized in the minds of people. Coca Cola for example is interpreted in a local context and through hybridization. It eventually becomes part of the local context and so changes and globalizes this context. This theory is taken as a point of interest during the research, because some aspects of it might appear in the Argentinean music industry.

Straubhaar also discusses the changes seen in music through the migration of people. Hybrid forms of music (with for example rural and urban elements) can help to adjust to the new (city) life, while a memory of the old (rural) culture can be preserved. This can help to create hybrid identities that bridge the differences of the two different worlds. This must be kept in mind during the research because immigration can be seen as an important issue in Argentina again (HA). This might therefore also influence the domestic music industry.

Other issues which might be interesting for this research include how Straubhaar discovered that lower classes are much more likely to listen to radio stations that play only domestic music genres, whereas upper middle or upper class were more likely to listen to stations that played either US/European pop music or a mixture of imported Brazilian music.

He also found out that upper middle class global cultural capital tends to be more focused on the United States and less on Europe, perhaps because physical access to the United States is cheaper, study of English as a foreign language is more prevalent, and because US culture is much more widely available in mediated forms.

Finally he describes the Brazilian MTV as an interesting case of globalization aimed at the upper, upper middle, and some of the middle class in Brazil. MTV Brazil is a joint venture between MTV and the large publisher Editor Abril. It plays 70% to 80% US and European rock and pop music videos, but only targets the upper 20% to 30% (in terms of income brackets) of the population. A 1997 audience study of eight major urban markets proves that it works. 22% of MTV's audience tends to be upper class, 44% upper middle class, 28% middle class, 6% working class and none of the poor (Straubhaar 2003: 83-105).

In summary, despite the fact that this theory handles the use of television and not music, it concerns Brazil and not Argentina, and it is from a perception point of view and not from a production, this article is considered to be interesting. Namely, theories on television could also be suitable for music, as they both discuss cultural products. Brazil is expected to be culturally close to Argentina as they are neighbouring countries. And finally, since perception is considered to influence production, a perspective has also to be taken into account to understand the total Argentinean music industry. However, these issues will rather be used as points of interest rather than as spearheads of the research.

2.3 Two Argentinean Music Genres

In the search for theory which connects the previously mentioned theoretical concepts and the Argentinean situation, appeared that articles on the Argentinean music industry are mainly focused on the history and influences of particular music styles or genres in society. Articles by Azzi (2002), Peiro & Fairley (2000) and Vila (1987), mentioned in the forthcoming sub paragraphs, are examples of this focus on the embedding of (a certain type of) music in society. The theoretical implications of two genres -*rock nacional* and tango - are a result of regular appearance in literature, and known to be popular in Argentina.

2.3.1 Tango

Argentinean tango music became popular at the end of the nineteenth century and thanks its diverse character to a great extent to a demographic development. Between 1821 and 1932, Argentina was the second largest destination for immigration in the Americas. This influenced the content of music and the development of culture within the country. Tango has its roots in the Rio de la Plata area where immigrants arrived. The genre unites African, American and European cultural and aesthetic elements into a complex, popular genre that involves dance, music, poetry, philosophy, narrative and drama. With immigrants assimilated into the Argentinean society, according to Azzi (2002: 25) the tango itself symbolizes the acceptance of diversity and the inclusion of marginality within the system.

The origins of tango lie within the lower classes of society and the genre first developed in the whorehouses of 19th century Buenos Aires. It was a cultural expression the middle and upper classes shunned until the genre became widely embraced in France. During the 1910s a number of Argentinean rich, upper-class 'playboys', such as poet and writer Ricardo Guïraldes, were responsible for the spread of the dance to Europe. This adaptation caused an increase of credibility back home, and during the 1920s and '30s (also called the 'classic era'), the tango transformed, with help of Carlos Gardél, from an essentially low-down dance form to a song style, which became popular among Argentineans of widely differing social classes. In this period a 'Golden Age' started and this inspired a new generation of bandleaders like Osváldo Puglíese, Hector Varela and Aníbal Troilo to sustain enormous popularity throughout the 1940s. With the end of Peronism and the coming of rock'n roll, during the 1950s, the importance of tango faded. In this period, Astor Piazzolla's new approach to tango – seeing it as a serious music genre and not just for dancing - first encountered strong opposition. However, after the fall of the junta in 1983 it opened the way for other radical transformations. From here, a fusion of tango and rock, *tango-rockéro*, developed. Nowadays people speak about a 'revival' of tango in Argentina, but also in other parts of the world – particularly Europe (Peiro & Fairley, 2000: 304-

312). According to Pablo Ziegler, a famous Argentinean composer, tango was and still is interwoven in society to a great extent. He argues:

> 'Tango is the music that represents us, and it is also humor, play, dance, roguishness. It is our *canyengue* ['street language'], equivalent to swing plus slang. Defiant and exhibitionist, the authentic tango expresses *mugre* ['filth'] and *roña* ['fight']. It is provocation, sensuality, ease and a quarrelsome temper. (...) They [the mugre and canyengue] became a note, an inflexion, a challenge and a provocation. No matter the context, tango must express *camorra* ['provocation'], which is how its roots are preserved.' (Azzi, 2002: 38)

From the previous theory follows the expectation that tango music is still greatly embedded in Argentinean society. However, tango is considered to be a niche genre (CAPIF, 2008), what might imply that the major record companies could treat it as such.

As briefly mentioned in the former paragraph, the current immigration from people originating from other Latin-American countries to Argentina is expected to be an important issue. This could influence the music (industry), as it did at the time when tango emerged.

2.3.2 Rock Nacional

While the original *rock nacional* was produced in the 1960s and '70s, the genre experienced a revival of popularity in the early 1990s. In its initial stage, *rock nacional* fulfilled something other than an aesthetic function. It did not refer to a homogenous style of music or to a common artistic level, but to the unity of the phenomenon of youth culture that it embraced. The values of this youth culture clashed with those of the military regime, which ruled at that time.

The *rock nacional* movement established itself, as a sphere within a 'we' was constructed. This was principally expressed during concerts that attracted tens of thousands of people and features that ran in the popular magazine *Expreso Imaginario*, with print ran in excess of 15,000 copies. In this way, *rock nacional* broke with the monopoly of discourse that the regime attempted to establish. According to Vila (1987: 133), no noticeable increase in sales of records in this genre, proved that the popularity of this genre was a social necessity rather than an aesthetic matter. The worldwide boom of disco music and the climate that changed as a consequence of the World Cup hosted by Argentina in 1978, the genre became less popular. However, when the military regime lost legitimacy in 1980-1981, *rock nacional* underwent a renaissance. The movement also became more diverse (for example university students appeared at concerts in massive numbers, which hadn't been seen before) what caused some internal dissidence. During this period, the reaction of the military regime changed from repression to a strategy of dialogue with the movement. But the movement redoubled its efforts on the assault on the dictatorship. On the eve of the Falkland War, concerts swelled to a size never seen before, songs were of an increasingly oppositional content and there was a strong anti-military climate among the audience. *Rock nacional* had a great political influence because the youth found solid arguments (the conviction of being in no way responsible for the disaster) and courage from this expression of culture to confront the repression.

However it was not only social aspects that determined the popularity of the genre. The decision by the authorities to ban any music in English, as a result of the Falkland War, caused a rise in fame of *rock national* on a larger scale. Massive coverage in the audio-visual media became possible, which had denied space until then (Vila, 1987: 139-141; 144).

Rock nacional, despite all the attention and popularity, did not become a great commercial success during this period. The rock movement in Argentina namely recognized a fundamental fear of being co-opted, exploited or 'turned over' by the system. Bands did not want to see their hard-earned money fall into the hands of producers, and therefore a constant feature of *rock nacional* was that groups broke up at the moment of their greatest success. Another reason for this early separation, is that creative development was always considered to be of a greater importance than commercial success. Bands often would rather break up, than become less exceptional (Vila, 1987: 144-145).

Several points of interest follow from this theory about *rock nacional*. The historical function of music as a social necessity rather than an aesthetical one could still influence the way consumers handle music in Argentina. It also shows that the influence of politics on the music industry should be taken into account. Finally it leads to the assumption that commercial success is not always an indicator of the influence of a certain music genre on culture. This research will therefore look beyond sales numbers.

2.4 Main and Sub Questions

This theoretical framework explains scientific perspectives on (global) music industries in general, the influence of cultural globalization on music and two music genres which are supposed to be significant in Argentina.

As briefly mentioned in before, it is important to note that there are not yet many theoretical insights available about the specific Argentinean situation. This research is therefore mainly explorative in character. The previously discussed theory serves with this as a framework, which is expected to be partly applicable to the Argentinean situation. However, since these theories are mostly written from a Western perspective, the practical situation may also point out that the Argentinean situation is different. Therefore, enough room is left for new discoveries and different interpretations.

As a result of the previous sections, the next main and sub questions have been formulated to research the Argentinean music industry:

How do major record companies in the Argentinean music industry handle domestic products and in what way is this influenced by globalization?

To answer this question, the next sub questions must be answered first:

1. What Argentinean characteristics could influence the country's current music industry?
2. What did the commercial development of the Argentinean music industry look like in the past decade?
3. What does the structure of the Argentinean music industry look like?
4. In what way is the Argentinean music industry influenced by digitalization?
5. In what way is the Argentinean music industry influenced by globalization?

The next chapter focuses on the methodology used to research these questions.

3. Methodology

To answer the questions with which the theoretical framework is concluded, the methodology described in this chapter has been selected. The contents of this methodology are explained, along with the reasons behind choosing it and the concrete way in which it is applied to the research.

3.1 Selection of Methodology

The main analytical perspective in this research is the scientific tradition of New Institutionalism, developed by DiMaggio & Powell (1991). The central aim in this approach is to discover how particular types of organizations and practices come to dominate a certain field and in what way assumptions concerning the nature of the enterprise become commonplace within this field. This approach assumes that in a response to an unstable market like the music market, companies collectively develop operation and organization manners, institutions. New Institutionalism assumes that these manners are taken-for-granted principles that guide the business of the company.

Practically this method is an attempt to expose the working methods and strategies that are used by the Argentinean record companies and the significance attributed to them. The interpretative approach is with that considered the best way to investigate a creative field like the music industry. As described before, it is expected that the deeper 'hidden' aspects of the organization, such as mindset, belief systems, values, motivation and emotions, play a considerable part in decision-making. For that reason, the perspective of the employees is taken as a starting point. The focus lies on the way meaning is constructed out of events and phenomena, in what way this meaning influences the behaviour of the firm and what the outcomes of that behaviour are (Weick 1979, in Küng, 2008: 122).

With this, a qualitative research method is expected to be useful. Following Strauss & Corbin, by qualitative analysis is meant to be:

> A nonmathematical process of interpretation, carried out for the purpose of discovering concepts and relationships in raw data and then organizing these into a theoretical explanatory scheme (Strauss & Corbin, 1998).

A qualitative research method is considered suitable for the exploration of a new field. As not much is known about the Argentinean music industry, it seems reasonable to use this method. In addition, this type of research method can obtain intricate details about phenomena such as thought processes and emotions (Strauss & Corbin, 1998: 11). Since these aspects could be bases for decision-making, as argued in the theory of New Institutionalism, this seems a proper way to find an answer to the main question.

Generally, the final aim of this research method is to obtain 'grounded theory'; theory that is derived from data, systematically gathered and analyzed through the research process. Theory is taken as a starting point, but at the same time there is enough room to allow the emergence of (new) theory from the data. This should result in the offering of insight, enhancement of understanding and the provision of a meaningful guide to action (Strauss & Corbin, 1998: 12). Even though this method seems an appropriate way to shape the research, considering the explorative nature of this research, the aim is not to develop a complete new theory, but to conclude with grounded theoretical remarks which have relevance with respect to the existing theories.

3.2 The (Practical) Development of Grounded Theory

To achieve 'grounded theory', the three stages of description, conceptual ordering and theorizing are passed through. This paragraph describes, with the explanation of these three stages, the concrete realization of the research.

3.2.1 Description

According to Strauss & Corbin 'description' conveys ideas about things, people and places by drawing on ordinary vocabulary. It (implicitly) embodies concepts and could be the basis for more abstract interpretations of data and theory development (1998: 16, 18, 19).

For this research, this concretely meant data gathering. From the theoretical framework, guiding sensitizing concepts and specific expectations about the Argentinean situation were deduced, which formed the framework of the data gathering. Given these concepts, choices were made in which general (factual) information on the one hand and topics for more specific (personal) information on the other, received attention during the research. This first type of information was conducted by document analysis and explanatory interviews, while the second kind resulted from semi-structured in-depth interviews.

3.2.1.1 General Information

The first type of information that is collected is general information. To obtain a first impression of the Argentinean music industry, explanatory interviews with the famous Dutch tango musician Carel Kraayenhof and an Argentinean independent producer Hernan Ambrogi (HA) were conducted in the Netherlands. Because they are considered to be experts on the Argentinean music industry, a first impression of the industry could be deduced, serving as a starting point for the foundation of the research framework.

Within Argentina, more specific information was gathered by consulting different sources. As a result of the theoretical framework, it was expected that the music industry be influenced from many different directions outside the actual industry. Therefore general characteristics of the country and information about the media landscape were expected to be essential for a research on the music industry. In the first place, general information of the politics and economy of the country has been drawn from different sources like the Columbia Encyclopaedia and the BBC. These sources were chosen because they have the reputation to be reliable.

Secondly, as it was believed that the media landscape is essential in the functioning of the music industry, it was tried to provide a proper image of this media landscape in Argentina. Explanatory interviews were held with a press promoter, radio promoter and label manager, a marketing director (who has fifteen years of experience in television, along with being the director of two important music channels), a sales and business development director (who specializes in new media and the adaptation to the new, digitalized industry) of one of the major record companies in Argentina. These interviews were aimed at the gathering of factual information, but since these respondents were considered to be subjective, much of this information was checked by different sources.

Research was also done to reveal the commercial development of the Argentinean music industry and to answer the second sub question. As it was believed that this information is essential in getting a complete overview of a music industry and that the opinions of employees could differ from the actual truth (which could be very revealing), these commercial facts are considered to be indispensable for the research. Important sources in this matter were documents of the *International Federation of the Phonographic Industry* (IFPI) and the local office in Argentina, the *Cámara Argentina de Productores de Fonogramas y Videogramas* (CAPIF). These organizations represent all majors and most of the independent record companies in Argentina (CAPIF), and the information is therefore considered to be reliable and useful for the research. The annually distributed reports, 'The Recording Industry in Numbers' of the years 1999 to 2009 and a report on the behaviour of the Argentinean music industry in 2008 were consulted and two interviews were held with the executive director of the CAPIF.

3.2.1.2 Specific (Personal) Information

The most fundamental data for the research is personal information gathered through semi-structured in-depth interviews with people working in the Argentinean music industry. In addition to the eight interviews mentioned in the previous paragraph, I have conducted nine interviews in order to find answers to these more central questions. The interviewees were two Marketing Managers, two Marketing Directors, a Managing Director and a Country Manager of the local branches of Universal Music Argentina, EMI Music Argentina and Warner Music Argentina. A Vice President of Digital Business Latin America and the Iberian Peninsula of one of these majors was also interviewed. Furthermore, the Managing Directors of two independent music companies, EPSA and Leader, were consulted.

The interviews were semi-structured in-depth interviews. They were prepared by the construction of topic lists, which contained topics that had to be discussed. These topics followed from expectations derived from theoretical framework and were subdivided into questions, which functioned as guidance during these interviews. But these topics were not static: the order in which they were actually handled often differed from the prepared order and there was enough room for other topics if the conversations led in a different direction. For the interviews with the Marketing Directors and Country Manager of the majors, an almost identical topic list was used. With the Managing Director of a major, a different topic list was constructed, because this interview aimed to gather more general information about the music industry and decisions on the highest (local) strategy level. The topic list for the interview with the Vice President of Digital Business was aimed more at new media and the regional strategy level. Finally, the topic lists for the independents companies were different, because they were more aimed at general features of the music market and issues which specifically distinguish the independents from the majors. Nevertheless, all different topic lists contained some overlap.

All interviews were conducted in June, July and August 2009. Except for the interview with the Vice President of Digital Business (which was held by telephone), all interviews took place in the offices of the interviewees. Each was recorded and almost all were fully transcribed afterwards. Most of the interviews were held in English, some in Spanish and some in a mixture of the two languages. The interviews that were (partly) held in Spanish were translated into English afterwards. All these transcripts are included in the appendix.

3.2.2 Conceptual Ordering

The second stage in theory development involves 'conceptual ordering'. According to Strauss & Corbin, this refers to 'the organization of data into discrete categories according to their properties and dimensions and then using description to elucidate those categories'. Dimensions and properties enable a differentiation of items between and within classes and thus show variation along a range (1998: 19). As Wester & Peters (2004: 15, 16) suggest, in this phase it is tried to undergo the process of reconstruction to objectivation.

3.2.2.1 Analysis of General Information

For the first data category – general information – document analysis determined most of the outcomes, whereas the explanatory interviews were principally used as a guidance. To develop chapter 4, which handles characteristics of Argentina which are important for the music industry, sources like the Columbia Encyclopaedia and the BBC have been consulted. Issues like the military dictatorship and the financial crisis occurred regularly, what resulted in the assumption that these events have been influential to the current status of the country. Besides, these issues have been mentioned in the explanatory interviews, what also formed a motive to describe them. The concepts 'general characteristics', 'politics' and 'economy' appeared to be proper categories to place these issues in a framework, as is visible in chapter 4. To shape the fourth concept 'media landscape' common sense on the one hand and indications of the interviewees on the other, functioned as starting points. Beforehand it was considered that the extent of consumption and the important players in the market of each medium would be interesting information. These concepts were therefore incorporated in the topic lists and the information this brought forth was checked with several sources. In the second place, comments of the interviewees served as guidance in the conceptual ordering process. As visible in chapter 4, the result is a description of the part of the media landscape that is considered to be important to the music industry.

The explanation of the commercial development of the Argentinean music industry, as visible in chapter 5, follows from the documents released by the IFPI and CAPIF. These documents have been extensively analysed and concepts which regularly appeared and had an interface with the central question have been mentioned and explained. These concepts are 'general sales', 'repertoire origin', 'divisions between majors and independents' and 'piracy'. With this, there is searched for trends in the past eleven years, after which explanations have been sought for these developments. The possible clarifications have been questioned to the general manager of the CAPIF in a second interview. His comments have been incorporated and this resulted in the analysis as visible in chapter 5.

3.2.2.2 Analysis of Specific Information

The second data category – semi-structured in-depth interviews – needed a different analysis method. While keeping the sensitizing concepts which were developed in the first phase in mind, the meaningful truth is made objective in concepts. To do so, findings categories were compressed and re-divided by repeating several times the cycle of data gathering and analysis – reflection – checking (2004: 15, 16).

Concretely this meant that first the transcripts have been divided into concepts as 'company structures', 'global, regional and local offices and strategies', 'influences of internet/digitalization', 'new business models', 'influence US/UK', 'domestic music abroad' (phase of analysis). These concepts have been tried to be placed into the categories which resulted from the sensitizing concepts 'Argentinean characteristics', 'commercial development', ‘structure’, ‘digitalization’ and ‘globalization’ (which had followed from the theory), but it appeared that nuancing of the categorization was necessary; reflection took place. Then the categories ‘handling music’, ‘digitalization’, ‘globalization’ and ‘extra’ (which was a collection of information which didn’t perfectly fit one of the other categories) have been developed, after which the concepts have been roughly divided to them. The next step was the ordering of all comments in new documents corresponding the categories, in order to make clear which comments were made on which concepts by who. It appeared that the interviewees agreed on some topics and disagreed on others. This information has been checked again with the data (the phase of checking), in which the interplay between perceptions, general (factual) information and theories has been analysed (phase of analysis). A more in-depth analysis was possible, and when appeared that these new findings are in accordance with earlier data (phase of reflection), the sub questions could be answered.

3.2.3 Theorizing

According to Strauss & Corbin (1998: 21, 22) the systematic development of the outcomes of an analysis into a theory takes place in the third stage of ‘theorizing’. After the concepts (or ideas) have been conceived as described above, they were formulated into a logical, systematic and explanatory scheme. After taking into account different angles and perspectives, hypotheses about the relationships between concepts have been made. Central was the interplay of making inductions and deductions.

Practically this meant, that while drawing the conclusion appeared that the categorization of the concepts had to be adapted once more, as the division in sub questions didn’t directly lead to the answering of the central question. This resulted in the development of the categories ‘general characteristics’, ‘structure’, ‘digitalization’ and ‘globalization’. It became clear which features of the Argentinean music industry are striking and in what way theory would have to be adjusted to fit the Argentinean situation. By looking at the results from a meta level, the most remarkable findings have been related to each other. These outcomes, which are adaptations on existing theories, can be considered as grounded theoretical concepts.

4. Characteristics of Argentina Important for the Music Industry

In this chapter, with general information it is attempted to answer the first sub question: *What Argentinean characteristics could influence the country's current music industry?* First, it is divided into general characteristics: a short history and current situation of politics and economy. Argentina's (recent) history has been turbulent and is expected to continue influencing the current society and therefore also the music industry. In addition, the media are seen to have great importance to the music industry and therefore this chapter is concluded with a description of the Argentinean media landscape.

4.1 General Characteristics

2,8 million sq km in size, Argentina is the second largest country in South America (UN, 2008 in: BBC). It counts more than 40,5 million as inhabitants (IFPI, 2009: 73), most of whom are of European ancestry, with a small population with Mestizo, Indian and Arab forefathers. The official language is Spanish, the most common religion is Christianity (Roman Catholic, but also Protestant) and next to this, Islam and Judaism are practiced (Britannica Encyclopaedia). The median age is 30 years (IFPI 2009: 73) and the life expectancy is 72 years for men and 79 years for women (UN on BBC, 2009). The GNI per capita is US$6,050 (World Bank, 2007 on: BBC, 2009). The monetary unit is the Argentine Peso.

The capital of Buenos Aires is home to more than 12 million inhabitants (Britannica Encyclopaedia), the beating heart of the country's politics, economy and culture.

4.2 Politics

At the beginning of the sixteenth century, Argentina was colonized by Spain. In 1816 the country achieved its independence, but national boundaries were not set until the early twentieth century.

At the end of the nineteenth and beginning of the twentieth century, a huge amount of immigrants arrived in Argentina. Almost half of them were from Italy, one-third from Spain and substantial numbers came from France, Poland, Russia, Germany and Great Britain.

In 1943 the government was overthrown by the military, ending in 1946 when Colonel Juan Perón took control. He was removed from power in 1955 but returned in 1973 after two decades of internal disorder. On his death in 1974, his third wife Isabel became president, but she was brought down by another military coup in 1976 (Britannica Encyclopaedia). This was the start of a seven-year 'Dirty War', in which tens of thousands presumed dissidents 'disappeared'. Their bodies were never found (BBC, 2009). This period ended in 1982, when the country entered the Falkland War. In this war, the military government tried to take over the

Falkland Islands (Islas Malvinas). They were defeated by the British and as a result, the government returned to civilian rule in 1983 (Britannica Encyclopaedia).

Over the past three decades, Argentina has suffered from bad economical conditions (as described in the following paragraph) inextricably bound to the political climate. Despite the assumption that the political situation in this period had been more stable than in the previous decades, riots occurred several times. Examples include the nationwide food riots in December 2001 and the protest of farmers against increased export taxes on farm products in March 2008 (Columbia Encyclopaedia on: NY Times). Since 2003, 'the Kirchner's' have been president (first Néstor Kirchner, and from 2007 his wife Cristina Fernández de Kirchner), but the loss of the mid-term election in June 2009 shows there is still a lot of dissatisfaction with the government.

4.3 Economy

Argentina's economic history can be characterized by periods of extremes. At the beginning of the 20th century, Argentina was one of the wealthiest countries in the world, thanks to being an important exporter of corn, flax and meat. However, between 1930 and 1980, Argentina's economical position decreased dramatically to a status comparable to that of a developing (Third World) nation. In this period, in response to the Great Depression, it was attempted to transform Argentina into a self-sufficient country in industry and agriculture, through a strategy of import substitution.

This period ended in 1976 when import barriers were lowered, liberalized restrictions on foreign borrowing became valid and the Peso became supported against foreign currencies. At the same time, growing government spending, large wage increases and inefficient production produced chronic inflation that rose through the 1980s.

In the early 1990s, the government strived for economic austerity. This resulted in inflation by making the Peso equal in value to the US Dollar and the privatization of several state-run companies (to reduce the national debt by these proceeds). An influx of foreign capital and increased industrial productivity helped to revitalize the economy. But in 1995, after a devaluation of the Mexican Peso, further austerity measures were adopted by the government.

A recession at the start of the new millennium resulted and it developed into a financial crisis in 2001-2002. In this period, the government failed to pay foreign debt and again devaluated the Argentine Peso. But by the middle of the first decade, the country's economy had recovered. Considerable growth of GNP was reached, foreign investment was renewed and the unemployment rate dropped significantly (Britannica Encyclopaedia). Nevertheless, nowadays a quarter of the Argentine population lives in poverty, and any rise in prices of basic commodities is likely to have a devastating impact (BBC, 2009).

4.4 Media Landscape

The media market in Argentina is believed to be one of South America's leading media markets. There are over 150 daily newspapers, hundreds of commercial radio stations, dozens of TV stations and one of the highest user rates of cable TV in the world (BBC 2009). In addition, the rate of internet users and broadband provisions is growing, but still not very high (Business Monitor International, 2008: 13).

During the military dictatorship, most press was censored and there were harsh laws to prevent opposition by the media (Trigona, 2009). Also, during the Falkland War, the regime prohibited the broadcast any music from England or in the English language. Nowadays, media freedom is guaranteed by the constitution (BBC, 2009). Nevertheless, recent history has shown a turbulent relationship between the government and the media, but this is not related to cultural issues like the music industry. According to the interviewed promoters, the current government policy on media is very loose (NF, AdF, FF1, AD). For TV there is a policy of restricted times in which content with cigarettes, alcohol and sex can be broadcasted. For TV and radio there is also a maximum amount of time permitted for advertising per hour, but these rules often aren't observed and the broadcasters do not get fined if they break them. In general, the media are fined very rarely and only in cases of insulting the government or use of very incorrect language (AdF, FF1).

With only one state-owned radio station and television channel, public broadcasting plays an insignificant role. Large media conglomerates dominate the market and the main national networks are privately owned (BBC, 2009). Besides Grupo Clarín, all conglomerates are divisions of multinational parent companies. The influence of these foreign companies is questionable. On one hand, most of the channels taken over by the multinationals are of Argentinean origin and are still led by Argentineans in local offices (FF). On the other hand, content might also be influenced by media, like the Disney Radio or the HBO channel, which are from USA and broadcast only American content. Critics state that this concentration caused a lack of content diversity, since international formats, which are adapted to the Argentinean market, are gaining popularity (Trigona, 2009).

Another important aspect of the Argentinean media landscape and the music industry in particular is that, in consideration that the country is very large, Buenos Aires has a determining influence on media content and the Argentinean culture in general. Regarding the music industry, this could be a result of the strong cultural identity the city historically has, thanks to the development of the tango. Nowadays this is visible in the fact that the city provides accommodation to local offices of the four majors and about seventy independents, recording studios and duplication plants (OIC, 2005: 51). An employee of a major describes this domination by the fact that there are about five other important cities, but that if 'something happens' in the capital, it will spread through the rest of the main cities. Airplay or sales in different parts of the country are of such small importance, that it would never define a strategy (AdF). Besides, Buenos Aires can maintain its dominant position because a large amount of people lives in a relatively small area. This allows the city to have many cultural events like concerts, easily attracting enough people to sell a sufficient amount of tickets. According to a Managing Director of one of the majors, this causes a huge stimulation of cultural expressions and made the Argentinean culture more developed and of a greater importance to the people than it generally does in other countries (MP).

The great attendance at concerts is only one expression of the importance of music in Argentina. According to an employee of a major record company, music is one of the top entertainment forms which Argentineans consume. Different from countries like neighbouring Chile, she argues that Argentineans are very loyal to music. Even in financially difficult times, many Argentineans continue to consume it (AO).

Obviously, the Argentinean media landscape in general and the music industry in particular are changing rapidly as a result of digitalization. This will be extensively discussed in paragraph 6.3. In the following subparagraphs, the current positions of the different media and their importance for the music industry are described.

4.4.1 Press

Even though the consumption of newspapers and magazines has declined in the previous decades, press is still an important medium in Argentina. The consumption of newspapers in Argentina is perceived to be among the highest in Latin America. The most important newspapers are *Clarín* which is a popular daily, *La Nacion* a respected conservative daily, *Pagina 12* a left-wing daily, *Cronica* a daily tabloid, *El Cronista* which has a focus in business, *La Prensa* which is Argentina's oldest newspaper, and *Buenos Aires Herald* an English-language daily (BBC, 2009). There are also a couple of popular free newspapers; *La Razón* and *El Argentino* (NF).

Important magazines are *Revista Viva* by Clarín that appears on Sundays, teen magazines *TKM, PopStar* and *Genios*, women magazines *Para ti*, *Ohlala!* and *Cosmopolitan*, gossip magazines *Gente* and *Caras* and music magazines *Rolling Stone*, *Inrockuptibles*, *La Mano* and *Soy Rock*. All these papers and magazine are parts of the conglomerates.

In previous years, due to the spread of the internet, sales rates of papers and magazines decreased dramatically, but for the music industry, the press is still an important promotion tool. It is used as a way to inform people about (new) music and the artists. The press promoters of major record companies work with all the newspapers and magazines, which all have a section for music (NF).

4.4.2 Radio

The importance of radio in Argentina is visible through its penetration rate, which is 99% (CAPIF, 2009). It is assumed that there is about one radio per inhabitant, but the sales of mobile telephones and music capable devices with radio functions, probably even increase this rate.

Argentina has one public radio station that is supported by the government. It is called *Gold Radio Nacional* and could be compared with 'BBC Radio', according to a radio promoter of a major record company (AdF). Besides, there are hundreds of commercial radio stations, of which approximately twelve are considered to be important national stations (BBC, 2009). There is a division between AM and FM, in which the first mainly is dedicated to news provision and the second plays the most important part for the plugging of music. Important national news radios are *Radio Mitre* (private, speech-based, operated by Grupo Clarín), *Radio Nacional* (state-run, cultural), *Radio America* (private, news) and *Radio Continental* (private AM, speech-based network) (BBC, 2009).

The radio stations with the greatest importance for the music industry are considered to be *Rock and Pop*, *La 100* and *Vale*. The first mentioned, focuses on international music; mostly rock and pop, but also some heavy metal and indie groups. *LA 100* is part of Grupo Clarín and generally plays catalogue music or old time hits. *Vale* generally plays Latin music, from great names like Ricky Martin or Shakira to local artists.

Other important stations are *Mega* (which has the same owner as *Vale* and is focused on local rock bands), *Los 40 Principales* (plays cross over and teen radio), which is similar with *Radio Disney* (part of Disney USA). In addition, there are specialized stations like *Metro* (Related to *Rock and Pop,* but specialized in dance music) and the small ones; *Amadeus* (classics), *La 2x4* (tango music) and *Nacional Folclorica* (folklore).

Argentina doesn't have an official chart by sales, but several radio stations do have rankings by listener preferences (AdF).

4.4.3 Television

The penetration of television in Argentina is 62%, which includes the market for cable, pay TV and satellite (CAPIF, 2009). However, according to a former director of a music channel, the reach is estimated to be higher, about 80%. He argues that there are 7,5 million houses with cable television, and these households generally contain four people, making the total population that has cable around 30 million. He estimates Satellite and Direct TV to be 1 million, and Digital TV to be less than 0,5 million. This high reach makes TV an important promotional tool for the music industry.

In less than twenty years, the amount of broadcast channels developed from four initially to more than fifty. This latter amount also includes channels which are not originally from

Argentina. The most important national channels are *Telefe* (*Canal 11* – a leading national network, operated by Grupo Telefe), *Canal 13* (leading national network, operated by Grupo Clarín), *Canal 9* (popular national network), *America* (*Canal 2* – popular network), *Todo Noticias* (cable/satellite news channel owned by Grupo Clarín) and *Canal 7* (state-run, cultural, educational network). All channels have a commercial nature, except for the last one (BBC, 2009).

There are several music channels in Argentina. *Much Music* (which is part of the multinational Turner Television Group) has two signals and mainly broadcasts domestic, regional or Anglo music. This channel is based on a Canadian idea and has a strong concept based in interactivity. *HTV* (also part of Turner Television Group) mainly broadcasts Latin music. It is focused on the tastes of the Andean region in Colombia, Venezuela, Caribbean and Hispanic people. The third is *Quiero Musica* (Clarín Group) and focuses on Spanish music from Argentina and Latin America. Finally there is *MTV Latin America* which mainly broadcasts reality shows. MTV has five signals for Latin America and has a local office in Argentina.

4.4.4 Internet

Data on internet penetration in Argentina are assumed to be a bit unreliable. According to a report of Business Monitor International, the number of internet users in Argentina in 2009 is about 15,3 million people, which is 38 per 100 inhabitants. Despite considerable growth over the past years, broadband lines are much less widespread; there are only 3,1 million broadband users in the whole country, which is 7,8 subscribers per 100 inhabitants. In the next four years the number of internet users is expected to grow steadily to over 18,5 million internet users (44,6 per 100 inhabitants) and the number of broadband subscribers is expected to double to 5,9 million (14,2 per 100 inhabitants) in 2012 (Business Monitor International, 2008: 13). These low rates make the use of internet as an avenue for purchasing music online not very attractive.

Besides, legal ways to download music in Argentina are still in its infancy. *Bajámúsica* is the only online retailer at the moment (Bajámúsica). There has been another initiative to start a digital music service, but it didn't make headway in the past three years and closed in the middle of 2009 (LT). The international digital retailer *iTunes* doesn't exist yet in Argentina yet, but will probably open at the end of 2009 (FF2).

In short, internet is not an important player in the Argentinean music industry yet, but is expected to gain importance in the future.

4.4.5 Mobile Telephony

According to Business Monitor International, the mobile market is mature in Argentina. The penetration grew steadily over the past years and is expected to include 44,5 million mobile phone subscribers in 2009, which is 110,4 per 100 inhabitants (Business Monitor International, 2008, 11).

In the Argentinean mobile market, there are three big operators, *Claro*, *Movistar* and *Telecom Personal*, which together own 98% of the market (Business Monitor International, 2008: 14). Unlike for example the Mexican mobile market where one provider dominates the market, the market shares of Argentinean providers are pretty even. This causes a climate of competition, where the music industry can take advantage of.

Since broadband internet penetration in Argentina is fairly low, for the music industry the digital music market consists mainly of revenue from businesses with mobile phone connectivity. Mobile phones often consist of MP3 functionalities and are therefore used as music capable devices. According to the CAPIF, the penetration of mobile telephones with MP3 functionality is about 25 to 30%. There are no numbers available about the penetration of other (digital) music capable devices like MP3s, MP4s or iPods (CAPIF, 2009).

Claro and *Personal* anticipate the usage of mobile phones as music capable devices, by having digital web shops where consumers can purchase music by track. The majors and some independents closed deals with these providers and offer their content to be sold legally (Claro, Personal). This business is still in an early stage, as visible in the low penetration rate. Also there is not yet a culture of purchasing music via mobile devices, people still use their phones more to listen to music (AD). But a growth in business and therefore revenues for the record companies is visible. From several interviews with employees of record companies it can be deduced that many future opportunities are expected for (mainstream) music in mobile sales.

5. The Commercial Development of the Argentinean Music Industry

Decisions made in the music industry are often influenced – if not determined – by commercial purposes. In this chapter, the second sub question is answered: *What did the commercial development of the Argentinean music industry look like in the past decade?* The first paragraph contains the general developments of the music market, its position in the world, split up by sector and format. Secondly, the development specified to origins and repertoire is presented. In the third paragraph, the division of the market is approached by looking at the shares of majors and independent companies. In the final paragraph the levels of piracy are presented. This information is frequently compared to the Latin American and global music market in order to assess the developments in Argentina against a larger perspective. This is also achieved by researching the developments in a timeslot of eleven years. The developments between 1998 and 2008 are described, because the numbers for 2008 are the most recent numbers available and a period of eleven years seems reasonable for drawing conclusions on (recent) trends.

5.1 Developments of the Argentinean Music Industry in General

In order to get an idea of the general commercial characteristics of the Argentinean music industry, this first paragraph contains analyses of the trends in general music sales in Argentina, the position of the Argentinean music market in the world, the music sales divided by sector in Argentina, Latin America and on the global market and the music sales in Argentina specified by format.

5.1.1 Trends in General Music Sales in Argentina

By analyzing the annual physical sales in Argentina over the past eleven years, a striking trend is visible (figure I).

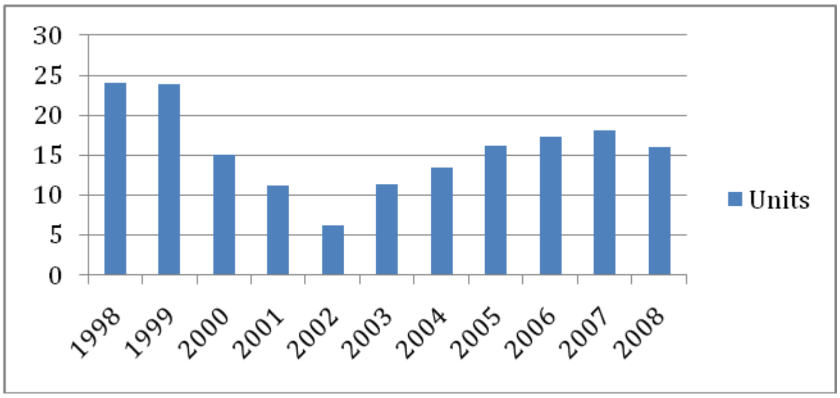

Figure I: *Annual physical sales of the Argentinean music industry in units (in millions)* (CAPIF, Mercado Argentino de la música 2008).

In 1998 and 1999, approximately 24 million units were sold, which could be considered as a peak in the Argentinean music industry. This was followed by an enormous decrease between 2000 and 2002, as a consequence of the national crisis, which took place at that same period. From 2003 to 2007, the industry underwent a period of recovery. But simultaneously, the global music industry underwent a crisis due to the digital revolution (as also described in paragraph 2.1.3). This is visible in the inexorably shrinking of the trade value of the recorded music market since 2000. Physical sales fell extremely sharply and this could not be compensated through digital sales, which increased on average. This development coincided with the explosion in availability of copyright infringing music on file-sharing networks (IFPI, 2009: 3), causing music industries around the world to experience an enormous downfall. This global industry crisis could be a reason why the Argentinean recorded music market never recovered to the level it had at the end of the nineties. However, it grew by an average of 26,9% annually between 2002 and 2007, which is, given the international crisis in the industry, a surprising development.

The decrease in sales of -12% in 2008 could be an indication that the industry is affected by the global monetary crisis. However, the relatively small number shows that it is only to a certain extent.

5.1.2 The Position of the Argentinean Music Market in the World

To evaluate the general position of the Argentinean recorded music market in the world, the overall Argentinean sales must be compared to the overall Latin American and global sales. Therefore, the world ranking is researched. Figure II below shows the development of Argentina's position in the world ranking.

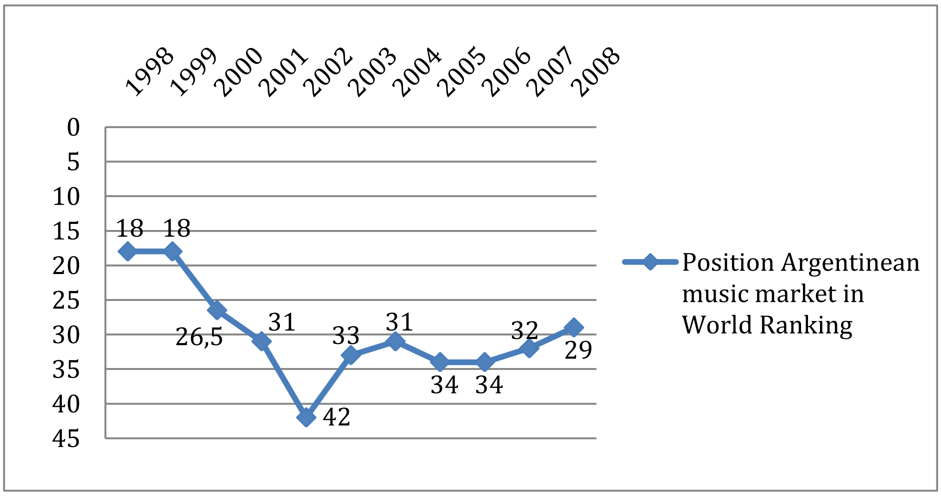

Figure II: *Position of the Argentinean music market in the World Ranking of music markets*[1] (IFPI, The Recording Industry in Numbers 1999-2009).

[1] The IFPI used different methods throughout the years to measure Argentina's position in the world. The different research methods sometimes caused differences in the positions in the world ranking, but these never made a larger difference than seven points. In these cases, the average between the two numbers is

In Figure II, nearly the same trend is visible as in Figure I, which shows the annual physical sales of the music industry. In 1998 and 1999, the position of the Argentinean music market in the world was high - it was even consisted to be among the top 20 world music markets. The decline due to the 2002 crisis becomes visible in a drop with 24 positions, to 42nd place.

The recovery of the Argentinean market is visible in the unit sales and the position on the world ranking in 2003 and 2004. But in 2005 and 2006, the units increase whereas the position between 2004 and 2005 decreases (from 31th to 34th). Between 2005 and 2006 it stays equal (34th). As stated in the former paragraph, a reason for this partial recovery of the Argentinean music market could be the global recording industry crisis.

In 2007 unit sales increase along with the position on the world ranking (from 32 in 2007 to 29 in 2008). Finally in 2008, the unit sales decrease, while the position on the world ranking improves. The development in these last two years could be a sign that the global monetary crisis of 2008 hasn't yet hit Argentina's music industry as hard as other countries at this point in time, since the decline in Argentina is relatively small in comparison with the global market. Another reason for this augmentation could be that the rise in world ranking just happens in 2008, after years of having a relatively stable position. This sudden rise could be caused by an unexpected event, which could possibly be the global monetary crisis.

A comment must be made about the previous explanation. The numbers of unit sales in Argentina (as shown in table I) exclude digital sales, while these are included in the world ranking. If these had been included another image could have occurred. However, since digital sales in Argentina only contain 4% of total sales (figure IIa) it is not expected to be of great influence on the relative share on the global market and therefore also on the world ranking.

Compared to other Latin American countries, Argentina occupies one of the middle positions in 2008. The IFPI (2009: 85) released the numbers of eight other Latin American countries, namely Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela. In comparison to these countries, in the total rankings Argentina (29th position) ends up in the third position. Only Brazil (11th) and Mexico (16th) have better positions. Since the difference with these leading countries is quite large and the same can be said about the position of the 'next' country, Colombia (37th) it can be argued that Argentina holds more of a middle position than a leading one.

It would be interesting to analyse the development of Argentina's position in the past eleven years in comparison with other Latin American countries, but since only the ranking of 2008 is consulted, this is not possible.

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used as the position in the world. It is chosen to use this method (whereas it might not be totally correct), because the trend is supposed to be of more importance than the exact numbers.

5.1.3 Sales Divided by Sector in Argentina, Latin America and Globally

The break down of sales in Argentina compared to the Latin American and global market gives indications about its development. As a result of digitalization, the break down in sales by sector has changed considerably in the past decade. Figure IIIa-d shows the current situation in the Argentinean, Latin American and global music markets.

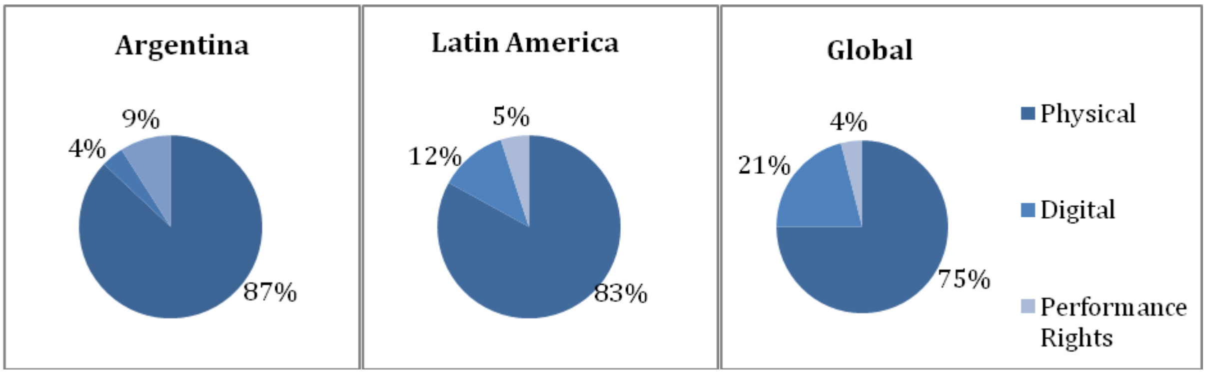


Figure IIIa-IIIc: *Recorded music sales (trade value) divided by sector in Argentina and globally in 2008 (IFPI, The Recording Industry in Numbers 2009: 5, 10, 73).*

Figure IIId: *Changes in Recorded Music Sales (trade value) by sector between 2007 and 2008 and positions Argentinean Recorded Music Sales by sector in world ranking (IFPI The Recording Industry in Numbers 2009: 5, 6, 10, 73).*

	Argentina	**Latin America**	**Global**	**Position Argentina in World Ranking**
Physical Sales	-3.0%	-10.3%	-15.4%	27
Digital Sales	+28.6%	+46.6%	+24.1%	37
Performance Rights	+25.5%	+16.7%	+16.2%	24
Total	**-0.1%**	**-4.7%**	**-8.3%**	**29**

The above figures show the physical sales in Argentina have a bigger share (87%) in total sales than is the average of the Latin American countries (83%), and much bigger than is the case in the global music market (75%). As figure IIId shows, the decrease of physical sales in Argentina is significantly smaller (-3.0%) than in the Latin American market (-10.3%), and the difference is even bigger when compared with the global market (-15.4%).

In addition, the digital sales in Argentina have been considerably smaller share in the total music sales (4%) than this sector has in the Latin American market (12%) and the global market (21%). The growth rate of +28.6% is a little bit bigger than the global average growth (which is +24.1%), but only nearly half the average Latin American growth, which has the amount of +46.6%. This percentage seems very high, but since digital sales still are of a very small percentage of the total sales, its value should be seen in perspective. However, it can be concluded that the Argentinean market is becoming more digitally orientated, but at a slower pace than other Latin American countries. It can be argued that Latin America is behind the global market, what makes the Argentina relatively seen even more behind the global trend. This can be confirmed by looking at the positions on world rankings of the different kinds of sales (figure IIId). According to the IFPI, reasons for the backward online digital market in Latin America, are illegal downloading, low levels of trust about purchases made online and lower credit card penetration (IFPI, 2009: 10). It is believed that these findings also can be seen in Argentina.

Finally, the share of performance rights in the Argentinean music market is striking. It consists of 9% from total recorded music sales in comparison with 5% on the Latin American market and 4% on the global market. Traditionally, Argentina has been one of the leading countries in the world enforcing the protection of these rights. Since 1974, the AADI-CAPIF has made great efforts to develop this business unit, what could explain the relatively high amount of performance rights (JD2).

The growth of revenue between 2007 and 2008 in Argentina is also extensively higher (+25.5%) than in Latin America and the global market (respectively +16.7% and +16.2%). This could be explained by the fact that the system currently is being professionalized (JD2).

5.1.4 A Closer Look at Recorded Sales

Physical music sales in Argentina are divided as visible in figure IV.

Figure IV: *Physical recordings sales, divided by format (CAPIF 2008)*

	2008		**2007**	
	Units	*% of the market*	*Units*	*% of the market*
CD	14.257.587	89%	16.611.929	91%
Music DVD	1.651.105	10.33%	1.392.871	7.67%
Tape	62.894	0.40%	142.091	0.78%
Single	14.100	0.28%	18.056	0.10%
Total	**15.985.686**	**100%**	**18.164.947**	**100%**

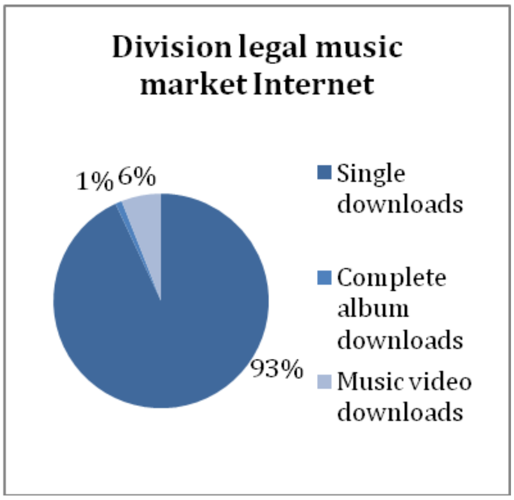
The above figure shows the physical music market generally consists of CDs. This format underwent a small decline in 2008, compared to other formats. A second place is taken by Music DVDs which actually experienced a (small) growth. While the sale of tapes declined and of singles increased, since these both contain less than 1% of the market, the changes in their share are considered not to be very influential in the overall market.

As the previous numbers show that the composition of physical sales in Argentina did not drastically change in 2007 and 2008, the developments in popularity of physical sound carriers is not considered to be a great influence on the overall analysis of the music industry.

Digital music sales in Argentina are divided as follows:

Figure Va: *Digital sales by sector.* 'Other' includes ad-supported revenues and other digital amounts (IFPI, The Recording Industry by Numbers 2009).

Year	Online	Mobile	Subscriptions	Other
2004	-	-	-	-
2005	-	-	-	-
2006	9%	91%	-	-
2007	1%	99%	-	-
2008	6%	81%	-	13%



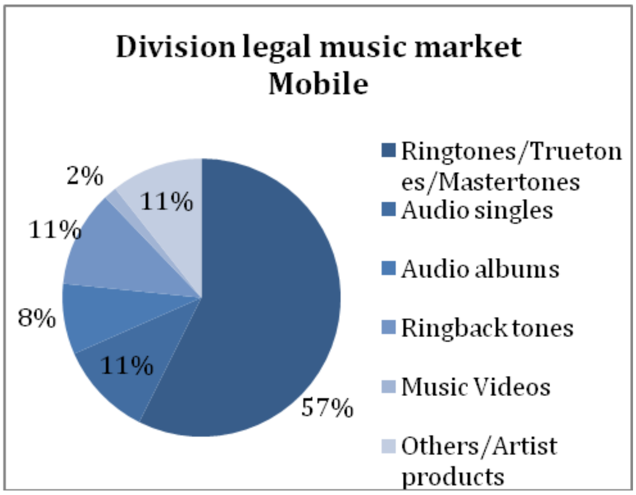


Figure Vb and c: *Division legal digital music markets in Argentina, 2008* (CAPIF, Mercado Argentino de la música 2008).

Figure Va shows that since digital sales increased in 2006, the major share has been taken by mobile sales, while online sales have continued to be of lesser importance. As visible in figure Vb and c, the legal internet music market in Argentina is dominated by the sales of singles, where this is the case for ringtones/truetones and mastertones in the mobile market. Ad-supported revenues and other digital amounts increased in 2008 and immediately took a share bigger than that of the online share. The great fluctuation of the different shares, in combination with the fact that digital sales only count for 4% of the total sales in Argentina (figure IIIa), could point at a primitive status of the digital market in Argentina.

In the Latin American market, mobile revenues count for 80% of those earned in 2008, which makes it comparable with the Argentinean situation. The share of mobile in digital sales in the global market this year, consists of only 42% (IFPI, 2009: 6, 10). From these numbers it can be deduced that the Argentinean digital market, in the area of mobile sales, is similar to the Latin American market but different from the global market. In the Latin American countries, mobile revenues are the most important digital revenues, while in the global market, internet revenues take the lead.

5.2 Developments in Music Sales Divided by Origin

While looking at recording sales divided by origin, several trends in sales, and therefore developments in the popularity of domestic and regional/international music, can be seen. The classification is based on the country where the artist is signed (IFPI, 2009) meaning that 'domestic artists' were signed in Argentina and 'regional/international artists' in any country but Argentina. The sales of domestic music in Argentina varied between 37% and 50% of the total music sales in the past eleven years, for international/regional music these numbers are 41% and 60% and the sales of classical music varied between 3% and 9%. The trends between 1998 and 2008 are visible in the following figure:

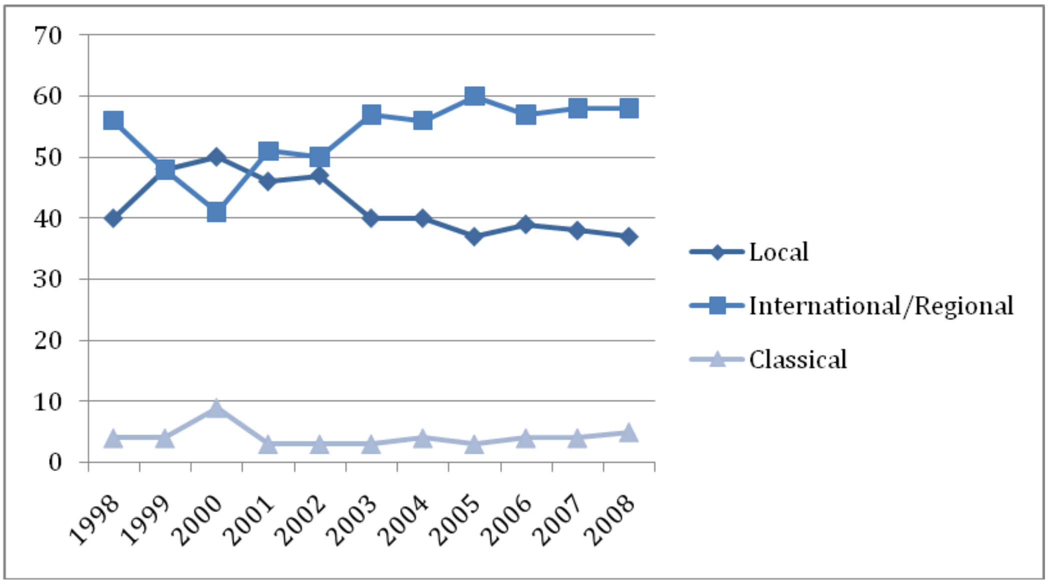


Figure VI: *Trend in sales repertoire, divided by origin (by value, exclusive multi-artist product and digital sales) in Argentina* (IFPI, The Recording Industry in Numbers 1999-2009).

The above figure makes clear that the popularity of domestic music in Argentina peaked at 50% of the total sales in 2000, but declined afterwards down to a percentage of 38% (with exception of 2005, where there was a growth from the previous year). Since the sales of classical remained quite constant (except for 2000, where is peak of 9%), the international/regional music sales showed a reverse pattern with the domestic music. After a low point in 2000 (48%), popularity grows until it reaches a peek in 2005 (60%). After a decline with 3%, it grows again until the number of 58% in 2007 and 2008.

An outstanding feature of this trend, is that the share of international/regional music became bigger, and the share of domestic music smaller, after the crisis of 2002. This relatively high level of international/regional music remained stable through the following four years. An explanation for this could be that during the crisis, the whole level of activity decreased dramatically (as is visible in figure I), causing a downturn in possible investments for record companies. Since international artists require less expenditure from the local office, because they are already developed abroad, it could have been more profitable for the companies to focus on them, instead of investing in local artists (JD2). Another explanation could be that as a result of the crisis, consumer tastes changed. A possibility is that consumers were more tempted to look outside the country's borders because they were not satisfied with the national situation. Therefore they might have preferred to buy international or regional music, instead of local. A third possible explanation could be that it is part of a cyclical trend, implying that the peak in the domestic music share and decline in the share of regional/international music between 1999 and 2001 is not a result of the crisis. Numbers from several decades before 1998 should be also analyzed to draw conclusions on this idea.

With indications that the monetary crisis of 2008/2009 will affect the Argentinean music industry in the future (as mentioned in paragraph 5.1.2), it seems too early to draw conclusions on its influence on sales divided by origin. However, it might be expected that it might have a different effect than the crisis of 2002, since it is a global crisis. Different from 2002, it might be possible that foreign countries are not able to develop new products of which Argentina can take advantage. Consequently, domestic products in Argentina would have a relative advantage and this could mean that its relative share would increase until the crisis affects Argentina. Only the near future will point out if this is to be the case.

By looking at the origins of music divided by domestic, regional and international categories in 2007 and 2008 (figure VII), the concept of cultural proximity (Straubhaar, 2003) seems to be inapplicable to the Argentinean situation.

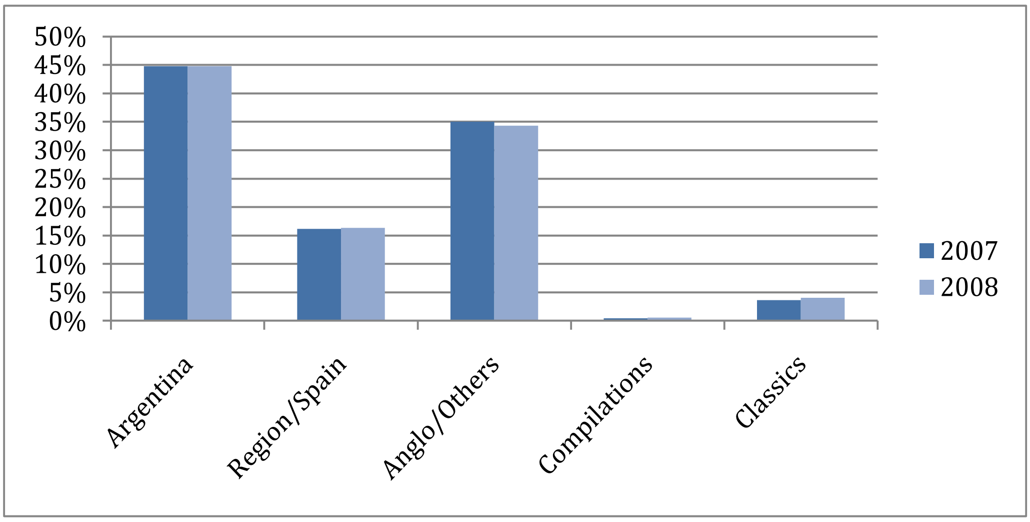


Figure VII: *Sales 2007 and 2008, divided by repertoire origin* (CAPIF, Mercado Argentino de la música 2008).

Figure VII clearly demonstrates that in 2007 and 2008 the share of more culturally distant Anglo music (from the US or UK) is relatively high in comparison to the share of more culturally proximate music (from other Latin American countries and Spain). Since the share of domestic music is only about 10% higher than Anglo music, it can be argued that Anglo music fulfils an important position in the market. Straubhaar's idea of cultural proximity (2003) therefore appears not to hold water against the Argentinean case. Apparently, cultural proximity is not of large importance in the musical taste in Argentina.

5.3 Developments in the Positions of Majors and Independents

An important characteristic of the Argentinean music market is the strong division between major and independent record companies. The next figure shows different market shares:

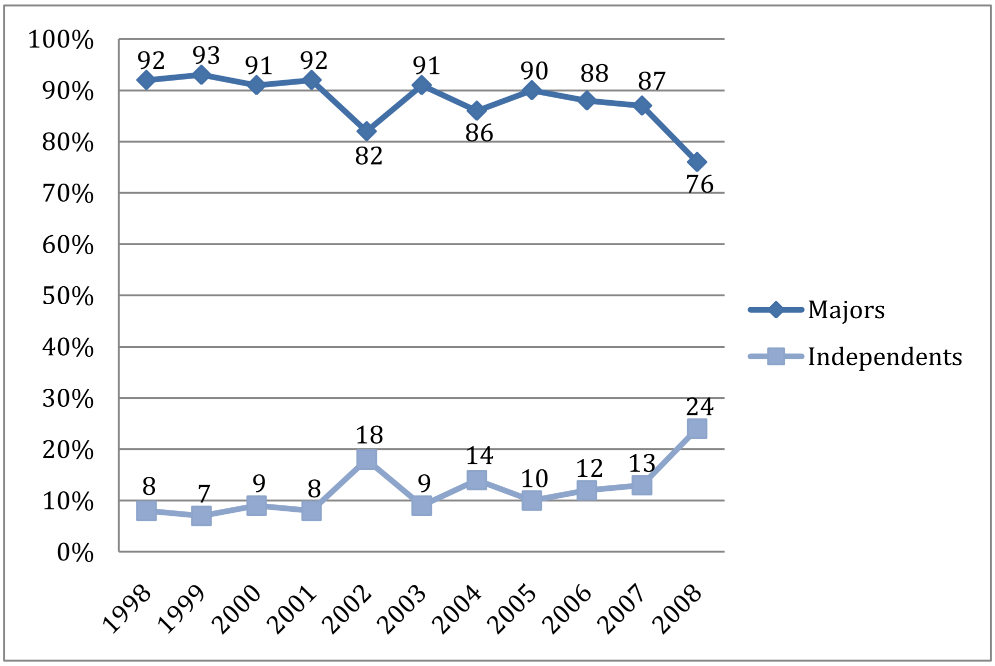


Figure VIII: *Division in market shares majors and independents in Argentinean music market 1998-2008* (CAPIF, numbers released by request, 2009).

The above figure demonstrates the dominance of the major record labels in Argentina between 1998 and 2008. The figure reveals the mean of the market shares of the majors in the past eleven years has been 88%. This number is higher than the 75%, mentioned in the theoretical framework (Küng, 2008) as being the general average in music industries. It can be concluded that the influence of independents is not bigger than in other markets, as expected, but it could have even been smaller.

However, the position of the independents became stronger throughout the years, as the majors lost market share. Except for 2002, the trend has increased fairly regularly year on year. The instant peak of the market shares of the independents and the drop of the market shares of the majors in 2002, and the further growth and decline respectively in the following years, could be explained by the national crisis. In this period, it probably has been easier for the independents to adjust to the declining economical situation, than for the majors. This could be explained by the assumption that independents are more flexible, while majors are perceived to be more unwieldy because of their complex multinational structure.

From this, the global trend described in the theory can be contradicted. Küng (2008) attributes the strengthening of the position of independents and general decline in dominance of majors to a constant increase in the numbers of independent labels and new genres. According to Handke (2006), this growth in the number of new independents entering the market is a result of digitalization. However, it seems unlikely that this is the case in Argentina since the number of new independent companies entering the market is not expected to have risen. According to the executive director of the CAPIF, the total market share of the independents grew, because they became stronger or bigger (JD2). The lower development of digitalization can be an explanation for Argentina serving as an exception from the international trend.

Interesting in this matter, is that the independent companies in Argentina, mainly handle domestic music (MP). Given the growth of independent market shares, it would be expected that the division of domestic music in total sales would become larger. However, as visible in figure VI, this is not the case. An explanation for this could be that the difference is made in digital revenues. Figure VI shows the sales of music excluding digital sales, so if it had been included, the share of domestic music could have been larger. However, since the digital sales in Argentina are just a small percentage of the total sales (as visible in Figure III), this explanation seems unlikely. Another, more likely possibility for the rise of the market share of independents, and the remainder of the share of domestic music in physical sales, could be that independents have grown in other aspects other just sales. It could be possible that they have focused on sideline activities, like the organization of live shows, which generated more income and profit. Since the majors are considered to be less flexible, they are expected to be unable to develop new business as quickly as independents. A final explanation could be that the independents take over the domestic artists which were previously signed by the majors. However, since it is not known on what exact numbers (for example sales, revenues or units) these market shares are based, not a decisive answer can be given to the question if this explanation is right.

5.4 Piracy

Since piracy is an important characteristic of the Argentinean music market, the table on the next page is considered to be interesting.

Figure IX: *Percentage of piracy in physical music sales* (IFPI, The Recording Industry in Numbers 1999-2008, CAPIF, numbers released by request, 2009).

Year	Percentage (units)
1998	10-25
1999	10-25
2000	25-50
2001	25-50
2002	>50
2003	>50
2004	>50
2005	>50
2006	>50
2007	>60
2008	60

Table IX shows that the impact level of piracy on physical music has gone through an extreme period of growth in the past ten years. It grew from 10% to 25% in 1998 to 60% in 2007 (visible in figure IX). This increase in physical piracy in Argentina could, according to the executive director of the CAPIF, be ascribed to the national crisis of 2002 (JD). In this period, the value of the Argentinean currency decreased tremendously, and consumers could not afford to spend as much money on music as before. Since the demand remained, people looked for other ways to obtain music. Cheap, pirated CDs were probably an easy alternative to broach this situation.

As visible in the table, physical piracy in Argentina nowadays is about 60%. Digital piracy is even higher and reaches 99%. The affect of this amount of piracy is severe on the music industry. The commercial loss due to these two kinds of piracy in Argentina, is estimated by A$1.200.000.000,- (which is about €219.000.000) (CAPIF, 2008).

The IFPI has not published statistics concerning piracy in Latin America in 2009, but it is expected that Argentina is comparable with other Latin American countries in this matter. Compared to the global music market, these rates are expected to be extremely high. The amount of physical piracy on the global market is namely about 30% and of digital piracy about 95% (CAPIF, 2009).

However, a marginal comment should be made, regarding these numbers. Since the music industry has a great interest in the fight against piracy, it might be possible that the numbers are slightly exaggerated. Nevertheless, it is still expected that the piracy numbers in Latin America in general are very high.

6. Music Handling by Argentinean Record Companies

In this chapter, the last three sub questions are answered. Interviews with people who work in the industry reveal what are important issues to them and how they act up to it. This information in combination with insights from theories and factual information as explained in the previous chapters, leads to answers to important questions of this research.

As the content of the record companies is considered essential to the business, in the first paragraph the popularity of several music styles is discussed. Then, in paragraph 6.2 the sub question *What does the structure of the Argentinean music industry look like?* is answered. In this paragraph not only market or company structures are discussed, but also strategies and other important features of the Argentinean local branches of record companies and the music market. Paragraph 6.3 is dedicated to changes in the industry caused by digitalization. An answer is found to the fourth sub question *In what way is the Argentinean music industry influenced by digitalization?* Finally, in paragraph 6.4 the influence of globalization is explained and an answer is found to the final sub question *In what way is the Argentinean music industry influenced by globalization?*

6.1 Music Styles

From the interviews held with people working in the major and independent record companies, it is seen that several music genres from different origins are popular in Argentina. Domestic music contains mainly of *rock nacional* (some respondents even consider Argentina to be a 'rock country' (FF , CS)), national pop music, cumbia and (electro)tango. Folklore is considered to be a rural genre, and not relevant in Buenos Aires (FF1). Taking the great importance of the capital on the music industry into account (as described in paragraph 4.4), it is believed to not be an important genre for major record companies. This might explain why it did not get much attention during interviews. Regional music (originating from other Latin American countries and Spain) contains among other things pop, rock, cumbia and reggaeton. During the time of this research, reggaeton was considered to be a hype (CS, MP, FF). Finally, next to these generally Spanish music styles, international or 'Anglo' music is popular. Here, pop and rock also take the lead, but there is a popularity of hits from the eighties and nineties too. In general, music from the UK or Europe is considered to be more popular than music originating from the United States. This will receive more attention in paragraph 6.4.3.1.

Although tango is probably the most well known Argentinean music style, it appears not to be a focus of the major record companies. As described in the theoretical framework, tango is considered to be a niche genre. Some of the majors have signed tango artists, but it is definitely not an important goal in their strategies. Remarkable in this matter is that Universal Music has a contract with Bajofondo Tango Club, an electro tango band. This type of music is considered to be more mainstream than traditional tango and therefore suits a major record company better than the traditional 'niche' tango. In spite of tango being a niche genre nowadays, the owner of an independent record company specializing in tango and folklore argues that a revival is going on. Fifty years ago it was popular, then there was a period when people were, according to her, more tempted to 'look outside', and now they are returning to it again. At the moment, the tango consists of two circles, one for tourists and one for Argentineans. The difference lies in the idea that the tango for tourists is more typical and easier to listen to. The tango for Argentineans is more varied, spreading from Piazolla to electro tango (LT). From the former follows that the embedding of tango music in the Argentinean society nowadays, is in accordance with the theory which is mentioned in the theoretical framework. However, stemming from the theory it was also expected that the influence of immigration of people from other Latin American countries to Argentina could also be an issue that might affect the music industry, like in the hey-day of tango. This was not directly brought up during the interviews, but none of the respondents talked about it spontaneously either. Therefore it is not considered to be of great importance for the current music industry.

Secondly, as a result of the importance of *rock nacional* for many Argentineans in the preceding decades, its social significance in society was taken as a point of interest during the interviews. As argued in paragraph 4.4, Argentineans are considered to be very loyal to their music. However, during the interviews, nothing about the fulfillment of a social necessity, as *rock nacional* did in the past, was brought up. Apparently, the respondents are not confronted with this significance of music on a regular basis, otherwise they would have probably mentioned anything related to it. A reason for this could be that this social necessity is instead fulfilled more by 'underground' music than by mainstream music, which is generally handled by the major record companies. The second point of interest that follows from this theory is influence of politics on the music industry. As argued in paragraph 4.2, politics are not as influential to the music industry anymore as in the hey-day of the *rock nacional*. The interviews also show a common low level of trust in the government by people working in the music industry. By asking an employee of a major what the influence of the government on the music industry is, he jokes 'What government?' He suggests that the government has bigger things to worry about than the music industry (AD).

6.2 The Argentinean Music Industry

In this paragraph the third sub question *What does the structure of the Argentinean music industry look like?* is answered. By 'structure' not only the organization of the market or record companies is meant, but also strategies and other important features of the Argentinean local branches of record companies and the music market.

First the distinctions between hits and niches and oligopolistic structure of the music market are discussed. Then, the influence of conglomerate structure of the majors on the market is explained, after which the barriers to entry receive attention. Furthermore, the company structures and with this the influence of the mother companies on the local branches are discussed. The chapter ends with the uncertainties of the music market and the strategies of the companies as a response to that.

6.2.1 Distinction Between Hits and Niches

Generally, information gathered from the interviews reveals that the Argentinean music market is not considered to be more or less hit orientated than music markets in other countries (DV, LT). However, a managing director suggests that it might be a bit less hit orientated, due to the great number of independent companies which are (in general) more niche orientated (MP). This contradicts the expectation that the extent of hit orientation might have changed as a consequence of digitalization and spread of the internet. As mentioned in the theoretical framework, a possibility would be that the (physical) declining of sales and easier access to niche music as a result of the digitalization and spread of the internet would have caused a change in the possibilities of economies of scale. This could have changed the traditional division between hits and niches and therefore the extent of hit orientation (and strategies) of the companies. However, according to the managing director, the consequence of the digitalization doesn't necessarily include that the general structure of the business changes towards a niche orientated direction. He argues that hits are needed to support a structure and to make a future catalogue (MP).

The owner of an independent company can tell from her own experience that the market did not develop into the direction of being more niche oriented. She states that in 2004, she expected this to happen and started a Digital Music Service, an online music store. It consisted of a catalogue of 600.000 songs, from both majors and independents. It was a place where collectors could find very specific repertoire, considered to be niches. Hits and niches were equally promoted on the site, but the shop didn't sell well and had to close in the middle of 2009. Because sales volume was so small, a statistical analysis to make a generalization to the whole market is not possible, but it can be stated that in this shop, between 2005 and 2008, people continued to buy hits (LT).

By asking for a prediction of the future, a marketing director expects that the hit orientation of the industry is not going to change drastically because it would have happened already. He argues that digitalization started already five to seven years ago and that nowadays

95% of the marketing still goes to the media which support hits and hit artists. In this way, the mass is pushed and are hits created. This is also visible in the fact that the media still focus on Top 40 hits, although they have the opportunity to play more niches, as a result of digitalization. From his own experience the marketing director even argues that the media play more hits now, than fifteen years ago (FF). In addition, another marketing director notices that the media play less new artists than before. They play catalogue hits because this guarantees an audience, and audience guarantees incomes from sponsors. According to him, a result is that it is getting difficult to break new artists (DV). As well, the formerly mentioned owner of an independent, suggests that there are going to be less hits in the future. According to her, this is already visible in the Latin Grammy Awards. Namely, ten years ago there were 35.000 releases annually in Latin America, with the number this year standing at 100.000. From this can be concluded that a change occurred the past ten years and this could imply that, if the development continues, there are going to be less hits and less great artists in the future. According to her, this is due to the endless space which is created by the digital developments. In the physical era, when there was little space and record companies had to choose which artists they wanted to develop, it was possible to have a few big artists (LT).

But the hits-niche question needs some nuancing. For the first marketing director, the music in the Top 40 is considered to be 'hit music', but the second one ranks catalogue music under hit music. A managing director points at an important issue in this matter by saying:

> What is a hit? There are eternal hits, season hits, summer hits that you will never hear again, but there are also hits which last for 25 or 30 years like 'Still haven't found what I'm looking for' by U2. You might still be listening to this hit, while you don't listen to the last summer hit anymore. So at the end it's a matter of songs and artists. (MP)

In addition, a country manager states that the popularity of a song or album is not always reflected in sales anymore (EV).

Finally, changes of company policies as a result of the developments in this matter have been researched. Notwithstanding the previous remarks, the companies did not seem to change their strategies into a more niche orientated policy. A marketing director emphasizes the small percentage of niches and considers them as an opportunity to go to the mainstream and become a hit (DV). According to a managing director, the possibility of niches lies in the fact that niches are not as much affected by piracy as hits. On the other hand, he states that they would never become a goal for a major record company, because with the size of a major, niches are automatically filled by music from other countries. For example, if there is a demand for French music in Argentina, what could be considered to be niche music, major record companies would not try to develop this music in Argentina to meet this demand, but would release repertoire from their sister company in France. This selling of 'foreign niches' is (already) a part of the global strategy (MP). This is confirmed by a vice-president who oversees the whole Latin American region. She argues that niche markets become more profitable thanks to digital distribution, but the profits will only partly cover the gap which is created by piracy and physical decrease. It still will not be sufficient, as a result of which the hit strategy will remain (AO).

6.2.2 Oligopolistic Structure

According to a managing director of a major, the amount of independent companies in Argentina is about forty or fifty in total, which is relatively large in comparison with other Latin American countries. He mentions as a reason for this being the pride and protectionism of domestic artists. This could be a result of the dictatorship regime and prohibition of broadcasting music in English during the Falkland War, and he states that these events caused an explosion of creativity in domestic music and *rock nacional* in particular (MP).

Despite this (relatively) large amount of independents, as visible in paragraph 5.3, the Argentinean music market consists of an oligopolistic structure in which majors are dominant. Still, one of the owners of the independents describes it as a balanced situation. Despite the lower market share, she argues that in the CAPIF, the independents have a vote which is heard. A reason for this is that they have the advantage of being favored by the government, because they handle music which is considered to be of a high(er) cultural value. Therefore they get (more) attention in the government policy (LT), what gives them a negotiating position towards the majors.

6.2.3 Conglomerate Structure

The structure of one of the researched local branches of the majors consists of publishing, marketing (which includes promotion) and finance. The company has employees who are responsible for the production, but the plant is not owned by the major. Logistics are also contracted out to a third party. This structure is probably comparable with the other branches of the majors in Argentina (MP). This makes the local offices a bit less vertically integrated than is described in the theoretical framework (Rothenbuhler & McCourt, 2004). The local offices do not own recording facilities, manufacturing plants and distribution operations, as is described to be 'common' in the theory. This difference might be explained by the fact that it is written from a Western perspective and this is more the case in big, Western, music markets.

Also, the horizontal integration is a little less than as described in the theory. The research points out, as is also visible in paragraph 4.4, that the record companies cooperate closely with the different media corporations, but that they are almost all third party owned. In some cases, deals are closed with media corporations on a global level (for example a deal with YouTube), and then the local branches are included. An exception to this is EMI, which also has a business in the licensing of television series (EV). Since this topic was just discussed for a brief time during the interview, so no conclusions can be drawn about synergic policies, or the effect this has on the marketing or promotion.

Regarding the matter of conglomerate structure, the incorporation of local companies into the revenue streams of their parental companies is considered to be important. This is arranged in 'all-included-fee' contracts (MP) considered to be no different from other countries.

6.2.4 Barriers to Entry

Since it is assumed that barriers to entry for artists are (partly) a result of the A&R policies of the record companies, this was a topic of discussion during the interviews. From interviews it was gathered that the small size of the Argentinean music market results in a strict policy regarding the signing artists by the majors. Majors can only sign a few artists, and therefore the pressure to be successful is immense. A great potential and opportunity to develop the artists abroad, at least in Latin America but globally is often a core requirement (FF, MP). According to a managing director, strategies in signing are therefore based on commercial potential and emerging trends. Physical and mobile sales are taken into account with target groups also playing a role. An analysis is made of what has been happening now and in the past in order to detect gaps in the market. He states that because Argentina is such a small market, these conditions are determining factors. In bigger markets like the US or UK, there is more freedom to sign (MP). So the former shows that in general the barriers to entry in Argentina to the national or international markets are considered to be high, which is in correspondence with the consulted theory (Rothenbuhler & McCourt, 2004). It might even be argued that in Argentina the barriers to entry to major record companies are higher than in bigger markets like the US or UK, where more freedom to sign exists.

The influence of digitalization on A&R is a topic the respondents don't always agree. The marketing director quoted above, states that not much attention is paid to the internet in the A&R process, because Argentina is still dominated by radio and TV (see paragraph 4.4.2 and 4.4.3). According to him, new technologies are tools to help follow the steps of an artist, but their value is not decisive. According to him, it also depends on the type of artist, but in general it is considered that if an artist has a great amount of viewers, it doesn't necessarily mean he is going to become a hit (DV). However, a commercial director of another major argues that the process of A&R has changed. He states that the previous process of an artist having a couple of great songs, recording a demo, and then being appreciated and signed by a record company is a model that doesn't work anymore. Now, artists have to market themselves better, he believes. A record company might be interested when it notices a response from uploading the video on websites like YouTube with a couple of million views; getting picked up by a (local) radio station and getting some rotation; and having live performances on a regular basis (AD). Most likely the extent of focus on new media depends on each person and therefore per company. To draw more concrete conclusions on the influence of A&R policies and digitalization and on barriers to entry for artists, further research would be necessary.

Besides, during these interviews, only barriers to entry for artists have been brought up. What has not been talked about, is the entrance of new small companies. Since paragraph 5.3 shows that the amount of independents has not grown substantially in the past eleven years, it seems plausible to conclude that the barriers to entry for these companies are also high.

6.2.5 Company Structure and the Influence of Mother Companies

Like all countries where the majors are located, the local offices of majors in Argentina are also part of a 'pyramid structure' (Sony, Universal and Warner) and a 'matrix structure' (EMI). The local offices of Universal and Sony in Argentina are also responsible for Chile and Uruguay (MP) and the local office of EMI is also responsible for Uruguay and Paraguay (EV). A similarity between the different local offices is that they are all relatively small. This implicates that the local office of Universal has 44 employees, Warner 25 and EMI 17, as a reflection of the small size of the market. Another resemblance is that the marketing departments are organized in a comparable way.

Internal divisions are made according to occupational tasks, genre or music styles and specific notions of geographical territories, which is in accordance with the mentioned theory of Negus (2001). Because of the relatively small size of the companies, these departments consist of only a few employees. Labels do not modify the division of the employees, but origin of artists and music instead. A managing director argues that the division in the marketing departments as it is now is a consequence of operational considerations (MP). According to a marketing director, it is also just a matter of organizing a team or situation, adding that the division of artists in different departments doesn't imply a different treatment (DV). This could mean that the theory of Negus regarding this issue could be nuanced. The organization is not a result of the spread of risks, but solely of managing diverse ranges of interests. A reason for this could be the small size of the companies and this would prove that Negus' theory only is applicable to large (Western) music industries. However, a marginal comment has to be made on this conclusion – with direct inquiries into this topic in a direct way, what could have influenced the answers of the respondents. The respondents might not have been willing to admit that organization would imply a classification, because this would implicate that they would admit a hierarchy in priority. This could be an interesting point for further research.

When it is assumed that the organization in departments is solely a result of management or operational considerations, it can be expected that the parent company does not wield influence in the same (indirect) way as described in the consulted theory. From interviews that followed it was revealed that the parent companies exercise authority in a more direct way. In general there are strategies on three levels: global, regional and local. Important in this matter are the different priorities. At Universal and Warner, the regional or global offices of the companies determine priorities, while at EMI, the way of determining priorities is more democratic. In the global office, priorities for the three big regions are determined, but boards for international and Latin music (which are formed by people from different countries) can still influence that (EV). The respondents give several reasons for the division of artists and priorities. A marketing manager states that it is just a way to organize the huge amount of artists and richness of the catalogue roster (CS). Two marketing directors claim that priorities are created in a way that handles the artists in line with global or regional strategies (FF, DV). According to a managing director, the reason is there is not enough money and time to treat all the artists as global priorities. According to him, all artists get the opportunity to demonstrate their potential, so they all get a fair chance (MP). However, the former indicates that in case of Universal and Warner there is hardly any influence of the local office on the determination of priorities. In the case of EMI, it is probably just a little less.

A cause, and at the same time effect, of the small influence of the branches on the priority process is that Argentina seems to be quite 'late' in the developments of hits and the country seems to be behind on the US or Europe. A vice-president of a major who oversees the whole Latin region argues that an American or European song which was a summer hit might enter Argentina in October but will not become a real hit until January or February, when it is summer in Argentina (AO). Since the majors are lead from the US and Europe, it seems logical that these countries take the lead in the release of new music and Argentina is in a secondary position. Besides, it could implicate that the country takes a (relatively) low position in the corporate company hierarchy of markets.

Anyhow, the divisions in priorities are part of the global strategy. Once they are determined, regional strategies are formulated. In the regional office, all the demands and needs of the whole Latin region are concentrated and filtered, in this way it is communicated to other regions or the headquarter. The regional strategies depend on practical aspects, like the planning of (regional) promotional tours and the provision of promotion tools to local offices (MP). Finally, the local strategies are determined in consideration with the global and regional strategies. These local strategies seem to have less weight than the global or regional ones. For example, if there are three or four releases in a week, a domestic, and not a regional, release has to move. According to a marketing director, this influence of the regional or global strategies is also noticeable in the practice of marketing. He argues that in general there is more freedom in the marketing of domestic- than of international artists (FF2). This could be explained by the practical fact that it is easier to adapt one local strategy, than a strategy which counts for several countries in a region. Since the regional/international music has a share of 65% to 80%, it seems logical that the local strategy is influenced to a great extent by the regional and global policies. However, this could also imply a certain hierarchy.

The division in priorities is also a way to assess local companies. The local offices are namely evaluated in terms of performance against global priorities. If local offices are positively evaluated on these priorities, they might gain more possibilities as well on a domestic level. However, according to a managing director, this works in an indirect way too. The performance of a local office on the development of new regional or global artists is used as a measurement of the capabilities of this office. If this office doesn't work well on these priorities, it is assumed that it also won't be able to develop new domestic artists. If it does achieve this, it might earn more opportunities to develop new domestic artists. According to the managing director, this assessment on global priorities is a good thing, because it is what stimulates them to develop global artists (MP), and that is probably the idea behind being a multinational company.

From the previous information it can be concluded that the influence of the parent companies is quite large on the local offices in Argentina. This implies that the influence of the local managers is fairly small, contradicting with the theory of van de Kamp (2009). However, another image might have appeared if it had been researched more intensely. Besides, the influence of policies of competitors on local strategies did not get specific attention during the interviews, so no founded conclusions can be drawn on this subject. However this topic is considered to be very interesting for further research.

6.2.6 Uncertainties

In the Argentinean case, uncertainties are also a characteristic of the music industry. The three uncertainties mentioned by Negus (1999), artists, audiences and technology, appeared to matter a lot in the working methods of the consulted employees.

The first insecure factor mentioned is artists. In paragraph 6.2.4 can be read that the major record companies in Argentina, sign artists in general as a result of commercial judgments. In this matter, the Argentinean situation corresponds with Negus' theory (1999). The option to break a contract is another way of dealing with this uncertainty, as mentioned by him. The interviews demonstrate that it depends on the deal, but that artists in general are signed in a 360˚ basis, for three to five albums plus first options. 'First options' means that the artist belongs to the company for the agreed amount of albums, but the company gets first options if another company wants to take over the artist. If the first company equals the offer, the artist stays with it (DV).

The human, and therefore temperamental character of the 'product' in the music industry was also taken into account in this strategy. This is mentioned by a marketing director, regarding the renewal of contracts; according to him, the conditions to renew a contract are partly commercially based, a partly a result of the feeling or relationship with the artists.

> 'It's always about money. Or not. In my experience I have with artists.. that they want to stay, because I got fan of them, they are my friends. So at the end, I still think this is a business of people. So why would you want to leave if you feel good with the people, you agree on how you think or how they treat you. So at the end, sometimes I have to.. my experience says that my word is at the contract, so I try to follow my words, but.. I would have to say that there's or money, or feeling or relationship with the artist.' (DV)

This quote illustrates how the temperamental character of artists is approached in a positive way. The marketing director considers this more in a matter of trust, than that he is worried about unpredictable actions of the artists in disfavor of the company.

The assessment of artists or personnel, as mentioned in the theoretical framework, did not get further attention during the interviews mentioned in the above paragraph; therefore more conclusions can't be drawn at this point.

From the interviews also follow that marketing departments indeed try to anticipate the second uncertainty mentioned in the theory: audiences. Their marketing policy is to a great extent determined by a calculation of the investment to determine a target (DV). Thereby the type of repertoire and expectations on the short and long term play a role (CS). Most of the respondents agree that there are no strict rules, but that they follow the conventional ways of working in the music business. A marketing director explains:

> There's no manual for this. It's not like *química* [Chemistry, MW]. You know you have the formula.. there are no formulas in the record business. It's so different. The marketing you learn in the university, you know 2 + 2 = 4. No, not in the record business. It's day street learning. Day by day learning. (DV)

Nevertheless, experience in the business can result in guidelines. According to another marketing manager there are five, six or seven things that are basic actions in every campaign, but after that, all campaigns are tailor made for each single artist (CS). Besides, the campaigns are not static; the plan is constantly adapted according to feedback from media, retail and the region (CS). A radio promoter agrees by saying that his feedback, which he got from the radio stations, is heard by label or marketing managers (AdF). From this information can be concluded that label or marketing managers are influenced by the different promotion and sales departments, which endorses the theory about the participation of industry staff in creative decisions, as mentioned by Rothenbuhler & McCourt (2004).

Another issue concerning the uncertainties of markets is the failure ratio of artists (see Rothenbuhler & McCourt, 2004 and Vogel, 1998). Since the rosters of domestic artists in the major record companies in Argentina are relatively small, this failure ratio is different from the ones mentioned in the theory. According to a managing director, the amount of artists which recoup their initial investment in his company is not one in ten like in big markets, but about five in ten. He suggests that this high amount is not thanked to excellent A&R, but to the small amount of signings. As argued in paragraph 6.2.4, majors can only sign a few domestic artists, which almost 'have to be successful'. A reason for this small margin in signing possibilities is that the local companies are only a small subdivision of a multinational structure. In terms of signing, there are a lot of products originating from the rest of the countries, which makes small markets like Argentina less intensive (MP).

Although it is not is discussed during the interviews, one could expect that the failure ratio in Argentina doesn't function as a foundation for strategic decisions of the companies and therefore as a way to handle uncertainties, as suggested by Rothenbuhler & McCourt (2004). While this would probably count in big markets like the US or UK, in a small market like Argentina, it seems to be different. As stated before, the failure ratio in Argentina is much lower because the margin in signing is much smaller. Therefore, the margin in adapting strategies is also expected to be smaller. It is probably more reversed: the strategy, as stated by the multinational mother company, determines the failure ratio. The local divisions have no choice but to live up to the strategy of the multinational mother company. So, the failure ratio plays a totally different role in small subdivisions of majors like the local companies in Argentina than what is described by Rothenbuhler & McCourt (2004). It seems unreasonable that in local offices attempts to reduce the 'failure ratio', could lead to restructuration of companies, the appointment and dismissal of highly paid senior executives and the cyclical acquisition and 'dropping' of artists, as described in the theory.

Technology is the third insecurity, which according to the theory, is a typical one for the music industry, and will be extensively discussed in paragraph 6.3.

6.2.7 Four Kinds of Strategies

In the theoretical framework it is presumed that the uncertainties that are mentioned in the previous paragraph are visible in the policy strategies of record companies (Negus, 1999). From these interviews it can be concluded that only some of these are used in Argentina.

The first, 'mud against the wall-formula' doesn't appear to be used in Argentina. Overproduction is probably unaffordable, due to the small size of the market. The interview with a country manager demonstrates that their policy is actually the opposite. He states:

> So the strategy of the company is to concentrate the work and focus directly on artists which have a potential in development, which are profitable. And the rest, we leave aside. (…) nowadays the aim is not to take as many artists and develop them, but to work the existing ones. Do a very intensive job on them, take many licenses in which the circulation of recoupment of investments is smaller and to realize a process in which an artist can stay here for four or five years, so the company has more opportunities to develop the investments in the artists. (EV – translated by MW)

With the topic only stated by one country manager and not by the other respondents, it cannot be generalized across the whole music industry. However, taking the size of the market into account and considering the approach to music in general, this is expected to be similar.

The second, the idea of 'swallowing' independents by majors, does happen in Argentina. At least, it has been a strategy of the majors in the past. This can be concluded from the fact that both consulted owners of independents have got offers to be taken over by a major. They both didn't accept the offer, but one of them is considering a merger with a major at the moment (LT, RP).

Although it was expected to be different, the third and fourth 'mystical' approaches regularly appeared in the interviews. The next quote of a marketing director who is also responsible for A&R shows that he acts by following 'a living instinct' in the signing process of artists. He states:

> You just know when a song is going to break all over the world. It's just different. You feel it in your skin, something I cannot explain, I'm sorry. But maybe if you feel a hit song, you feel it in your skin, but then it's a failure. Oh fuck ok, and you go to the next one, ha ha. It happens, it's strange. (DV)

As visible in this quote, this marketing director (indirectly) ascribes himself certain competencies in the signing of artists. To a certain extent, signing depends on commercial considerations, but for him, his feeling and the fact that 'he knows it', are more important. This fits the theoretical idea of inspirational, idiosyncratic 'music men' who locate, support and then 'nurture' talent, as described by Negus (1999).

The final strategy mentioned in the theoretical framework is partly applicable on the Argentinean music industry. From the interviews can be deduced that there is not a belief about an unpredictable development or cyclic logic that determines the history of music, but external factors are considered to be significantly influential. A marketing director argues that even if there is a clearly visible trend for a certain type of music (like reggaeton in Argentina during the moment of research) it is not certain if an artist which suits this trend is going to be successful in the first, second or third album (FF). Good marketing and a good product are considered to be of a great importance, but the subjective characteristic of the 'product music' is determining in the end. The 'product' is described as follows by a marketing director;

> We sell music, we sell moments, we sell feelings (DV)

Another marketing director states the following about the marketing process:

> Oh, it's complicated, because in all kind of art, you have to think in tastes, in subjective things. So you can make a huge campaign, you can see an artist in all the city and listening on all the radios, but maybe don't sell anything. (FF)

For the marketing campaign, the last phase of the process – when the consumer has to decide if a product is purchased or not – is always a factor which cannot be controlled. In this phase, external conditions like advertisements, media, but also events like the outbreak of the Mexican (Swine) flu, which happening during the period of the interviews (EV, DV), are considered to be influential. To some employees, this phase of the process is considered as a matter of 'gambling' (DV) or 'placing a bet' (MP), while others think it depends on 'magic' (FF) or a 'mystical aura which can't be controlled' (CS).

6.3 An Industry Changed by Digitalization

As mentioned in the previous chapters, Argentina and along with the music industry, are considered to be influenced by the digitalization and spread of the internet. This paragraph discusses these general consequences and the responses of the record companies to it.

6.3.1 Digitalization in Argentina

As clarified in paragraph 4.4.4, as a result of the relatively low broadband internet penetration, digitalization is not as widespread in Argentina as in other Latin American countries or in the global music market. While the Argentinean market is becoming more digitally orientated, it is in a slower way than other Latin American countries.

However, as visible in paragraph 5.1, the music industry suffered a downturn in the past decade. According to a marketing director, this downturn is not a result of digitalization, but of (very high) physical piracy and a bad economical and political condition in which the country was or still is. He considers the new business not as a problem, but as a positive thing. According to him, digitalization even caused the curve to rise again (DV). It has to be questioned if the marketing director is right about the (relatively) small influence of digitalization on the downturn on the music industry. However, it is at least remarkable that the interviewed people in general approach digitalization and new business as an opportunity and not as something negative. Artists have more space to communicate their product (MP), the internet could become a good promotional tool and platform to give easy access to music (FF, EV) and business with mobile telephones could be a response to piracy, as it is a very easy way to deliver music (FF). An explanation for this perception could be that Argentina has not been hit as hard by the (negative) effects of digitalization as many Western countries (yet). The music industry still could have noticed what happened to other music industries around the world, though. In this way, the Argentinean industry can adapt to the new digital era, even before the negative consequences are felt.

However, in general the awareness about the threats of digitalization to the music industry is widespread. In the first place, the effect on the value chain stages that become redundant and therefore the losses in income are mentioned (AD, EV, MP, RP). On the other hand the rumor that record companies would become redundant, is fiercely contradicted by the respondents (MP, DV). A managing director admits that the easier ways to record music can result in the possibility that hits be achieved by amateurs. But he also states that this is the exception, not the rule. Record companies are still necessary because there is still a need for identifying talent and having the expertise to arrange it, record it and promote it. In general, since a huge hit has not come from the internet by now, internet is seen as a promotion tool, not a mode of discovery. The managing director argues that there are people who receive millions of visits, but usually established artists have millions more visits (MP). Another managing director adds that it is very difficult to generate marketing to develop an artist, solely via the internet (RP).

The second serious threat of the digitalization is considered to be (digital) piracy, 'the threat of free'. The respondents consider it as a serious cultural problem. A country manager mentions the 'problem target group' of adolescents between 13 and 25, which don't buy CDs anymore (EV). The consciousness about intellectual priority rights could become better through an improvement or growth of the country, but the owner of an independent state that in Argentina this is more difficult to achieve than in Western countries, because people in general have less money to spend (LT).

All previously listed advantages and threats of digitalization and the internet, have been mentioned in the theoretical framework, by following Küng (2008). However, a respondent further mentions that the laws are not in the advantage of the record companies, that they are not in the front row of technological developments and they don't have great budgets to anticipate to new developments because this is not their core business (MP). Finally, the owner of an independent brings up the ultimate consequence and therefore threat by losing all this income is that less investment in new artists and therefore less development of big artists is possible (RP). This could have great consequences for the music industries in the future. According to a country manager, the business has to be reformulated, because otherwise the artists, authors and companies are not rewarded properly and they wouldn't have a way to survive (EV). Responses of the record companies so far, are explained in the following paragraph.

6.3.2 Responses of Record Companies to Changes by Digitalization – So Far

From interviews it was learned that record companies have already responded to the changes from digitalization in several ways. In the following subparagraphs it will become clear that this will also influence the future of the Argentinean music industry to a large extent.

6.3.2.1 Actions With the CAPIF

In the first place, the companies are united in the CAPIF and together they took some actions. Legal actions against ISPs are very important in this matter. According to the executive director of the CAPIF, they are trying to prove that the ISPs infringe the law. The idea behind this is that the ISPs are earning money by getting more traffic, with the content of the record companies. These companies don't get revenues from this and that conflicts with the intellectual property rights of companies and artists. By suing the ISPs, the CAPIF tries to change this situation.

The companies also lobby the government in order to change the tax policy on music. The tax charge is now about 21%, what makes the price of music higher. For example the film industry in Argentina received an exception from this tax and gets compensation from the government, which is amongst others visible in the fact that several steps in the production are tax-free. A reason for the music industry receiving different treatment, despite that music is also a cultural product, is that the government traditionally considers the music industry to be well funded. According to the executive director, this is not the actual situation (anymore) and therefore they try to change this perception.

Furthermore, the CAPIF has done an anti-piracy campaign in schools, to create a better awareness of intellectual property (JD1).

6.3.2.2 Changes in Work Practices

In the second place, the companies respond on company level by digitalizing catalogues and adapting work practices in marketing and promotion. A managing director explains that weekly digital meetings are held, where employees are kept updated with news and new opportunities

(MP). In this way, marketing is adapted to the changing media landscape. A marketing director states that in his company, digitalization and spread of internet are taken into account, but it is handled in a way that depends on the target group of the artists. For an old target group it doesn't make sense to focus on marketing via the internet (DV). A managing director also emphasizes the importance of target groups. He states that it is important for the future to find a way in which 'the problem target group' (adolescents between 13 and 25) begins to pay for music again and make music profitable (EV). Another marketing manager claims that the change in handling music, and the way the business works, is not considered to be very practical, but it's actually a way of a changing consciousness of employees. According to her, the music industry is in the middle of dramatic changes caused by the advances of technology. It is changing the 'rhythm' of the industry. Thanks to the internet, everything changes very quickly, therefore staff in the record companies must remain alert. In the future it will not necessarily be a new marketing method that has to be developed to keep up with the (technological) developments, but a new 'rhythm' (CS).

6.3.2.3 Changes in Repertoire Strategies

Changes have occurred on the strategic level in the third place. One of the majors reduced its national roster drastically and changed the policy into one of intensely focusing on a few artists in order to letting them grow. He states that ten to fifteen years ago, it could be acceptable that an album didn't work, and neither the second or third. A next step was then taken by further investment. Nowadays there is much less time to develop an artist – success is needed immediately. The aim above all is to reach the youth and digital tools are used by that (EV).

Another major turned to using a strategy that starts with initially signing an artist for a single and not a whole album. This implies that an artist with a hit and potential is selected, after which a single with a video is recorded, instead of a whole album. If this works, a second single and eventually album are recorded. If it doesn't, the company lets the artist or band go from its contract (MP). In this way, an investment is only completed when potential success seems more predictable.

6.3.2.4 Development of New Business Models

To secure the future, record companies are anticipating changes in business models. Now the division between physical and digital sales in one of the companies is about 80% to 20% (MP). It is expected that this division is comparable in other companies and they are all striving to increase the digital portion. According to a commercial director, business models are adapted in a way that fits the belief that the teen population is moving from perceiving music as a product, to perceiving it as a service. It should no longer be approached by 'knowing, buying and using', but as ‘paying per use, paying per access’ in order to make money from it. At the same time, consumers are getting more demanding in terms of catalogue and interactivity. He states:

> They don’t want to be forced to listen to anything. They want to be able to pick whatever track they want, they want it right now and they want to pay nothing. (AD)

These ideas resulted in several new business models.

In the first place, contradicting the legal action which is mentioned in the first subparagraph, the commercial director points at agreements with ISPs. The idea is that ISPs and record companies can become business partners. In the current situation, a pirate user is very expensive for an ISP because he consumes a lot of bandwidth, stays connected for a long time and transfers a lot of data files. A legal subscription based service can be an opportunity to keep ISPs be safe and make them money. If an ISP offers a subscription for a fair price per month from their own server, the advantage for the consumer is that he has easy access to music; it is fast, safe and of good quality. Once the record companies are in this position, the ISPs can be persuaded to control peer-to-peer sites in a way that they can close some down or send messages about legal alternatives. Because they are business partners in this time, the ISPs also benefit from consumers using the legal possibilities (AD).

According to the commercial director, the second model concerns business with mobile telephony providers. The idea behind the cooperation of mobile telephone providers and record companies is that the more technology advances, the more content is required. Namely, a music device without music is useless. As mentioned in paragraph 4.4.5, it is already possible in Argentina to legally purchase music by mobile phone. The providers *Personal* and *Claro* have online web shops and these are actually used by consumers. The providers have thereby locked down peer-to-peer services in wi-max services on wireless broadband, because the network is too fragile to handle peer-to-peer use. Since the first successes are booked with legal mobile purchase, there is a chance that in the future these peer-to-peer sites will stay locked. The commercial director therefore suggests:

> I think we were late for internet, but we are in time for mobile. (AD)

However, it is plausible that there will be a new business model in the future. It would be subscription based by user, rather than by download, song or album. The new ‘buy-user’ pays a certain amount per month and can (legally) purchase whatever he wants. The advantage for the record companies is that there is going to be heavy users, which are going to download thousands of tracks per month, but also very light users who pay and only download a few tracks per month. With both extremes balanced out, there is an advantage that the companies are certain about having an x-amount of users, regardless if there is going to be a big release or not. A next step could be that this model is also applied to the internet with its mobile broadband, most likely replacing landlines in the end (AD).

The final business model he mentions considers ‘branding’. The idea behind branding is that value can be added to a product with music, and the other way around. A co-operation between a company that serves a product and a record company, could add value to the product, resulting in better sales and more income for both parties.

In addition to these business models, several people interviewed stated that they are also going to focus more on concerts, merchandizing and sponsorships.

The previously mentioned business models and new areas include that the focus is no longer on selling copies, but on selling access. Obviously, this influences the (legal) relationship of the record company with the artist. With 360˚ contracts, record companies (will) try to secure incomes by artists. These contracts contain that an artist is not only signed for a CD or DVD, but also for other rights, like publishing, merchandising, live shows and sponsorship, rights that were previously owned by parties other than the record companies (DV).

<u>6.3.2.5 Changes in Company Structures</u>

Finally, most of the companies underwent structural changes as a result of digitalization. One of the majors started four years ago by building digital teams to develop a position in the digital markets. The company also replaced its physically oriented commercial director by one who comes from the digital world (MP). Furthermore, a marketing director is appointed to supervise the complicated adaptation of the marketing to the changing market or business. This position did not exist before (FF).

Another major responded by downsizing. Around the world, the amount of employees was reduced from 5.000 to 3.000. In Latin America the reduction was relatively large and the amount of employees in Argentina decreased therefore from 30 to 17 (EV). To prevent this kind of drastic changes, an independent company decided to begin investing in audiovisual products (RP). With this investment, new business was created, and employees were not terminated.

6.4 Globalization and Music

By taking the cultural flows or network model as a reference point (as described in paragraph 2.2.1.1), the matter of globalization in Argentina was not only approached by the releasing of international (and regional) music in Argentina, but also through the release of Argentinean domestic music abroad. With this, digitalization is a point of interest, since it can be argued that it changed the impact of globalization on the music industry. Namely, according to a managing director, the initial idea of influence on a music market by another one is proximity. He states that if there is proximity, there is also going to be influence (MP). With this, he agrees with the theoretical concept of cultural proximity of Straubhaar (2003), as mentioned in paragraph 5.2. Before the 'digital revolution', the influence came mainly from the (Latin American) region, which resulted in similar regional styles. However, the internet and digitalization made geographically and culturally distant countries more proximate, through which the music industry is also now influenced by these more distant territories.

In this paragraph, first the divisions between international, regional and domestic music are discussed along with the meanings of the classifications of the music from different origins. Then Argentinean music abroad is discussed and finally influences from foreign countries on Argentinean music are considered. With this, the role of the US and UK and the issue of homogenization and heterogenization are discussed.

6.4.1 International, Regional, Domestic Music

In the local offices of the Argentinean majors, the division between handling domestic and regional/international artists is between approximately 35%-65% and 20%-80% (DV, EV, MP). This division in repertoire origin shows that the companies are very internationally orientated. According to a managing director, releasing international music in Argentina is a matter of seeing success abroad and opportunities in the domestic market (MP). With this, he underlines the commercial motive for releasing music internationally.

6.4.1.1 Meanings of Classification in International, Regional and Domestic Music

The definitions used in paragraph 5.2 of 'domestic artists' for artists signed in Argentina and 'regional/international artists' for artists signed in any country but Argentina, do not always seem to count. The theory by Negus (2001) follows that the classification of music by record companies could consist of more than only geographic origin. These meanings should influence the handling. As this was assumed to be applicable to the Argentinean situation, Negus' definitions were taken as starting points. Nevertheless, the interviews point out that they have to be partly refined.

In general, the respondents defined domestic repertoire (which they call 'local repertoire') as music which is solely released in the national territory. Regional repertoire is according to them music which is released in a broader area, in their case Latin America. In general, Spain is also considered to be part of this region and sometimes includes the Spanish speaking audience in the USA. In addition, as a result of the responsibility of some local offices for Chile and Uruguay, frequently is spoken about the sub region of 'the South Cone', which contains Argentina, Chile and Uruguay. These definitions are in correspondence with Negus' theory, but the use of 'international repertoire' by these respondents contradicts it. This definition is namely solely based on origin and does not imply the commercial implementations which Negus ascribes to it. This is visible through the observation that the respondents don't talk about 'international', but about 'Anglo' repertoire. Because both domestic and regional repertoire are always created in Spanish, the language is the aspect which makes international repertoire different from other kinds of repertoire. The fact that all international music (except for music from Latin America or Spain, which is considered to be 'regional music') is accommodated under the same 'Anglo repertoire', proves that language or origin, and not stylistic characteristics or genre labels, is a determining factor in the classification of music by Argentinean majors. This confirms the idea that commercial or strategic implications attached to international repertoire by Negus are not applicable to Argentina.

Secondly, the process by which an artist or album becomes a priority, as described in paragraph 6.2.5, shows that the commercial implications mentioned by Negus (2001) do not count in the Argentinean situation. Since local offices in Argentina in general are not able to influence the priority process to a great extent, it seems pointless to change or adapt domestic music or artists.

6.4.1.2 The Popularity of International, Regional and Domestic Music

The specific division between different types of music, and the fact they all have an important share in the market (as visible in paragraph 5.2), is an outstanding characteristic of the Argentinean music market according to several respondents (FF, EV, DV, CS). The Argentinean audience is considered to be very open to all kinds of music (EV) and they are used to listening to music in English (DV). Most respondents consider this a strong characteristic of the Argentinean music market, what is probably different in other Latin American countries. According to marketing director, the fluctuation in popularity of repertoire is linked to changing trend. He argues that domestic, regional and international music will continue to exist, but will grow and decline over the ensuing years (FF).

However, domestic music is considered to hold a special place in the music industry. A great amount of domestic rock, tango and folk music is recorded in Argentina. In 2009, at the Gardel Awards (the Argentinean music awards which are presented by the CAPIF) 143 albums were presented, a substantial figure in terms of the size of the domestic market (MP). The large amount of activity surrounding domestic music production points at domestic music having a great cultural value in Argentina. This might be an argument for the existence of reterritorialization as a response to cultural globalization (Fernandes, 2000). However, since regional and international music are both considered to be of great importance as visible through strong sales volume, it is assumed to only happen to a certain extent.

Nevertheless, the former point refers to the importance of the relation between the appreciation and origin of music by consumers. One of the questions posed during the interviews concerned with the opinions of the respondents on the value audiences attribute to different kinds of music. Interviewees were asked if they thought that domestic, regional or international music was classified as having higher quality. Obviously, the opinions of respondents could provide a distorted image of the reception by audiences, but if they argued that there would be a strong preference, it could explain a certain strategy. They all seemed to agree on this point and stated that quality is not linked with nationality or origin (MP, FF, DV, RP). A managing director argues that foreign hits can easier compete with work from the domestic market, because bigger markets are able to send more 'number ones' than smaller markets. The music that arrives in Argentina has proven success in other countries and the hit potential is therefore higher (MP). The owner of an independent adds that talent is both in domestic and international music. The difference lies in the fact that the means for international artists are bigger, thanks to the bigger structures and investments of majors, clearly visible in the end product. On the other hand, he suggests that people get more quickly attached to domestic artists (RP).

Besides, if it is presumed that quality is bound with class, the issue was brought up indirectly several more times. According to a marketing director, a managing director and a country manager, lower social classes particularly like Spanish language music (FF, MP, EV). However, the latter says that there is a great diffusion of music genres through different levels of society and the managing director adds that it is 'risky' to divide the audience into specific groups. According to him, it is important that employees of the music industry are open-minded. From the former it can be concluded that the theory of Straubhaar (2003) has to be nuanced for the Argentinean situation. In Argentina preference by societal class appears, but apparently to a lesser extent than in Brazil. Nevertheless, further (reception) research is needed to draw more conclusions on this issue. By following Straubhaar, the aim of music channels to certain classes, should be interesting to research too.

Furthermore, opinions on the influence of digitalization and therefore globalization on tastes of consumers has been researched. All respondents agreed on this by considering the influence to be small. According to some, tastes did not change as a result of digitalization (CS, LT). It would have been visible already, since digitalization has also already happened (CS). According to a marketing director, taste of the majority of the market will not change by digitalization in the future either, because he considers the internet to be just a tool for access (FF). Another marketing director agrees that taste will not change; stating that Argentina is very far from merging with the taste of the United States' Latin music market (DV). A vice-president doesn't think that the taste will change either, arguing that people will have more to choose from, but that domestic music has always played a very important role in Latin American countries (AO).

These answers prove the popularity of music in Argentina is not inextricably bound with origin and a trend is determining in the extent of popularity of the three 'types' of music. It seems logical to conclude that digitalization and the spread of the internet did not change people's tastes and will not do so in the future. This can explain why different respondents think their policy will also not change much in this matter, and the local divisions of the majors will keep on handling international, regional and domestic music. According to a managing director, part of a sense of being a multinational company is to handle and manage global hits and global artists (MP). But on the other hand a country manager states that they will also keep investing in domestic artists, because if they don't, companies presence wouldn't make sense in the countries anymore (EV). A marketing director even goes a step further to state that the focus might increase on domestic music, since there are opportunities for earning more about domestic artists, with the 360° models (DV).

6.4.2 Argentinean Music Abroad

Even though Argentinean rock bands were popular in the region ten to twenty years ago (FF), the respondents do not consider Argentina to be a music export country nowadays. This seems surprising, since it is often a goal of record companies to release domestic music regionally or even globally (see paragraph 6.2.4). According to a marketing director the only domestic music that has success abroad is tango, but that itself is a niche (DV). A country manager states that the best that can be achieved is when the exported domestic music is successful in Mexico or Spain (EV). The respondents gave several explanations for the failure of (more) mainstream domestic music abroad.

In the first place, there are some practical reasons. Different from Colombia or Mexico, most Argentineans stay in Argentina. They don't easily move to the United States in the way that Colombians or Mexicans do; for example, traveling to Miami to explore. Therefore, Americans don't get to know Argentinean artists. In addition, Argentina's remote location could be a reason why the domestic music is not widely spread. Finally there hasn't been an Argentinean band lately eager to conquer the world (DV).

Secondly, the failure is blamed on differences in taste. According to a country manager, language could influence this matter, but also the type of music could be a determining factor (EV). A marketing director adds that Argentinean music, and in particular *rock nacional*, is too specific to be successful abroad; it handles local issues, local problems and local actuality like the political and monetary crisis. He states that it is easier for genres like pop or Latin to be successful abroad (FF). Another marketing director agrees and states that Argentineans are 'complicated' (DV).

Ironically, what is mentioned by Macgregor Wise (2008) as a positive argument for releasing domestic music abroad is considered to be a 'contra' argument by the respondents. As described in the theoretical framework, Macgregor Wise argues that from an artistic point of view, a reason for releasing music abroad can be that artists can connect and communicate with transnational populations about local conditions. In contrary, the respondents consider the specific, domestic character of Argentinean music a reason for its failure abroad. Tanking the popularity of tango music abroad (which is very specific) into account, it can be argued that music has to be either very mainstream, or very specific to be successful abroad. Argentinean domestic music abroad might be situated in a twilight zone: too specific to be mainstream hit music, but too mainstream to be a successful niche.

6.4.3 Influences from Abroad

In this paragraph influences from abroad on the Argentinean music industry are discussed. First, influences from the United States and United Kingdom are discussed, and secondly the appearance of homogenization or heteroginisation is considered.

6.4.3.1 Influence from the United States and United Kingdom

The United States and United Kingdom (or Europe in general) are considered to be influential on the Argentinean music (industry). In the first place, this could be a consequence of the strategies of record companies to release content from the US or UK/Europe in Argentina. With this it was considered to be interesting to research if this content is 'Argentinafied' to products which suit the Argentinean society and audience better. From interviews was gathered that this only happens to a certain extent. In general, the respondents state that songs do not get translated (DV, FF). However, on the radio, songs from Italian artists like Andrea Bocelli, Eros Ramazotti and Laura Pausini, are played in Spanish. This shows that 'Argentinification' actually happens, but only from artists whose music is closer to Argentinean or Latin music, than for example music from the US or UK, which is in English. Besides, it seems that adaptation to the market is a way to introduce new (foreign) artists. For example, during the time of research, a duet of Jason Mraz, an artist from the US, is released with a Mexican artist, while this song is released in the US and Europe where Jason Mraz sings with an American artist (DV). In that case, adaptation to the domestic market occurs, but more so in a way to introduce artists than to make the music more suitable for the Argentinean audience. With this, the theoretical concept of Fernandes (2000) which would imply 'Argentinification' as a way of representing the global through nationalist cultural signs and symbols, does not appear to be common in Argentina.

Secondly, the influence of the US and UK is visible in media content. A managing director states that the media are influenced by these more advanced markets, because they believe that content that is a hit there can become a hit in Argentina as well. Because hits mean an audience and audience means income, this can be determining in the decision of which content is broadcasted (MP).

Taking the previous information into account, it is interesting that most respondents argue that the influence of the UK (or Europe) is bigger than the influence of the US. They believe it to be a matter of taste, as Argentineans are considered to prefer European sound more (FF1, FF, DV, EV). A label manager attributes this preference to the roots of the Argentineans as it follows Argentinean expression:

> Every Argentine has a European citizen inside. (MM)

The European roots of the population are considered to be a reason why Argentineans in general are more attracted to the styles and manners of London or Paris, than to Los Angeles or Miami. According to this label manager, Argentineans are more willing to be European than American (MM in AdF). Despite no hard proof, this point is considered to be of great importance. During the period of research, a lot of conversations also have been held with Argentineans outside the music industry, from taxi drivers to lawyers. They all seemed to have one thing in common: a great interest in and pride for their European roots. It doesn't seem surprising that this interest and pride finds expression through a cultural product like music. It would be interesting to deepen understanding of this relationship through further research.

Another reason for the preference of UK or European music over American music could be linked with the idea that Americans in general buy more 'concepts' than 'artists'. According to the owner of an independent which is specialized in tango, it is difficult to sell tango in the US, because her products are more 'artists' than 'concepts'. She states that in Europe it is easier, because there is a different, more 'artist-oriented', way of consumption. She argues that the method of consumption in Europe is more similar to Argentina (LT). It is expected that the consumption is inextricably bound with type of products available on the market. This could be a reason why US products are less popular in Argentina than European products.

From this previous information it can be argued that the reasons mentioned by Straubhaar (2003) for the preference of US over Europe in Brazil do not carry the same value in Argentina. With cheaper physical access to the US, the prevalent study of English as a foreign language and the more availability of US culture in mediated forms apparently play a secondary role in comparison with arguments mentioned above. This shows that the differences, in terms of cultural orientation, can be big even between two neighboring countries.

6.4.3.2 Homogenization vs. Heterogenization

One of the most important questions regarding the issue of globalization is considered to be the influence of the international (cultural) products on the national culture. Either homogenization or heterogenization could be a consequence of the influence of foreign artists or music styles on domestic markets.

The respondents seemed to all agree on this point. They assume heterogenization is taking place. According to a vice-president who oversees the entire region, every country has a unique specificity and it is exactly this characteristic that gives value to music. She states that there is never going to become something like a 'global taste', because specific tastes in music will remain (AO).

A marketing director and a managing director both offer the example of the fusion of a Western music style like electro with the domestic style of tango. According to the marketing director, this is an example that music might become more of a cross over in nature, but this doesn't mean that there is going to become one style (FF). The managing director even states that there is an enrichment of music styles as a result of the better access to more different styles (MP). Besides, a marketing manager states that this kind of 'fusion' will be very influential in the future. According to her, the reason for this fusion can be found in digitalization. She states that the new 'iPod-generation' is adopting a new style of consumption – instead of listening to whole albums and therefore limited styles, consumers are getting used to listen to music by track. In the end, this means that tastes are becoming more varied, which causes producers of music to no longer be afraid of mixing styles. She expects that this will only become more common in the future, thanks to a more globalized world and better access to different styles (CS).

The former statements could point at global and national images, weaving together 'a symbolic fabric of a hegemonic culture', as described by Fernandes (2000). This could point to an interpretation by audiences of domestic, regional and international music in a productive hybrid relationship between the national and the global.

6.4.4 Influences of Globalization on Music

In paragraph 2.3.2 some influences of globalization on music were drawn from several cultural globalization theories. These cases were kept close at hand during research and as is visible in the former paragraphs, some actually appeared during the interviews themselves. However, the theory of Straubhaar (1991, in: Straubhaar 2003) did appear to be only partly relevant for the research. The ability of shared histories and geographic proximities to bridge language differences combined with the influence of globalized symbols in the minds of people and the change of music by the migration of people do not appear in the research. However, this might be due to the production perspective of the research and it would be more plausible if there would have been a reception perspective in this research. Nevertheless, it would be interesting to investigate the applicability of this on the Argentinean situation through further research.

7. Conclusion

This final chapter firstly contains concluding research remarks. In this final retrospect light is shed on all important issues once more and an answer is given to the central question. Secondly, a reflection is given to the research after which implications for further research are presented.

7.1 Concluding Remarks

In this Master Thesis attention is focused on the Argentinean music industry. By means of fieldwork in Argentina it was researched how domestic music is handled by Argentinean divisions of major international record companies and the influence of globalization on their operation. Attention was paid to general characteristics of the music industry, the structure of local branches of major record companies and the industry in general, the influences of digitalization and globalization. These four concepts have been the key spearheads of the research.

The research is considered relevant, because issues concerning music industries are approached from a different perspective than is generally done in the theoretical debate of this field. Theories by for example Negus (1999 and 2001), Rothenbuhler & McCourt (2004) and Küng (2008) are generally focused on Anglo-Saxon industries, while the case of Argentina can give different insights. The peripheral music market, the status of development of the country and the country's music culture, make it an interesting example. In addition, globalization is considered to be a determining influence for current music industries around the world and is also expected to remain important in the future. Therefore, special attention was paid to this concept.

The thesis turned explorative in nature, as materials gathered during the pre-phase made clear that theory about specific or small music markets was limited. With this, a 'New Institutionalism'-perspective (DiMaggio & Powell, 1991) was considered to be an appropriate way to research this unstable market, in which work practices were expected to develop the norm. The ideas and behaviour of professional experts were assumed to be of a determining influence in this matter and it therefore seemed appropriate to treat information gathered from them as the principal data. This perspective left enough room for new insights, what was considered to be a requirement for explorative research. As not much was known about the researched field and taken the possibility into account that results could be very different from the already developed theories, an open perspective was needed to draw a realistic image of the Argentinean situation.

The interpretative approach was believed to be the best way to expose the opinions of the employees and the strategies which are used by their companies. This took shape by semi structured interviews with people working (in among others marketing positions) in the industry. However, it was considered that the perceptions of the employees could only be evaluated in perspective when a general image of the industry was first obtained. This resulted in a three-part thesis structure: a theoretical discussion which brought forth the sensitizing concepts (chapter 2) and methodology (chapter 3); factual information on the local situation (chapter 4 and 5); and the perceptions on the central concepts of people working in the industry (chapter 6). The outcome of the discussion of the central concepts is reported below.

General Characteristics. In chapter 4 and 5 general characteristics of Argentina and her music industry were discussed. From chapter 4 can be argued that general characteristics of the country, its prior and current politics and economy have shaped and still do influence the media landscape and music industry.

Characteristics which are considered to be particularly specific to Argentina and influential to the current music industry are the semi developed status of the country, its remote location, the multicultural descent of the inhabitants and the vivid music tradition which results in a great loyalty to different kinds of music. The turbulent history in politics and economy also make the Argentinean media landscape and music industry unique.

As described in chapter 5, the commercial development of the Argentinean music industry shows that the industry occupies a fairly low position in the world ranking (29^{th} position), but has a middle position compared to other Latin American countries. This position is a result of several crises which affected the industry in the last decade. Apparently the industry downturn in Argentina is more closely connected to the national crisis of 2002 than to the global industry crisis which is considered to be a result of the 'digital revolution'. Namely, a very striking result is that in Argentina, contrary to the general trend in the global music industry, sales have been rising with an average of 26,9% annually since 2002. However, the domestic industry never recovered to the level it once had at the end of the nineties and this might be explained by the global industry crisis. The monetary crisis of 2008/2009 is considered to not have hit Argentina as hard as other countries yet. Nevertheless, sales dropped with 12% in 2008.

To conclude, as in the rest of Latin America, physical and digital piracy levels are very high in Argentina. This is (partly) due to the national crisis of 2002, forcing the audience to look for cheaper alternatives for their music consumption.

Structure. Factual information and interviews with employees of Argentinean record companies resulted in an image of the Argentinean music industry structure. By 'structure' not only the organization of the market or record companies is meant, but also strategies and other important features of the Argentinean local branches of record companies and the music market.

In the first place, the Argentinean music market might be a bit less hit-orientated than Western markets. Furthermore, it is not expected that the consequence of digitalization necessarily includes a change of the general structure of the business towards a niche orientated direction. As a consequence, company strategies probably will not change into a more niche orientated policy. However, this topic brought up the question, 'What is a hit?' The suggestion that its popularity is not always reflected in sales anymore makes it even more complicated to define.

Secondly, the market can be characterized as an oligopoly. Numbers on the positions of majors and independents show that in the past decade the majors, with an average of 88% market share, have been even more dominant than was expected from theoretical insights, which indicated an average of 75%. However, the position of independents is strengthening, which probably is a result of them becoming stronger or bigger, as not many new indies enter the market. Nevertheless, this development does not affect the division between origins of music, which seems remarkable as the independents generally handle domestic music.

Furthermore, regarding the conglomerate structure, research proves that local branches of the majors are a bit less vertically and horizontally integrated than is described by Negus (2001). This might be explained by the small size of the market and local offices.

Finally, barriers to entry for artists are relatively high due to the small size of the market and strict signing policies of the majors. The influence of digitalization on A&R differs per company. Barriers to entry for new (small) companies might be high as well.

While looking at company structures, more differences with the theory are visible. The small size of the market is namely greatly reflected in these structures. The organization of (for example) marketing departments is solely a result of operational considerations and does not imply a spread of risks by the parent companies, as argued by Negus (2001). Parent companies are considered to exercise authority in a direct way and their influence is probably quite strong. The local offices in general can't really influence the determining of priorities and it can even be concluded that local offices have a low position in the corporate company hierarchy.

Furthermore, by following Negus' theory (1999), strategies as a response to the uncertainties 'artists' and 'markets' are discussed. From the interviews can be derived that the majors respond to the unproven artists by hiring them as a result of commercial judgments with the option to break their contracts. The temperamental character of 'the product' is approached through a matter of trust. The uncertain 'markets' is responded to by following the conventional approach within the music business and results in guidelines and participation of industry staff in creative decisions. The failure ratio is much lower in Argentina, but doesn't function as a foundation for strategic decisions of the companies, as suggested by Rothenbuhler & McCourt

(2004). This former information proves that the responses of local offices towards uncertainties are greatly influenced by enforced strategies from the parent companies.

Finally, theory proposed that companies can respond to uncertainties in 'cynical' and 'mystical' ways (Negus, 1999). The research shows that in Argentina mystical strategies are more popular than cynical ones. The 'mud against the wall-formula' is not used in Argentina, but the swallowing of independents by majors happens occasionally. However, the 'mystical' approach seems to be most common: put in place by inspirational, idiosyncratic 'music men' it forms a belief that external factors (like advertisements, media, but also events like the outbreak of the Mexican flu) are considered to be significantly influential.

From the previously mentioned characteristics of the Argentinean music industry arises that specificities of Argentina influence the music industry to a great extent. Many differences are visible between the image as created by the theories and the actual situation. Therefore, the conclusion can be drawn that the theories by Negus (1999 and 2001), Rothenbuhler & McCourt (2004) and Küng (2008) are overly focused on large, Anglo-Saxon music industries. Such theories then, are only to a certain extent applicable to the small sized, Latin American music industry of Argentina. Since this research on this peripheral market also produced very interesting results and showed important differences between these kinds of markets, a suggestion would be to pay more scientific attention to these kinds of smaller markets in the future.

Digitalization. As a result of the relatively low broadband internet penetration, digitalization is not as widespread in Argentina as in other Latin American and Western countries. This also has its influence on the music industry. The numbers on developments in physical and digital sales in Argentina show that the country is becoming more digitally orientated, but at a slower pace than other Latin American countries. The digital music market in Argentina is still considered to be quite primitive.

This implies that the (negative) consequences of digitalization are not felt as strongly as in many Western countries. This is in the first place visible in the fact that the sales numbers have been growing annually since 2002. Besides, the value chain of music products is still more traditionally orientated. In general, digitalization is approached as an opportunity instead of as something negative. Digital sales are still very small, but especially in mobile sales many opportunities are seen for a future growth.

However, also a great awareness of threats is visible. Respondents mention redundant value chain stages, digital and physical piracy, unfavorable laws and the idea that the companies are slow in adopting technological developments. There is a fear that this will result in less investment in new artists and big artists, what could damage the music industry in the future.

Therefore measures are being taken by the companies: they take actions together in the CAPIF, change work practices, repertoire strategies and company structures and develop new business models. In this way, the Argentinean industry can adapt to the new era before the negative consequences of digitalization are felt to a great extent. Nevertheless, these adaptations are not considered to be dominant in the development of policies yet.

The previous findings about influences of digitalization on the Argentinean music industry correspond to Küng's theory (2008) to a great extent. Namely, the positive consequences and threats which are mentioned by Küng, also have been brought up during the research. However, despite the professionals are aware of it and anticipating to it, as digitalization is not very widespread yet, the consequences which are felt in Western countries, aren't present in Argentina yet. Where these consequences are considered weaknesses in Western music industries, in Argentina they can be seen only as threats. This makes the Argentinean music industry unique and different from the researched Western industries in the theory. Therefore this case also argues for a theoretical approach to digitalization in a non Anglo-Saxon way.

Globalization. In order to research the effect of (cultural) globalization on the Argentinean music industry, the 'cultural flows model' of Appadurai (1996) was taken as a starting point. From the research, three remarkable conclusions on the influence of globalization on the Argentinean music industry can be presented.

In the first place, an outstanding characteristic of the Argentinean music industry is the varied popularity of music origins. It appears that music from different countries and therefore cultures is popular. Domestic music enjoys most popularity, followed by international music (from the US and Europe), and music from the region (Latin America and Spain) takes the third place. From the interviews is also derived that interviewees consider quality not to be inextricably bound with origin. Therefore it is not surprising that despite the fact the internet made geographically distant countries more closely linked, the influence of digitalization is considered to be small. It did not change the taste of the people and probably won't do that in the future. Taken this great open mindedness to music origins into account, it isn't surprising that 'Argentinification' (theoretical concept derived from Fernandes, 2000) doesn't take place. It can even be concluded that heterogenization occurs, meaning the interpretation by audiences of domestic, regional and international music is a productive, hybrid relationship between the national and the global, as mentioned by Fernandes (2000). This also appears in the fact that 'fusion' happens often nowadays, of which electro tango is a vivid example.

Secondly, the research points out that the popularity of the different kinds of music isn't divided equally, differences appear. Differences in popularity turn out to be influenced by various aspects, amongst others trends and the crisis of 2002. Several remarkable findings can be recognized in the Argentinean music industry. In the first place, international music appears to be more popular than regional music. This outcome is not in line with the expectations derived from Straubhaar's theory on cultural proximity (2003). According to Straubhaar, music from the region should be more popular than international music, as these Latin American countries should be more culturally proximate to Argentina than the US or European countries. Two different conclusions could be drawn from this finding. In the first place, it can be argued that Straubhaar's theory on cultural proximity is not applicable to the Argentinean music industry, as the sales numbers show a preference of international music over regional music. On the other hand, it could also be concluded that the theory is applicable, but that the initial assumption underlying the adaptation of the theory to Argentina, should be adapted. This means that the expectation that Argentina is culturally proximate to Latin American countries isn't valid, but that it is more proximate to the US or European countries. This idea is derived from the interviews in which appears that the European roots of the inhabitants play a determining role in the identity and culture of Argentina. In addition, secondly this importance of Europe for Argentina is visible while looking at the finding that Europe is considered to be more influential to Argentina than the US. From Straubhaar's theory (2003) was expected that in Argentina the cheaper physical access to the US, the prevalent study of English as a foreign language and the growing availability of US culture in mediated forms would result in a preference of US over Europe, as it does in Brazil. However, from the interviews is derived that this is not the case, and that the influence of the UK/Europe is larger, as a result of both consumption and taste. This shows that the influence of roots is relatively big, as it overpowers the more practical 'advantages' of the US. Finally, next to regional and international music, from the research becomes clear that domestic music takes a special place. Examples are the continuous popularity of *rock nacional* and the revival of tango music nowadays. However, reterritorialization only occurs to a certain extent, as domestic music seems to have a cultural value which is even greater than its commercial value, but there is also much room for regional and international music.

The third conclusion on the influence of globalization is that except for the success of tango music abroad, Argentina is not considered to be a music export country. This is remarkable since it is often a key goal of record companies to release domestic music regionally or globally. Several reasons exist for this failure: practicalities and taste differences. Striking is that the research reveals that what is mentioned by Macgregor Wise as an argument 'pro' releasing domestic music abroad, is considered to be a 'contra' argument by the interviewees. According Macgregor Wise (2008) a 'plus' for the artists when they release their music abroad, is that they can connect and communicate with transnational populations about local conditions.

However the research points out that the music has to be either very mainstream or very specific (like tango) to be successful abroad. This leads to the conclusion that Argentinean domestic music (like *rock nacional*) might be situated in a twilight zone; it is too specific to be mainstream hit music, but too mainstream to be a successful niche.

In conclusion, these previous findings can be interpreted as several flows which come from and lead to different directions. This gives a different image of the industry as stated before in more business related issues. From these parts became clear that parent companies of the majors are dominant and that the local branches are not very influential. Given the dominance of the majors in the market, it was expected that the Argentinean music industry was highly influenced from the West. On the one hand this is the case, from the previously mentioned flows can be argued that the cultural aspects are at least as important and influential as the economical ones. Therefore, in discussion to the consulted theories, it can be argued that cultural aspects shouldn't be overlooked in any case.

In summary, the uniqueness of the Argentinean case and situation appears to be the reason for the inapplicability of the consulted theories. Mostly this is due to the difference in market sizes, but even if this isn't the case (as in the theories of Straubhaar and Fernandes), it appears that the reality is different. For further research not only a non-Anglo Saxon point of view would therefore be suggested, but more attention should be paid to specific cultural situations. In case of researching music industries, always the influence of cultural uniqueness should be taken into account.

7.2 General Conclusion

The previous moves the thesis towards answering the central question:

How do major record companies in the Argentinean music industry handle domestic products and in what way is this influenced by globalization?

The conclusion can be that the handling of domestic music by local branches of major record companies in Argentina is a result of all different aspects of the industry. In the first place the country characteristics which (have) shape(d) the music industry to a great extent appeared to be influential. With this, especially the (relatively) small size of the market is determining, as is also visible in company structures and strategies. Parent companies appear to be very dominant, which greatly influences the operation of the local branches. Also the relatively small development of digitalization affects the working methods.

A first remarkable finding in this matter is that the Argentinean music industry underwent growth after the national crisis of 2002. This is striking as it happened against a background of the global music industry crisis which was a consequence of the digitalization.

There are two possible explanations for this development. The first is that this wasn't felt because digitalization wasn't widespread in the country yet and therefore hadn't suffered from its (negative) consequences. And secondly, as the local branches are influenced to a great extent by the global offices and these companies greatly suffered from the crisis, it would be expected that the Argentinean branches had been affected as well. Since this didn't happen, it can be assumed that the Argentinean music industry is a very strong one, with which stands firm in turbulent situations like these. This seems reasonable while looking at the loyalty of the Argentineans to music and the cultural significance music has in the country. However, this can also be a consequence of the handling of the Argentinean companies. Therefore it seems interesting to pay attention to the differences between the operations of Argentinean music industry and the Western ones. From the research becomes clear that differences lie in the great domination of parent companies and the use of more mystical strategies, but further research is necessary to draw conclusions on this matter. However, this research shows that that cultural aspects seem very influential, what can be considered a reason to pay more attention to this issue.

Secondly, an issue that can be influential in the future, concerns the handling of domestic music. From this research can be derived that nowadays the local branches don't focus on domestic products. The dominance of the parent companies seems determining in this matter. As these companies suffer from the crisis, there are no means to develop (relatively expensive) domestic music in a country as Argentina, when (relatively cheap) international products can be successful as well. The fact that Argentinean music is not very successful abroad, makes it even less attractive for the parent companies to invest. Therefore, it seems logical that the position of the independents is strengthening in Argentina. Taking the cultural significance of music in the country into account, it can be assumed that development of domestic music is taking place. This is probably picked up by the independents, as the majors can't focus on A&R of domestic artists. In this way the independents are doing an investment for the future. Overall, as there is not enough room for domestic music these days, an 'explosion' of creativity can be expected when more freedom is possible. As the digitalization is not very incorporated into the society yet, it could be expected that this new talent will find its way when digitalization becomes more widespread. This seems reasonable, as more freedom is being generated by the several canals which are opened up by digitalization. In summary, domestic is expected to become more important in the future. Nevertheless, this doesn't imply negative consequences for the majors, as this new music is considered to be interesting for international markets as well. Given the open mindednes to different cultures in Argentina, as a result of the mixed backgrounds of the inhabitants, it is expected that Argentinean artists can anticipate easily to the demand of the new globalized world citizen, which will only be strengthened by the continuing developments of the digitalization.

7.3 Reflection and Implications for Further Research

Reflecting the research, some comments can be made. In the first place, more sources regarding commercial development of the Argentinean music industry could have been consulted. Even though the IFPI is considered to be a respected organization, it would have been more secure if the outcomes would have been compared with information from other sources. Unfortunately, these were not available.

Besides, it would have been better if interviews with all four majors had been conducted. As a result of limited time and means, one major hasn't been consulted, while with two of them, only one interview has taken place. On the other hand, as from the conducted interviews turns out that the employees agree with each other to a great extent, these extra interviews would probably not have added much meaningful information.

Also the large number of interviews at one major (press, radio, television, new media and new business, marketing and the managing director) has a downside. The corporate culture might shine through the opinions of the employees, and since there haven't been interviews with people with similar positions in other majors, this might not have been noticed.

Finally, the interviews took place in English or Spanish. Since this is not the native language of either the respondent, interviewer, or both, some information or nuances in opinions may have been lost.

To conclude, in addition to the suggestions which are made in the first paragraphs of this chapter, some other implications for further research are explained here.

Doing similar research on a music industry, which is more distinctive than Argentina, a market which has a great preference for either local, regional, or international music, or one in which the division between majors and independents is more extreme than in Argentina, might be interesting.

Also interesting would be to do similar research on the music industry of a country in Europe or Asia which has a music market with a similar size of the Argentinean. Cultural differences would become visible.

Thirdly, it could be interesting to do research on the Argentinean music industry, but more specified on differences between the major record companies. In following Van de Kamp (2009) it is expected that corporate cultures can lead to interesting differences in the handling of music.

In the fourth place, further research on the perception side is considered to be interesting. In what way do the roots of Argentineans, which often lie in Italy or Spain, influence the culture? As stated in chapter 6, this influence is expected to be large. This could be influential in a way that the taste of the audience (or market) points in this direction, but also because the employees of major record companies, in general, are also Argentineans. Therefore, it would be interesting to research in what way these employees are led by cultural values in decision making.

Finally, it would be interesting to do similar research in five or ten years to research the extent to which changes have taken place. Now, for example the developments of digitalization are considered to be limited, but the industry is rapidly changing. It would be interesting to see in which direction it develops and if in the future the new derived theory is (still) valid.

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Appendix

Content	**Page**

A. Interview Radio (AdF) *(partly translated by MW)*

Ariel da Fonseca – Radio Promotor Universal Music Argentina

Miguel Mora – Label Manager International Universal Music Argentina

Ariel da Fonseca (since three years) promotes the artists of Universal Argentina in the Argentinean radio stations. This includes the promotion of singles, CDs of Anglo, Latino and local artists. In the city of Buenos Aires and total Argentina.

Miguel Mora (since one year) is international label manager. Before he ran a rock magazine.

MM: An interesting point is that Argentina is a very large country, very different than Europe. In fact, actually, it works like as a regular country in Europe, because the main thing, the main economy, everything, happens here in Buenos Aires and the surrounded area. You have other important cities like Cordoba and Rosario, but if it happens here, it will spread through rest of the main cities. Maybe there are like 5 more, nothing more than that. Maybe in the south, the percentage of influence in record sales or airplay of the songs is maybe like 1%, nothing that will define any strategy. If you reach a big success here in Buenos Aires, in Capital federal, it will spread out to maybe Cordoba and Rosario. It's not happening in the other way.

I: What is the percentage of the Argentine population which has a radio in their house?

AdF: Ah, that's very high, like one radio per inhabitant. In every house there's surely a radio.

MM: What's also important, is the sales of MP3. As well, everyone has a MP3 with a radio function on it. iPods generics, all kinds of iPods and they can receive the FM frequency. FM is the primer place where songs are promoted, more than 90% of the songs is promoted there. AM is mostly used for 'talk radios'. Instead of FM, which is more focused on music.

I: Which are the most important radio stations?

100 (99.9), catalogue, AOR radio, most of the time old hits.

Rock and Pop (97.9), most rock, some heavy metal, main pop, indie groups; local bands are played, but there is a focus on international music (U2, Guns n Roses, Metallica, No Doubt, The Killers, the Rolling Stones) main rock and pop bands.

Mega, just local rock bands

Vale, Latin; from Ricky Martin to Shakira and in the middle also local stuff.

40 Principales: more cross over and teen radio, together with Disney this is the main radio station to music like Jonas Brothers, Tokio Hotel, Miley Cirus. It's both national and international, but the thing is maybe you don't have many local teenage bands. You have a few, but most of the time they are more international acts.

Metro; dance-oriented.

Disney Radio; very similar with 40 Principales.

Amadeus; FM Clasico

FM Tango

Folklore Nacional, which has national folklore

I: Is one of these radio stations to be considered to be the 'leader' (which has the greatest market share for example)?

AdF: It differs between 100, Rock and Pop, Mega and Vale. Maybe a year ago the most important was Mega, but now it's between Rock and Pop and Vale. And La 100 is always maybe in second place.. it depends.

I: So music from the 80s is very important too here, right? Why is that?

MM: Maybe because Argentineans like to live from nostalgia, that will be a reason.

I: Why is that?

MM: To my opinion it could be related with the idiosyncrasy of the people. Maybe if you can relate that to tango. Tango is also a sad lament of something that happened in the past, and you can't live/leave it in the present. If you maybe take a look to some tango lyrics, you will always notice that there is a lady who was your former love, or you miss your mom that now is dead, or you're homesick. Something like that. It's always that it was good in the past. In the present the life is not so good. Maybe you can relate that to the music. Maybe for the big part of here it's more easy to enjoy a known hit, that was maybe very popular, than pay attention to something new. Maybe here if you give a U2 fan the choice, what would you like to hear? A new song or Sunday Bloody Sunday? Noo.. let's play Sunday Bloody Sunday.

I: Are the specialized radio stations also important?

AdF: No. They have a very small partipicacion de audiencia. They're not important.

I: Do the radio stations have rankings? (charts)

AdF: Yes.

I: Is there also an official ranking for Argentina?
AdF: No, Argentina doesn't have an official ranking. There are airplay rankings, but no sales rankings.

MM: Maybe some radios have an own ranking, that people can call and ask for their favorite song. But it's not based on sales at all.

I: Would you describe the focus of radio stations in Argentina in general, more as local, or as international?

AdF: It's like 30-30-30. Local – international acts – Latin. As well as the record sales, it's like the same.

I: And do you know why this is the case?

AdF: Because we're a mix of races, and people have origins in Europe (?).

MM: Maybe an explanation could be that the international acts, or maybe the Anglo repertoire is strong here, because there's a lot of people who are always looking at Europe or the States of what's happening there, what's big there and they want to buy the record here, among the reasons that it's cheaper. And also because I think it's a way of support to these groups, these artists and also the change that maybe if they're big here, there's more chances that they're also going to come play here. Here, for the people who like music, it's very important to see the artist or group live. And as we're very far away of the regular circuit of a tour, if it's not a big group, or maybe they're not a fan base that can be related too, that's very difficult. So that's maybe one reason for the Anglo acts. Latin because of the roots. There's a lot of people who'd like to hear songs in their own language. And local bands because also I think that people like to feel very close to the artist. You can't do that with an international band. But with a local band, maybe you can see it on regular basis live playing near to your neighborhood, or maybe you can see it on TV or read about them in the papers. It's good for that. So that's why there are maybe some local bands that are really, really huge. Maybe they're playing in the same stadium as the Rolling Stones, and gather the same kind of people. Another good thing to mention is that maybe these bands cannot go abroad. They just play here, and not in any other country around.

I: And what do you think of the origin of the international music?
AdF: It's more from Europe, than from the States.

I: Do you have an idea why it is like that?
MM: There is a sentence that says that every Argentinean people has a European citizen inside. Maybe because of the immigration that we had in the beginning of the past century and also because we like the styles and manners of maybe of people in the UK or Paris, in these big cities. More than maybe LA or Miami. People are maybe more likely to be like that than to something in the States.

I: But do you have the feeling that there's an anti-feeling against the States here?
MM: No, not in music. Maybe in politics, but not in music. People would mind if something comes from the States, it won't be something against the artist to pay attention to, it doesn't matter.

I: And do you think the taste of music, and the division between national and international, has changed in the past decade?

AdF: No, it stayed the same. In the eighties, and the period of the Malvinas it did, but now..

MM: Yes, he mentions that during the 80s, because of some issues, the Falkland war and the military government, there was a law that the radios couldn't airplay any English songs, or maybe any song that was sang in English. That made a lot of local bands blossom.

I: I also heard that it became more local, after the crisis. After a couple of years it should have balanced again.

MM: To my opinion, what happened with the crisis.. Before the crisis, a lot of international bands came to play here. Because of the crisis, maybe one group a year. For example the Red Hot Chili Peppers, and that's it, or maybe once in two years. So therefore I think, space or room was left for a lot of local bands to play in other better places. Or maybe not good or bad, but maybe if you have in a schedule two or three international acts in two months, you save the money for that, instead of pay a ticket of a local band. When that changed, people had to spend their money on local bands, to buy their records, etc.
I: But after the crisis, the international bands couldn't come anymore because of the economy?
MM: Yes, because, local promoters couldn't afford it. It wasn't affordable at all. You should pay them in Dollars but you had to put the ticket in Pesos. To afford it, to balance it, maybe the tickets would be really, really expensive. And sometimes to an affordable band you should have 10.000 people in front of the artist, but very high rates in the tickets is impossible.

I: And is there a difference between commercial and noncommercial radio stations?

MM: There is just one radio station that is owned by the government, which is 'our BBC'. That is Gold Radio Nacional, that also has an FM. That should be the case, maybe they don't need a lot of publicity or (…) because the government supporting them every month.

I: Do they play music too, or is it mainly talking?

MM: Yeah, music too.

I: And is there a government policy concerning the content of the broadcasts of the radio station? Does it for example have to play a certain amount of local or international music?

MM: No, the only regulation you have is that you can't have more than 6 minutes of advertising, that's all. But it's just a regulation, it doesn't mean that it really happens. It's maybe 12 minutes.

I: And they don't get fines if they don't work like that?

MM: No. The only fines that they'd maybe have, is when the host uses dirty language. And it should be very, very dirty language. Or maybe saying something dirty about someone in the government, something like that. It should be really, really offensive, just saying some bad words, that wouldn't happen.

I: Are the radio stations parts of multinational conglomerates?

MM: Some of them, with capital in Europe, Spain. Also Rock and Pop, not right now, but used to be with Mexican owners. But right now they have a mix of Mexican, Brazilian (…). So there's a mix of it. Rock and Pop is not of local owners at all. This one is also related to Metro. La 100: is very local, is the same group of Clarín. Canal 13, that's the same group. Mega and Vale are of the same owner, they are totally local. 40 Principales is from Spain, it's like a license from Spain, something like that. Radio Disney is from Disney USA.

I: And in what way does this influence the stations?

MM: It doesn't influence them much. Each president or director of main (...) radio decides what way the radio should go. In the state of the radio. Maybe the only case in which it's related to a great extent from abroad is Disney Radio. It's the same relation that Disney has in the rest of the world. You can't say dirty words. That's a problem, that's really a problem. Because maybe you release a song that has 'shit' in the chorus, or could gives you the idea of drugs or sex, that can't be played in Disney at all.

I: But it can in the other stations?

AdF: Yes, no problem.

I: Yes, so the others are led by more local people, with local strategies, etc.?

MM: The local flavor, yeah.

I: So the state doesn't influence the radio stations at all?
AdF: No.

I: Can you describe in what way Universal uses the radio stations as a promotion tool?

AdF: In Argentina, radio is a very, very important promotion tool. In different countries it might be comparable with for example television or internet or the press, but here not. In this moment radio is the most important promotion tool, to make an artist or song well-known. Therefore it is very important. Everything we do, also in internet- or press promotion, is to get the songs in the radio stations.

MM: Yes, it's like everything you in a strategy of releasing a song is to support the airplay of the song in the radio. So the music channels, or as Ariel said, the internet, or maybe in the press is to support the airplay.

I: And why is that?

AdF: Because if you have it on the radio, radio has the highest penetration and people listen to it on a daily base, on any hour of the day. In other countries this is replaced by internet or MP3, but in Argentina there still is a very high percentage of people listening to songs on the radio. But it is decreasing, it's not as high as it was in the nineties.

MM: Also, to my opinion, it's because the main tool you have to make a record to sell, is when the song is very well known. Maybe you have Gwen Stefani in most of the covers of the magazines, or maybe her new video is on the music channels, all these things wouldn't be such as powerful as if the song has a good airplay on the radio. It wouldn't be the same. Maybe there are some exceptions, but on the regular basis it's the other way.
I: And does Universal earn money by selling it to the radio stations?

AdF: No, only on the public, not on the radios.

I: But I guess Universal and the radio stations are interdependent?

AdF: Yes.

I: But Universal also doesn't have to pay the radio stations?

AdF: No, we only pay for commercial spots. When we promote a disc, by a spot every day, that's the only time we pay. In no other cases.

I: And do you think you can influence the success of certain artists by promoting it more or less?

AdF: Yes, that's what we try all the time, haha.

MM: Yes, he's like the nexus between, what the company from the head to us wants, to the radio host or owners. Maybe he has the mission to make the new Killers song a hit, so with the song he goes to every host and says "Listen to this song, it's a very good one, try it." Then of course the radio will airplay, because it's a well known band, etc. etc. But maybe if a radio host really likes the song, it will be easier to make it a success.

I: Does Universal has rules on promotion too?

AdF: Yes, always, haha.

I: Or do you also have freedom to promote it in your own way?

AdF: No. For an Anglo artist, for example, the rules are very strict. The divisions in the company which are responsible for the several artists determine the promotion strategy. According to the importance of an artist, there are different circumstances that (…) which I take along in the objectives. But I don't have freedom to choose how I can promote an artist; it's Miguel in case of Anglo or Federico when it's local, or Analia when it's Latino. Somewhere they can leave (...) of what you handle on a promotional level.

MM: Yes, this would be for instance that I decide to release this new Metallica song in the radio. I think the main thing would be to have the song in Rock and Pop. So I tell Ariel: "I have this song, let's do it next Monday, if everything is ok, blablabla. And maybe he will give me the feedback that "No, not next Monday, because I know that next Monday there's also a new release of Depeche Mode, so let's wait a few days more, or let's do it before that." Or maybe I'd have a good idea to release another song in that radio, but he'd say, "No, maybe it's better to release this song in another radio." Maybe we discuss a little thing about that, but we're all already for so many years in the industry, so we know where to go with each artist. But anyway we can discuss that and he gives feedback on "No, it's better to do this or that". Of course we have the final decision but he gave us the feedback to do that.

I: But the policy is more international? The rules are from the international policy and you adapt that to the local music industry here?

MM: Yes, of course.

I: To what extent did the importance of radio change by digitalization?

AdF: It is changing a lot. (…) is more than digitalization, which is by internet, MP3

MM: Yes, when we were kids, it was like that. Maybe I want to get the new Guns n Roses song, but I have to wait until the radio wants to play it, or go to buy the album. Now, it's often in countries like this, it's very, very easy to get the song for free. You don't have to pay iTunes, like in the rest of the world. You have very popular sites, and very easy to find, where you can find the whole new catalogue of the world.

I: So, illegal downloading?

MM: Exactly. So as he said, a teenager with his own MP3 could make their own playlist.

I: So the radio became less important?

MM: Yes, it's decreasing every year.

I: So what do you think about the radio in ten years?

AdF: It will exist, haha. Not like nowadays, but (…) which (has) radio in this form, I believe.

MM: The way that they are working now; no. It will change. Maybe it will turn in more like an AM-radio, with more people talking instead of playing music all the time.

AdF: The way they are now, that couldn't last very long.

I: But people thought the same when the CD came, right? But it's still there.

MM: Yes, the CD is an example, and newspapers are also an example. But if you see the figures of how many CDs or newspapers were sold five years ago and you compare it to now, they have decreased a lot. It won't disappear, because there's still a lot of people that want to have the newspaper, or have the CD in their hands, so it won't disappear. But there will be a lot of people that don't mind having the newspaper or CD in their hands, they don't mind having it in the MP3. Also I think, our generation having a CD, but we have to see what happens with the new generation that maybe is not very used to having a CD. That's the thing. The new generation doesn't mind having the newspaper on the table to read, and they don't mind to just have a screen. And maybe with a thing like this, you can have everything in here (pointing at phone?), that will be a real change, but we'll have to see.

I: But don't you think people stay listening to the radio, because they want to hear what's new?

AdF: I think in our case, yes, but of the youth no. They have internet, so no. They will get to know the new things through the web, not the radio. The youth is not waiting for the radio to hear something new. They know it already.

MM: Yes, that's now a thing. Maybe two or four years ago, you as a company, had a new thing that wasn't leaking anywhere. Right now, at the time you have a new song, it has always been leaked in the web. And the kids that consume that are much, and much faster than you. Because of the times and the blogging (?) of the things, that's much faster than to have the song and go to the radio.

I: So do you think the market will be less hit orientated in the future? I can imagine that if people are downloading they look for albums, rather than for singles.

MM: The thing is that here the single is not a commercial thing, just the whole album. The single is to focus them, to find the album. I think that any company in the last ten years releasing a single as a commercial asset.

I: But the aim is still to make a hit-album, right? Do you think that will change in the future?

MM: Not right now, maybe that thing will last.

Before I ran a rock magazine (Soy Rock), that we created with a friend. We developed the whole magazine with local bands, because it's easier to get to them, to get interviews with them, and it worked. It really worked.

Most of them are covered with local bands, just a few internationals. And if you look inside, you mainly find local acts.

I: So this is also more locally orientated?

MM: Yes, because it's much easier to work with.

B. Interview Television (FF1)

Fernando Franco – Marketing Director Universal Music Argentina

15 years television: Siveneros television group, Dan Turner and in the middle Glaxon. This group has 8 channels; cable channels. 2 of the channels are music channels; Much Music (Canadian brand) and HTV. Fernando Franco was the director of these two channels; in this position he was responsible for the marketing, programming, creativity, original productions, all the things concerning the media.

In Argentina 20 years ago, there were just 4 TV broadcast channels; canal 13, canal 11 (today TeleFe), canal 9 (today canal 9) and America 2, canal 2 (today: America 2). In that moment there were just 4 or 5 FM radios. In less than 20 years it developed to more than 50 channels (cable and broadcast channels) and more than 10 radio stations. Together with internet and mobile telephony, there is many media for the same audience.

I: What part of the Argentinean population has a TV set at home?

FF: I think more than 80%. There is 7,5 million houses with cable, consider that there's 4 people in every house. This makes the total population that has cable is 30 million. Satellite, direct TV, is I think 1 million. Digital is growing, but less than 0,5 million.

I: Apart from Much TV and HTV, which other music channels are in Argentina?

FF: Quiero Music (Clarín Group); just Spanish music from Argentina and Latin America. MTV has less music today and more reality shows, it's like MTV in the rest of the world. HTV is just Latin music, now including Reggaeton, but it's Latin music. Much Music is local, is international or in Anglo. The difference between these channels is that Much Music is from a Canadian idea with strong concept based in interactivity, local (because, and I think so that the music is the kind of programming that you can't export, because music has strong locally taste. That is the issue because here for example we have some groups that are big here and nothing happens in neighboring countries. For example here we have Bersuit, they make performances in big stadiums, but in Chile, nothing happens with them.

I: So you think the taste of the people of Argentina is very different from the neighboring countries?

FF: Is similar with Uruguay or Paraguay, but not so similar with the rest of the countries in Latin America. But I think in the other countries in Latin America, it's the same; they have strong local tastes that is not the same with the countries. So that is something that music has. You can have some artists that make cross-over, but that is not a rule. It's not the same for all the artists, it's difficult. So I think like the news stations, like CNN, why CNN here in Latin America is the top 5 in the rating of news channels, the 3 or 4 in front of CNN are local channels that show you the local news. Music is like that, it's similar.

I: So you think in general that Argentinean people are more focused on local music than on international?

FF: Argentinean people like much the local music yes. We have strong radio stations dedicated to local music. The advantage that some media take, like Quiero, like Much Music, MTV more international.

I: But is there one channel which only has Argentinean music?

FF: Quiero, is Spanish music, but is focused basically on Argentinean music.

I: But the others are also focused on Latin America? And Mucho also on international?
FF: HTV is all Latin music, is focused on the tastes of the Andean region in Colombia and Venezuela, Caribbean and Hispanic. MTV is more for all the region (Latin America). Much has 2 different signals, and MTV I think has 5 signals for Latino America.

I: So what do you think are the most important music genres here?

FF: Today the reggaeton is growing. The local music. [I: Folklore?] No, we say Rock Nacional. Rock Nacional not is just rock, it's rock, it's pop, is all of contemporary.. is not the bailanta, not the folklore, just rock nacional. Latin music and Anglo; international from UK and USA.

I: Do you think one of these, UK or USA, is more important?

FF: I think in Argentina UK is more important. But the music of USA is here too, but the audience preference is closer to UK.

I: Do you think this division between national and international changed in the past 10 years?

FF: Yes, of course. In the middle of the 90s, we had more Latin music. Then Latin music, we had the crisis here, so the local music go ahead from the Latin music. That was after 2001. The international music all the times is 50% of the music that people here listen to. Now the reggaeton, I think, is a little more than Latin music. So now we have international music 50%, or 45%, local music 30% and Latin music and reggaeton is pushing to, I think reggaeton is today in the front of other …

I: But is this reggaeton originally from Argentina?
FF: No, it's originally from Central America, the Caribbean area and US Latin. Puerto Rico and the Caribbean.

I: So the amount of music from an Argentinean origin is 45%?

FF: The music originally from here? Is 40% of all the music? Yes, yes, or 35%, depending the time. But between 30 to 50%. Local music is very important.

I: And these are rock nacional, tango, folklore, all together?

FF: It's more rock nacional. Most important is rock nacional. Folklore is important in the rest of the country, not here in Buenos Aires.

I: So why do you think the music taste changed after the crisis? Was it because the foreign music was more expensive, or do you think the people actually liked the local music better then?

FF: Good question, because people before the crisis had the opportunity to visit other countries and listen to many music abroad. The music that in record labels comes to here, are more than today. So after the crisis it was more difficult to get access to music of outside the country. But here when we have this kind of crisis each ten years, it's a phenomenon that the audience go more to local shows, listen more to local artists, that is for one or two years, can it balances. The same was in the 80s, during the Falkland war, here Anglo music was prohibited. So you can listen to music in Spanish. In these days there were many local artists, local bands that grew then.

I: But when it went better with the country, it also became more international?

FF: Immediately after the crisis [or Falkland war] it became more local and one or two years after that, it balances between local and international.

I: About the television market in general, which of the channels has a commercial nature?

FF: I forgot canal 7, in the list of the broadcast channels, that is the channel of the state. So maybe canal 7 is in the past and today the more non commercial channel, but all the channels in the actuality are commercial channels. The channels that are more noncommercial are that, just because of the nature of the content. But not because they want to be noncommercial, they all want to be commercial. For example a channel that is dedicated to children, are so commercial. To teenagers and young people are so commercial.

I: To what extent does the state have influence on these channels? Are there rules?
FF: Today no, we have a free policy, but the government that we have today, they are fighting all the time with the media. The media who make negative commentary on the government, but today we are in peace.

I: So there are no rules about the content?
FF: Yes, you can have porn or sex content, cigarettes, alcohol, you can show that in the channels.

I: But are there rules concerning that?
FF: Yes there are. For example, cigarettes, you can't show any advertisement of cigarettes anymore. Alcohol I think you have restricted times, I think between 8 pm to I don't know 6 or 5 in the morning, you can show adds about alcohol. You can show some sex scenes before 10 pm. You have to take care of your vocabulary, so if you say some bad words, you can have some *butas*, you have to pay. The maximum of ads per hour is 12 minutes.

I: Is there also a policy about the origin of the content that is broadcasted?
FF: No, it's not like Venezuela for example.

I: So there are also a few channels which are subdivisions of the conglomerates?
FF: Yes, we have here MTV, they have an office here. The produce here for the MTV in Europe, USA and Latin America too. They have MTV and Nickelodeon and VH1. Then Turner Television Group, they have Much Music, HTV, Space (is movie channel), Izat (is another movie channel), Infinito (documentary channel), Cartoon network, CNN, Boomerang, FTV (fashion). Then Fox, they have Fox channel, Fox sport, National Geograpic, (…) Music. Disney, all American groups! Disney has Disney channel, (…) Disney and Jetx that is changing in another name/brand in on month, to another kind of channel for teenagers. Grupo Clarín; they have Canal 13, is a broadcast channel, Tele (news channel), Magazine 24 (magazine channel) and Quiero Musica. And then Primer, that is the local group, they have Abromed, M/NLA, I think they have another channel but I can't remember.

I: So there are only two local groups?
FF: All have local offices here and all have outside owners [I: Like Universal here?] Yes. Primer too has outside owners, only Clarín is originally from Argentina. But most of the channels have their origins here, but they have been bought up by the international conglomerates and now is part from them.

I: So if the group is not originally from Argentina, that doesn't necessarily mean that the channel is also not?

FF: Yes. But you can search in the internet, for example Primer.. Then there is also Sony and HBO, which have the same signal in all countries.

I: So there's many.

FF: Yes, more than fifty. I think even more than sixty.

I: Can you describe how television as a promotion tool for Universal?

FF: So the music channels is natural, because they ran our videos. They make contests, presentation, some actions, linked with our artists, our launching. Is particular in the moment, because the thing I started talking about.. in the past, we had less media and the audience with the capacity of paying attention between two media; radio and TV. Now you have the same audience and 60, add the radios, 75 add internet, more than 100 possibilities of entertainment. So we need to make a clear plan where to put our artists in because we have some opportunities. I think the broadcast channels are the more important because one shot goes to more quantity of people. The shows or canal thirteen or TeleFe they are the more important broadcast channels here. They have between thirty and forty percent rating point, that is equal you have four million of houses watching the program. Four million, with four people in the houses, that are sixteen million people watching in this moment. So it's important the media and it's too difficult when you have time for promo of for make promo with artists who come here, just for three of four days, and you have to go with the artists. So maybe you go to the broadcast. And they are two different kind of promotions because in the broadcast channels there's just one shot, but that doesn't live for the future. Maybe in the cable, it's less of rating, but you can live for many months, because they run the same show many times and a lot of promotion and maybe you can make 360 degrees actions with internet, with the channel, with maybe some radio. So it's; open you mind and looking for the best option in each case.

I: So you work together with the other media as well to a great extent?

FF: Yes. But I've just been here for a moth, so I'm learning about the record label business, but yes, we have daily contact with the radios, music channels, the broadcast channels. So we are looking for the alternative medias or alternative places to set the artist or depending that what you want to work. For example if U2 go to the media, all the media want to have U2. A new artist, you maybe need to first set the image, maybe adds on billboards on the streets..

I: Does Universal earn money by selling their music to the television stations? Or do they have a interdependent relationship?

FF: No, we try to sell. We use the content today to negotiate. Actions, seconds, advertisement space.. And another possibility of negotiate with our content is with brands. But with media is complicated; depending the media, depending the artist, depending the proposal. We just have video clips and tax.

I: So is it normal not to pay or earn anything from every artist, music or video clip? If you go with your video clip to for example Much Music, do you earn money with this video clip?
FF: Yes, of course. They pay to the organization that then distributes the amount between al the record labels. Each music channel pays each month a percentage of the rough revenue to this organization. And this organization distributes the money between all the record labels.

I: So there's an organization between Universal and the channels?
FF: Yes, just for the video clips. It's like when the radio play the music, the radio pays to the organization. And the organization pays to Universal. That was for the history. But in the past 15 years, when the music channels started MTV, they don't pay anything for the videos, because record labels want to send the videos there. They say please play it. But I think 3-5 years ago, they started to pay.

I: But Universal doesn't have to pay the channels to play their music? It's not the other way around?
FF: No, no, no. That is called *payola*. That is bad. Maybe in some medias you have a compromise to inverse some money in advertising per year. I give you ten pesos per month in advertising, so put my product in advertising, and then the music that they play is programming there from their programming manager.

I: Do you have the idea the promotion by television could influence the success of an artist?

FF: It's depending. Some broadcast channel is very good to promote the success of an artist. You need to plan and the plan is composing of more than just one action with just a TV media or a radio, or a magazine or street, or.. it's a combination of multiple.

I: And what do you think of the television compared to the other media?

FF: The broadcast television has a huge amount of rating, basically in the night, with more important shows. The radios have the attention in the morning, in the afternoon when people go back to work, when people go shopping and the street is good to make the image of some artists. So you need to combine all this. It's not one more important than another one. Maybe one visit in one broadcast TV is so good for this artist, but one more after, you need to set your single in the radio, in the TV channel, you need news so people of the news can make their jobs. It's a combination, depending your strategy.

I: And what do you think of the importance of television in the next 10 years?

FF: Interesting because this time in the history, I think, all of us are asking the same question about where the media go because the digital opportunities, the internet. I think today many people is in internet and watching TV in the same time. If they have internet in their desk and TV on their phone in the future, with shows and TV programs, you can download music and listen. So, it's difficult to say, but like five years ago, somebody told me of the niche. We have too many niches. So what is going to happen with so many niches? You need to have marketing for this, or this.. No because, it's too difficult to go inside this niche, that the market is just going to have just a 5% with too many niches and 95% of massive. So it's possible to go to the same place with the media. Maybe we have too many media that represent 10 or 5% of the market and you have three, four, five media, that represent 90% of the market. That is because the human nature, maybe. Because you need to go to something knowing, who have the possibility to make a big campaigns, have more important ratings. So I think that this big media is going to have bigger. That is just my opinion, I don't know. I don't like the idea, that just four or five media have 90% of the market, but we're going to that. Today that's happening to the radios for example. You have four or five radios in the 80 or 90% of the market. With the TV channels it is the same.

Maybe they are going to show TV by phone or by computer, but there is TV. Maybe it will be important that people think about the music. So for me the new single of U2 is incredible, I want to take my CD, I want to play in hifi. Today you can see people listen with the telephone but no with the headphone, just with the telephone speaker, like our grandparents listened in the sixties with their radio. It's the same, sixty years after.

C. Interview Internet, New Media (AD)

Alejandro Duque – Director commercial affairs and new business development South Cone Universal Music Argentina

Alejandro Duque (works for Universal since five months) oversees the sales and business development department. Sales is basically physical CDs, still 70% of our revenues comes from sales. We have to very important clients, Musimundo (more toward the take area; starts to sell TVs and stereo equipment) and Yeni (has moved toward a book area and became a very important book store), so he oversees that. And then I oversee the business development department, which is basically digital. And then all other sorts of new deals they come up with. Before he worked in digital operations for Latin America.

I: Do you have an idea of the penetration of music capable devices here in Argentina?

AD: Yes, CD players.. probably everyone has one; it's probably like 95% at least. And then music capable devises, the largest penetration is on mobile phones, with MP3 functionalities. Basically mobile penetration right now is approximately 75%, and of that 75%, 62% is music capable. So that's roughly 45% of the population.

I: And do you think it is actually used for music?
AD: Absolutely.

I: And more to listen or also to buy it?
AD: More to listen to it.

I: And what about internet penetration?
AD: The internet penetration is good. The problem is not so much with the internet penetration but with the broadband penetration, which is still very low.

I: So what do you think of the use of internet concerned with music?

AD: What I'm seeing with music right now, is that it's evolving in a way in which they use the different H segments/H brackets are given to it, is completely different. And then, all of the different uses that you can get from music, are also converging on a single person. So to better explain it, for me there's three main uses; you can buy a la carte, on demand, you can get a subscription, or you can buy a record. I mean 3 deal surpluses anyway. In a la carte and subscription, there's both; paid and advertisement supported. What's happening right now, is that the teen population especially, is moving from perceiving music as a product – which you know, you go and you buy and you take it – and they are moving to perceive it as a service.

Which is a completely different approach; pay per use, pay per access. It's kind of like cable TV, or satellite TV, like satellite radio, it's moving to that. And at the same time that it moves to that, they're getting more demanding in terms of catalogue and in terms of interactivity. They don't want to be forced to listen to anything, they want to be able to pick whatever track they want, they want it right now and they want to pay nothing. They don't want like: 'I bought a new iPod or a new phone and I like 100 songs, so I have to spend $100,- in the first month' That's crazy! You know what they want to do? They want to sit down and 'I bought my phone, and it has 200 minutes and 200 sms and 50 songs per month and I pay, I don't know, $50,- for everything.' I think that's what the kids want. So it's really interesting, this has actually happened before if you think about it. Actually in the music publishing industry. Remember that at the great first they used to sell scores and that was their main business, so it was a product business. Right now it's a royalty, service and a (…) business. So it's kind of the same thing that is happening to us in (…) target markets. We're kind of switching from plug sales to licensing (...) services.

I: So it really changed the music industry?

AD: Absolutely, think that the contracts are not prepared for this. I mean we have contracts with artists and with publishers that say that we can sell copies. We're no longer selling copies, we're selling access. So if we sell access, how do we pay royalties? There's a big question for example. If we come up with unlimited music service, that you can listen to all the music that you like, you can download it, and listen to it and then if you don't pay the next month, the music kind of deactivates. If we come up with that, the costumer behavior is going to be to download everything. But how much are they actually going to listen to? So should we pay royalties per download or per listen? And if we'd pay it per listen, we need a really sophisticated tracking service and we need a device that is fairly complex, we can't have it from the generic Chinese made MP3player, because they're not going to be able to track that … So it's really interesting.

I: So you think there's a solution for it?

AD: Absolutely, I think right now, we're moving toward what can be an ideal model. Right now, we're closing deals with carriers, with ISPs. With 2 different ISPs and their both really excited about launching this program. Basically, because remember that the more technology advances, the more content is required. If you have an HDMI TV with the latest resolution and screen size and whatever you want, but if you don't have any content, it's kind of pointless. Same thing with devices; this one [pointing at his phone] is a pretty decent music device. It has ... speakers and then when you plug in the headphones it has the regular quarter inch plug, rather than the USB type, so it's a pretty decent music device. So you need music, so that these features are perceivable and they actually make any difference in the market. So yes, I think we're moving toward a couple of new business models that are going to be really interesting, and that are more on a subscriber base, by user, rather than by downloader, or by song or by album. We're getting a buy-user, which is very great, because in the end of the day we are probably going to have heavy users that are going to download thousands of tracks per month, but we're also going to have people who pay and download like ten tracks per month. So you can balance this out. It's always good to know that you have an X amount of users that is going to pay you each month, regardless of you have a U2 release or not. I think we're getting pretty close to it.

I: So you think you can prevent piracy with this kind of model?

AD: I think that.. Well there's physical piracy first, which is more common in Latin countries, and the problem with physical piracy that it's everywhere and that it's really hard to contain. Then internet, or online piracy, I think that if we come up with a service that is interesting enough, we can probably move a lot of people who finally resort to piracy because of pricing, because they're not getting what they want, when they want. We can probably move a lot of those people to a legal service. Of course there's also going to be a lot of people that is going to want to be free and don't want to pay for music. But the (...) thing we have to a favor at this point is that for launching a legal service with an ISP, an description based service with an ISP, that is making them money, and that is also saving them money, because remember having a pirate user for an ISP is very expensive, and if they consume a lot of bandwidth, they connect to international sites all the time and staying a lot of time connected, and transfer a lot of data files, this is expensive; it all costs a lot of money to the ISP. So for the ISP it's really convenient to say 'Listen, don't download music from there, pay me, I don't know, $4,- extra dollars per month and you can have access to music here and from my server. So first of all, it's faster, second of all it's safe, and third there is the (...) quality, the (...) integrity which is totally different. So once we're in that situation, we can persuade the ISP to do a little bit of peer-to-peer, blogging. We can do a little bit of peer-to-peer controlling, to lock down some sites, you know, it puts us in a better position, because we're business partners now. It's not like I'm telling them; just disconnect that and that's it. No I'm telling them we're business partners, we have this great deal and maybe if you make it, you don't have to block it, but maybe if you make it more annoying for the users to have go and to find the site and get the track. Or maybe, when they're downloading there, you can send them a little message and say; 'Listen, we have this song here. And maybe if we can do that, we can probably move a lot of those people from pirated sites to a legal site.'

I: So what is Universal Argentina doing to achieve this?

AD: We're working really hard on business development, on new business models. You probably know that Personal Musica campaign? That was a huge campaign and most of it was our content.

We had something like 800.000 downloads in a couple of months, which is really great for a new service and really great for Argentina. That's like 80.000 records and in Argentina monthly is probably 500.000 records, so it's pretty amazing. So we're working on that pretty hard and we're also approaching ISPs and we're also working really hard with brands. I think brands is another alternative. If you give a brand like Coke for example the possibility to give value add to your drink or consumers? Why don't you tie it with music? Why don't you reach new targets with music? And they're always willing to do it. Actually Coke's last campaign here in Argentina was in combination with music. It was a random guy singing a song and then everyone had to deliver a version of that song and then upload it and then vote. Fairly basic. So how about we tell them, why don't you do it promoting in rather than uploading a video of yourself, you upload your favorite music video, or your favorite song and maybe allow them to generate playlists. And then, in the end of the day, the one who has had the coolest playlist, or the most voted playlist, get to download the playlist and keep it. Stuff like that is always interesting for brands.

I: Ok, sounds interesting. And what do you think about the influence of the Argentinean government on the music industry?

AD: Argentinean government? What government? Haha. They probably don't. No, I know that there's a lot of lobbying going on from the IFPI, but in Argentina they have bigger stuff to worry about. I think it's going to be a wave, that's probably going to hit us last. In France they build past, in Germany they're moving to it, in the UK there's highest peak operation, in the US there's also highest peak operation. Eventually I think Latin countries are going to adopt it, but we are a couple of years behind that. So I think it's probably going to take a while, and obviously, there's going to be a lot of mixed interests, but that's precisely the idea of starting doing business with the ISPs. But if we're doing business with them and it represents a value add and a revenue source for them as well, and then, two years from now, there is a legal initiative, chances are good they're going to support it. There are chances that are going to say: "I have a paid legal service, that I'm getting revenues from, I have some users here and as long as everyone does it, I'm ok with doing it. In reality, the only reason why ISPs don't lock down peer-to-peer sites is that if one locks it down and the other one does it, there is a compete disadvantage. But if we're able to be in a position with all of them, in which they will say 'as long as everyone does it, I'm ok', we're fine. I think it's a matter of making them some money. If you let to see them money, they're up.. You can see that for example in mobile carriers, they're releasing wi-max services on wireless broadband and everything else and peer-to-peer sites are locked down. And the reason why is, you can go to their website and buy content and because the network is too fragile and they have a crazy (...) downloading media of songs, they're almost going to collapse. That's another reason, that's a technical reason. But the fact that they already have content, makes them more willing to keep the site locked and not (…). It's funny, because I think we were late for internet, but we were on time for mobile and now we're trying to ringle the mobile earning to internet, with mobile broadband, which is ultimately is probably going to replace a regular landline into a ..

I: So, that's a real positive thought and very different of all the negative sounds which are hearable everywhere..

AD: Yeah, you know, it's a very different business model and I'm not very optimistic about CDs, but music can't die. We have to find a way to make money out of it; advertisement supported, description based, band build with ISPs, with mobiles, but it can't just die. We're always going to be able to figure out a way to make money out of it. As long as we stay creative and as long as we have hits; if we have huge artists, and if we have top radio charts, then it's a matter of creativity and working really hard. But yes, we can figure out a way to do it. When I first got here, only 8% of the revenues were digital and by now [five months later] it's 30%. Which is great, it's really good. Yes, the *Personal* project was great, then we got the U2 embedded content in the *Motorola* phones, that was amazing, that was a lot of money as well. All of these steps add up to their normal revenue stream and it looks ok. We are fairly close in covering the gap of physical, which is great news.

I: Do you think there's going to be a change in the importance of local or international music?

AD: That's a very interesting question. It's hard to tell, but I think that people (I mean teens) are more getting into music discovery, they like to listen to a song first and then take it to a friend and say; "Listen guys, check this out, I found this searching around on YouTube and I think it's amazing". So if they start listening to it, it's just the normal effect, then everyone starts listening to it and then we're getting a report which says 'Argentina is getting huge traffic for this random song. It turns out that the repertoire owner is Universal Music Indonesia'. And then we call them up and say 'Listen, can we put this song up for sale? And the chances are good that they're going to say "Yeah sure"', and that's kind of how an act starts breaking. So it's interesting because it's music discovery, but at the same time, you get information from those fans, and as soon as we get information, we try to make it into a big global release. And as soon as we make it into a big global release, the record company is necessary. The reality is that there is only so much space for music, I don't think that music in a completely independent world, would work very well. Just because there would be so much offering and the radios just wouldn't really know what to do, they wouldn't know what to play. And ultimately, if you're a band and you want to be big around the world, you need a really big marketing force behind you. You need someone who is not going to be afraid to invest in you and while right now, advances to newly signed artists have come down by a lot, marketing investments are still very important. We still spend a lot of money in marketing and we have big marketing departments that know the media very well. So I really think that to break an act, it's key to have a big company behind it. So regarding the local and international, I think that digitalization makes it for international music to be more widespread. One of my favorite records lately, is from this Italian rock band that I've never seen in my life but I thought it's amazing. So I found the record and it's ours, so I got it. It's kind of like the discovery process. But it's one out of my ten favorite bands which are mainstream bands. So I think that local markets are going to keep developing. What's mostly happening is that it's unfortunately getting harder for local bands and small bands to get discovered. They actually have to work a little bit harder. Before, you got a couple of songs to play, then you recorded a demo, and then somebody liked it at a record company, and that was it. Right now I think you have to work a little bit harder if you're in any kind of band, you have to get a couple of good songs, record a demo, you have to play live, you have to take it to a radio, you have to get (…), you have to get our attention. It doesn't really happen anymore that you hear a demo and say 'this is great' and it's signed. It's more like the boss get's to us. So it's like, there's a boss and you hear of a band that's playing in bars and they're playing in a bar every day, and then, all of the sudden, the local radio station is playing the song twice a day, it's not huge rotation but that they're playing the song, that tells us something. And that's at the point we can go to them and ask 'Do you want something bigger?'. I think that's going to be more important all the time.

I: But I thought it might become easier for bands to get discovered, by the use YouTube for example? I thought that if they're getting many views, they maybe get attention from a record company. Doesn't it also work like that?

AD: Yes, absolutely. What I was saying about the radio, I was using a very obsolete example. But yes, radio, YouTube, websites, I mean if a band would came here and they said 'Listen, I've been playing every Thursday, Friday, Saturday and Sunday in 200 people venues for the last six months and here's my finished album, and check out my website a million hits, and check out my video in YouTube it has a couple of million views. So we're going to be like; something is going on here, this is a great project to have it and we want to have it. But it goes back to my point, that the band has to work harder. They have to market themselves a little bit more. They have to use the tools that they have available a little better.

I: So if I understood it correctly, you think it might become a bit more international?

AD: That's a really hard question. No, I don't think it's going to be more international. No, I think that in the fact, in the same way that local bands have going to work harder to get our attention, they're going to have to work harder to get local attention for international bands. Because performances are going to be more frequent, bands are going to play out, so the artistic quality is going to change. I think that maybe performers are going to decrease a little bit and maybe a bit more singer/songwriters and more thrown decisions are going to emerge.

I: So you think it will even become more local?

AD: I think it might become more local yes. Well it depends on the market though. If you think about it in Europe, all of the music events have been local, unless it's America, but other than that, if you listen to a UK track in Holland, you feel it like a local track, don't you?

I: (..) But I've also heard some sounds that it's going to become more national or local, because the world is getting smaller, people are going back to their roots and..

AD: .. back to being indie and yeah.. that makes sense. It's hard to tell, there's a lot of.. But I think the natural tendency of a musician might be to stay local. But I think that the globalization itself is going to be.. I mean if you are a local band in Argentina and you're going to play out and make decent good living and do shows every month and you tour around Argentina, you do 2000 people venues. You're pretty well off, you make a decent living. And if someone comes to you and they tell you your track is getting to get airplay in Spain, the chances are that the guys are not going to say, ok let's buy a ticket to go to Spain, and go over there and to promotion. The chances are good they are going to a company to do it for them. So as soon as they look for a company to do it for them and they tell the company that they're getting airplay in Spain, and that they want to exploit that, the company is going to work for them in Spain and also in the other territories. So the fact that this band tried to maintain local at the end of the day, kind of made it global.

I: So it's going to be a hard time for the independent companies then?

AD: It depends actually. A lot of independent companies are rethinking their business models and they move really fast. A good example is Popart here, they are a successful company, they don't have a big repertoire, but they got into live music and into merchandising and they make really good money.

D. Interview Digitalization, New Media (AO)

Ana Clara Ortiz – Vice President digital business Latin America and Iberian peninsula Universal Music

I: What are your tasks at Universal?

AO: I'm based in Miami, and what we do basically is to coordinate all the digital operations for Universal for Latin America, so that includes online business and mobile business. So all the business related to negotiations with the .. and carriers to sell music, the mobile negotiations with online .. and online retailers, to sell the music online. Be the streaming and ..., any type of digital music formats. We also transcend (?), depending on the country, we'll support online marketing, so online campaigns, promote developing artists in the region and then basically the direct consumer strategy and we meet them to the customer habits and online behavior/retailers. Mainly for (...) B2B or white label of the .. of the online retailers. And then we also sell to our own channel, mobile and phone line, which is direct consumer. We do ECRM campaign, databit collection, etcetera. There is another area that we're kind of like entering right now and developing, which is business development, and it's basically selling music to brands. … of the industry, so we try to approach brands and advertisers, like Mastercard or American Express, Coca Cola, .. and we try to close some market promotions around music.

We are closing basically marketing promotions, but then around music. For example if Coca Cola wants to do a music work site, and they want to do promotion. With the Coke camp, you can get a code, which is coordinated into a website and then you can .. downloads in music, so it's basically marketing promotions around music.

I: Could you characterize in what way the Argentinean music market could be distinguished from other Latin American music markets?

AO: Yes, it's a difficult market, even for negotiations, but it's good because it's the more, I would say even market in terms of market share of the chains.. and that's a good position for negotiation. In countries like Mexico you have a monopolistic situation with three .. but one of the .. owns 75% of the market share. In Argentina it's pretty even between Claro, Movistar and Personal, so that's really good for us, because then there's more competition, so the .. are more aggressive. And the other point that is very cool of the Argentinean market is the mobile business, it's still growing. Even if it's flat and it grows a little bit, it's not declining in other territories, that we have seen like in Mexico and Brazil. So we have a lot of mobile revenues and mobile operations. In Brazil and Mexico we have seen that the mobile revenues have decreased, and then we have to open new distribution channels. So Argentina is kind of like keeping the track and that's also cool. And it's bigger than Mexico and Brazil as well, that has been decreasing heavily.

I: So you think this is the most important characteristic of the music market, which is different from the other countries?

AO: Yes, and then it's a country where there's a lot of concerts, it was always like that, regard of the economic situation. Sometimes it's crazy though, but even in the crisis environment, you can still see that concerts are taking place, that there's a lot of international acts that are coming, so music is really, really important for the Argentinean market. And the Argentineans are very loyal to the consumption of music, so that's really, really cool. And well, it's a good market for attracting international acts and concerts.

I:And do you have an idea why it is like that?

AO: It's because of the culture. I mean the Argentinean people, we love music. In other markets like Chile, they're not so loyal to music, sometimes they do like other ways of entertaining. In Argentina the market, and the people love music, so they consume music in different ways by merchandising, by going to concerts, even by downloading from … because they love music. So that's it, I think it's part of the culture, it's one of the top entertaining .. or .. that the people choose.

I: Ok and about cultural proximity**..** I read about the idea that when all circumstances are equal, people prefer a cultural product which has its origin in a country that is more culturally similar to their country, then a country which is not. So do you think this happens more often in Latin America than in Europe or US/Canada?

AO: Hmm, I don't know and I think it's completely the opposite. Chances in Europe are more alike, each conditions are more similar. In Latin America, even if conditions are similar, even if we're talking about the same company, if we're talking about a company that is in Argentina and the same company is in Brazil or Chile, the behavior is completely different. And even if, I mean there's no country that has similar conditions, ever. Latin America is completely different. I mean, Paraguay is next to Uruguay and then Bolivia is right next to Argentina and Chile, forget it, and Argentina – Chile. Even if the language is the same, but it's completely different. And of course Brazil is another world. So there's no country that is actually, I would say behave in a similar way, even if the conditions are similar. But the conditions are not similar at all. I mean the cultures are completely different, everything is different. I mean the way you behave, socially, what you eat. I mean Argentina is completely different from Chile, etcetera. And the way of doing business is different and the way of music consumption is different.

I: So you think the influence of neighboring countries on Argentina is relatively small?

AO: No, I don't think it's .. I mean we can't compare Chile with Argentina, to Bolivia and Uruguay and the markets are completely different. I mean, maybe even the top 10s of what people consume in terms of genres is different, but.. Maybe like dinner behavior, yes, but if you go for example to the music top of ten consumption, and sometimes it's completely different from one country to another. Of course there are some genres that are really like.. rocking, like reggaeton. But that's really from mobiles, because then you see what people buy typically in CDs and that's completely different. I mean, you see what people download online and that's completely different. So I think that it's different. I think the (…) for general consumption, ok.. that you can assume some general assumptions, but I think that it's different. The rest, yeah, the behavior is different.

I: So do you think the influence of Europe or the USA is bigger on Argentina than on other Latin American countries?
AO: No, Mexico is very influenced by the US and then whatever happens in Europe, sometimes falls in to Latin America one or two years later. But again, there's always a local flavor of the culture that makes it different anyways.

I: So how is this sensible?

AO: In terms of the culture, so whatever the culture is in the country they are going to adapt whatever is going on in Europe to be, for example there is a big summer hit in Europe now and it's working and it's a big song etcetera, it's probably going to fall in Argentina by October, but the real hit is going to be in January or February because it's summer time. Again it's like.. things arrive from Europe to Latin America but then they adapt it in a way that it is very particular to the culture.

I: So European or American hits, which also become hits in Argentina are an example of the influence of the USA and Europe on Argentina. But do you think there is more, or in a different way?
AO: No, not really. Not really through online, because now with the internet you have more reach. I mean you don't need.. it's much easier to actually place products from Argentina into Europe and vice versa. But I think it's the same as with any other country. But probably for specific things, with the tango for example, that is very particular in Argentina. That's the classical thing that through internet, that you can of course reach markets like Japan or Europe of course, or a (…) from Brazil. But that's because of the internet.

I: So about the hits in Argentina. Do you think it's a more local market? Or more international?

AO: No, I think it's local. Argentina produces a lot of local music, a lot. Mexico the same, a lot. Brazil is like 60% local, and only Brazilian. So basically there is a lot of local music. Of course there is international as well. But the more they consume is local, at least 60% is local.

I: Do you think this orientation to local music will change by the digitalization?

AO: No, not at all, because the digitalization happened already. No, that's not going to change. What makes it's easier is that when you went to Europe for vacations and you liked some music and you go back to Argentina and you can download it. And you don't have to wait until the CD is released physically. So you can buy whatever you want and you can stream whatever you want, and that's not going to change. I don't think so.

I: So you don't think it's going to change the taste of the people in the end?

AO: No, I don't think so. I think that there's more music to choose from, but local has always been very … And has always played a very important role in Latin American countries, the local music.

I: Ok, so do you think music styles, the content, the music itself, is going to change, because they are faced from more different styles from Europe or the USA for example by this digitalization? That there's maybe going to become a more 'global style'?

AO: No, not really. I think that every country has it's specificity and again, what you can do and what you can take advantage of is that through the internet, your music can be reached anywhere. Via Lastfm, via Youtube, via any different service that allows you to stream or to download music. But no, there is not going to be something like global taste, no not at all. Because that's what makes the music so cool. You like that's so cool and particular from Germany, or something that is very particular from the US or from Brazil. That's the cool thing about the different cultures.

I: So do you think it might be possible that it's even becoming more local then?

AO: No, I think that the taste would stay the same. I think the way that people listen to music will change, but not what you are consuming, not the product. But just the way that people consume the music.

I: Ok, that's interesting. And about the structure of the industry.. In the era before the digitalization, the music industry was to a great extent characterized by the strive for hits (hit orientated). It is said that due to great spread of music on the internet – with its endless space – the distinction between hits and niches changed. In what way does this, to your opinion, influence (the structure of) the music industry?

AO: It's part of the change on how the structure will adapt on to the new digital situation, or the new digital world. I think that it's more related to how fast everything will.. a record label it can adapt to the new digital market. Now we convert it to the retailers and we didn't used to be like that before. And now we can just have an online store and sell to the consumers directly. In the past we were going to a typical retail, so I think that the way that things are changing is basically the way of consumption and the way that I distribute the music. So the tastes are not changing. Yes, probably more international repertoire is being offered around the world, because of the internet. But there is no other way than before this could be fairly being spread on a lot the world, but today the way that the music is consumed and the way that it is distributed is what is changing and that's basically what the labels have to take advantage of. I speak in ways of direct to consumer distribution methods that are growing, due to the change of the markets.

I: So you don't think that hits are going to become less important than before?
AO: No, no, no, not at all.

I: But are the niche markets becoming more profitable due to the digital distribution?

AO: Probably, yes. But then with the piracy and the physical decrease, that's all for the gap to cover. So yeah, the markets are better, but then the revenues are not filling the gap of the physical decrease. But yes, I think it's going to change a little time it's a transition and then we're going to end up like we cover probably the old times when there was no piracy, that there were another kind of volumes of music sales.

I: So in what way did Universal – on a global level – change her policy to adapt to the changes caused by digitalization?

AO: We're thinking every single day, the way.. that the (…) are changing. Every week there's a new deal, with new business models and we share global intranet in which we all the deals close, all the business cases and that's good. The company is very flexible to move forward with new business models and I think that that's what makes the difference.

I: So that's also what you already told me in the beginning. That you're more orientating on brands and mobile distribution, etcetera.

AO: Yeah, yeah, brands.. I would say different distribution channels, more that it's B2B or B2C and that it's all the things that are inside, you know. But yes, it's more oriented to brands, and it's more oriented to consumers and what the consumer wants.

I: And is there a different a policy in every country? Do you think that digitalization has a different influences in different countries, or do you think that it's globally almost the same?

AO: No, it's the same. The penetration of broadband is different by country and therefore the consumption online, but the digitalization is the same.

I: So it's not that Latin American countries like Argentina are less affected by it then Western countries like the US, for example?

AO: No, I don't think so. Again, I think that it's again, it depends on when the broadband penetration arrived and how (…) effect is in the globe. And that makes it different. But other than that, it's the same.

I: So are the policies that are changing, changing on a global level then?

AO: Yes, global and local, also depending on the country.

I: So there's one global strategy and it's adapted to every country in particular?

AO: Yes, with the specificities of every country.

I: Ok, then I have a last question about the future. What, do you think, will Universal Music look like in ten years?

AO: I have no idea, haha. I think it's difficult to say, because things are changing so fast and it seems probably a completely different company than what we see today. Of course the basics will be always there, but again, I think that the distribution will be completely different, that the marketing will be completely different due to the internet. So I think marketing, distribution and therefore sales are going to be completely different. So, who knows? I mean, ten years is a lot and wouldn't even know what would happen in five years, haha, so.. But I think it's going to be completely different; distribution and marketing are going to be completely different. And let's see, I mean, the key thing here and the role of the record labels to create hits and to create (…). So even if distribution changes, even if marketing changes, due to the internet and the globalization and digitalization, I think that it's important to keep in mind that what makes the challenge and what makes the hits is the record label. And that sometimes can be chosen and can be doing like do it to word-of-mouth by MySpace by the consumers, but that's not the case for all the artists that we break, so that's the role of the record label. ………… and of course with internet it's easier, we can identify an artist, we can even get artists that are being voted by the consumers of the internet. But then, who creates a hit, it's the record label, that's the main role and that's not going to change.

I: So you think the future of the music industry is bright and positive?

AO: Yes, completely. I mean, music can sometimes has never been higher and bigger than today, so for sure. Whatever happens with the structure, with the change of roles, with the people, with the distribution, marketing, but of course in the future of the music industry is the main thing. I really think that it's really cool. There's a lot of things to do. Music is modest, music should be adaptified (?) to more forward in the way that it's moving with the market, at the same timing, which is difficult to keep track of it.

I: So a lot is going to change, but there is going to be many opportunities?
AO: Yes, for sure. There is a lot of new opportunities every day. For sure there's a lot of new cool things coming in the future.

E. Interview Marketing (CS)

Carina Stagno – Marketing Manager International Universal Music Argentina

Carina Stagno has been working for Universal for ten years now (Polygram). I always worked in Marketing, but in different positions. Now I'm marketing manager, what means that I have a team with which I work every day. We work like a team all the time. It's very important to work all together, because can't be done individually.

CS: What we do is to think about the plans that we want to do with a record or with an artist, in the short term and in the long term. So we define different highlights about that record and about that artist. Every case is different and then you have like other rules that are more general, it depends on what repertoire we're talking about. You have several highlights that you mix and deliver like a plan, that has different phases. So you start with phase one, two, three. And also, if it is a new artist, you think the work on the first album has a target and an objective, but you also think about the second album and the third album. On what you're going to develop, what you're going to invest on that work. To make that artist in a second or third album, what will become, or what will need. What is the role you want to take in a long term. So we plan all that, and with that, it comes a lot of little things and big things and details, that you have to work on every day. And we're organized to do that and we do the production of the records, and the local manufacture of the records. Then you do the promotion of the singles, the videos, the artists, the press, everything that is included in the plan. If the artist comes on a promotional visit, you deliver a plan on the promotional visit. All set according to the big plan you've made the first day. And that is not something that is static. If you start working and you see that maybe your targets are bigger, or different, or some part of the population was not included in the first plan, then you can see with the promotion, other parts of the targets, of the people are reacting. You can change the plan and include more guidelines or tools to start perfectioning that plan. It's always the feedback, it's not something that when it's done, it's like that and you can move it. Every day it's changing, that's why it's a very intense work, or job, because you're always hurrying up and meeting something and moving on. So it's very interesting and sometimes very stressing, but it's nice. We all love music and love doing our jobs. So basically, I now coordinate all this team, that every person in this team has their responsibility on their repertoire. So you have Latin repertoire, that is music in Spanish, that comes from the Latin American region plus Spain. And then you have Anglo or international repertoire, that comes from the US, the UK, or from Europe. And then you have Classics and Jazz, that is the repertoire of classic music and jazz. And now I'm also working on strategic marketing, that is catalogue. And the three repertoires demands plans that are focused on what you call frontline. That is the new, novel music that you have to promote. And catalogue and strategic marketing has plans that are collections, (…), or prices that are lower, or ideas that you work with brands, or.. It's another kind of work, or it's another kind of planning, that's another kind of business. That's basically what I coordinate.

I: But you are especially responsible for the international..

CS: Yes, not for the local repertoire, that's Marcos. Not the local roster, only the international. International includes Latin repertoire, Anglo repertoire, classics and jazz and I'm also responsible for catalogue and strategic marketing. All the artists which are signed outside of Argentina. In English and Spanish, and in Russian and whatever..

I: And what does your team exactly do?

CS: We have a team that is organized to.. As I told you in the beginning, we have team work.. I speak with every label manager the lists of artists we are working on. We have the plans about them, we develop the timelines of the production, the timelines for campaign, the timelines for promotion. The plan that we are going to pursue.. The time.. Every record is about 1,5 or 2 years work. And with these tools we inform the promotion team and every day, we're mixing, giving them information. Everyday all together, you can't do it alone. And then yes, I have a personal assistant, but not for me only, for Marcos and everybody. To coordination of marketing, like a global assistant to some things that are very focused on delivering for example samples to the director of the media, coordinating all the team in logistic issues. Not in the plans of the artists.

I: And the plans of the artists, that's what the label managers do?

CS: Yes, I have like.. the team of classics and jazz and strategic marketing is the same, with two people. Then you have a label manager for Latin repertoire, and two label managers for Anglo repertoire. And then the promo team; two people for radio, one for TV, and one for press and then one online marketing too. But we work together with sales department, with digital department and then with mobile department. It's like everybody knows what they have to do, and everyone has to share information, so everybody has information on the tools to do the job that you're responsible for.

I: So teamwork is very important?

CS: It's that way or no way. That's why.. to make a team work. For me it's very important, the people you work with. It's very important, what kind of energy, what kind of style and you have to find the people that's appropriate for your team. That's not easy, it's difficult and it's not something that you can say; I need someone for this department and you choose anyone.. For me it's a responsibility, which I work with. So I'm very responsible on making this team, and I've been working with these people for the last three years and I'm very proud, because I think it's a very good team.

I: So you can also influence who is in the team, and who you are going to hire?

CS: Yes.

I: And about the marketing process; in what way is het influenced by Universal global? From the US or the UK? Are there strict rules you have to follow if you do a marketing campaign?

CS: No, you have also an organization, because Universal is a very big company, with a lot of repertoire. And of course now in a global world, where you have information about all the countries and you know about which artist is number one today in the UK or the US. It's very important that you work, as I was talking about teamwork inside your company, you need to have a very good communication. And be online too, with the rest of the organization abroad. So as I work with international, we have a structure, Universal has a structure to work very clear all the artists that we consider, or Universal considers, has to be worked abroad their own country. So for example, you can't work all the repertoire, because you choose to work this or that, because that will be a chaos. If every country decided to work different acts, it can be very difficult. So there can be different rules, not rules, but there's a way to organize these, and then you can focus on the artist that has success in their own country, that has sold a quantity of records and they are able to travel abroad and do promotion abroad. So you have these several artists that are doing this career or having these highlight point in their careers in their own countries. So we know those artists from Spain, from Brazil, from Mexico, for example in Latin America, to do it more easy.. So you have like five, six, seven artists that we all consider to be very important and are in a very good timing to do a reasonable job. So as we decide this, Argentina starts to working this artist, Mexico starts to working the artist, US starts to work the artist. So all together, you decide the plan for your country because you know your country, but the timeline is regional too. So we all go to the radio and TV at the same time, the artists make promotional tours that are organized, because we are all at the same time. So that's the way to do it, because if not, it would be at high costs, because if the artists has to go to one place and not to the other. Or if you have one timing here, and one in Mexico, it would be very difficult to organize. So basically, with the Latin artists you have this organization and with the international artists you have it too. So you have, what is called priorities and you have the global priorities, which are for all the countries in the world, Universal.. And then you have the regional priorities, in which every region decides which artists of the region are going to be worked in that region. So there's European, Asian, Latin American priorities. And sometimes

Latin American priorities become a global priority. And sometimes a European priority becomes a global priority.

I: And do you have influence on which artist becomes a priority?

CS: No, it's not influence. You need three or four points to make this happen. You need an artist that sells a quantity of records. For example, an Argentinean artist needs to sell a certain quantity of records, have the time to do two or three months of promotion across the region, with those three or four details, the region decides which artists are the priorities.

I: So the regional managers do that?

CS: Yes, and of course we share information and we can have our opinion. Yes but sometimes it's very clear, there's not much discussion. It's like natural. You know naturally which artists are going to be worked in the region. Because you have the information what is happening in other countries, and the number ones in a year.. It's not that you have fourteen number ones. It's like, it happens. It's not that it's difficult to decide, or that you have discussions, or you don't agree. It's obvious sometimes. And of course you have artists that is obviously, always going to be global. Like U2, Metallica, Black Eyed Peas, Bon Jovi. Artists that you know that are in a position in their careers, that have been worked globally, since they started. So they are like, very important artists and their records that you know exactly what to do, you know exactly what you have to sell. And the other work is with the development artists. This is like… The Black Eyed Peas have been development artists, six years ago, and now it's a very important act. So it's very clear, it's not that it's confusing or difficult to decide. It's very, very clear.

I: Ok, so if I understand it correctly.. you are to a certain amount free to do your own marketing campaign in Argentina and to adapt it to Argentina.

CS: Yes, yes. It has to be, of course.. But for example, if you have the Jonas Brothers, you know exactly the targets that you're going, you know exactly the media that you're going to use to promote the album. If I just have a very exotic idea of something that is very clear, I have to explain it very well. But clear.. everybody is in the same line of thinking and of course that is like a structure of the plans. And then you have a lot of ideas and a lot of interactions with other departments that make the unique ideas or actions. They're unique because they decided to do that artist. For example some years ago we decided, when we started with Eminem for example, that was like, very revolutionary, the way he sang and the things he said. We decided to do the release of the album to the media in an ambulance for example. So you had two nurses that went to the radio to give the record. And that was an extraordinary plan to do with that artist because the content of the record told us that it was a nice idea to do that. And then you have a coverage for TV and the people in the radio receive the nurses and started talking on the radio about the release. But now, we have a new album, and we're not going to do the same. That was made to be done, because it was a very new artist, and it was the perfect timing to do that. That was something to do for him, for that record. And now we have maybe another idea, but not that one. So every plan is unique. So that's why I told you at the beginning that you have rules, or not rules, because that sounds very static, but guidelines. In Spanish, you say *reglas* and that's not so static. Yes, guidelines, because what you know to do, is what you have learned during these years and to work. Every artist you have worked, gives you that structure to confront like a white page when it's hard to plan. And you know that there are five, six or seven things that you must have. And then you start being creative to that. And of course that plan is going to be communicated to the rest of the region, someone is going to look at that decides too if you need to add something else, if he agrees, if he disagrees. Of course you are always communicating your actions, it's not something isolated.

I: But if for example, the people who decide which artists become priorities or not, and we want to stop it, it's not going to work. But you..

CS: No, the priorities is something, as I explained to you to know that's like a way to organize this huge amount of artists and the richness of the roster, of the catalogue roster. But then you have a lot of releases that you decide to have and it's not that you can't release an album.. We release a lot of Brazilian albums, because in Argentina Brazilian music works very well and maybe in Colombia it doesn't work and they don't release them. (…) Brazil and Argentina are quite different, so sometimes in Brazil you have a success with an artist and maybe in Argentina it's very difficult. And then in Argentina you have a success with another artist and in Brazil it's difficult, but it's not that.. So you continue working what you think is going to work, or you have your sense of timing of your own territory. So that is something you can explain. And say: 'Ok, I need more time, or I need another single'. And maybe Brazil thinks it's useless to continue or maybe Chile.. For example Chile and Argentina are very close, but the music is different, so sometimes artists from the Latin repertoire work very well in Chile, but are not so successful here. And here you have other artists which are very successful and not in Chile.. Every country has its timing and its taste, or.. you focus on what you think is going to be successful. Anyway, the development plans are very interesting, because you work, not to have a success in that record, you work to have a success in a second record, or the third. So you can't decide that something is not worth it. You have to work it and then, maybe it's not working in the third or fourth record, if you didn't achieve the objectives. So nothing is strict, it's always about feedback; with the people from the media, with the retail, with the region, everything.

I: So do you think the Argentinean music market is more national or international orientated? Or more regional?

CS: It has everything. Yes, you have very powerful local bands, it has been a country that developed several rock bands that have been important for all the region. And the first bands that went out 20 years ago that were Argentinean. And maybe these bands were an influence in Mexico and now you have like Mexico as a very rock n roll country too, but has been influenced with Argentinean bands. Or Mexican rock bands have influenced.. And then you have a style of rock that is for Argentina and Uruguay, that is the Rio Platense rock, like Bersuit, La Vela Puerca, artists that are from Argentina. That maybe work only in Argentina or Uruguay. And in Mexico it's not that.. maybe that's not the style of rock that can go to Puerto Rico for example. Every country has its own folklore or music that maybe is not to be taken to another country. Like I think salsa. So in Argentina, you have a very powerful local repertoire. Of all the companies, not only for Universal. Then the Anglo repertoire.. there's styles in.. like UK music, coming from the UK, or US music, coming from the US, a lot of people that like that music. Then the Latin repertoire also has a lot of people. Now for example, there's a lot of people that like reggaeton. Folklore is a mixture, it's very.. tango...

I: And if you should divide it in percentages, do you have an idea?

CS: No, maybe ten years you'd have an idea, but now it's almost impossible. Because you have different targets, you have different people listening to different music. People that is listening to a band but maybe is not buying the record; maybe is downloading from the net. Or maybe like one song, and not all the album. Now with the iPod generation, where you can listen to songs, that it's not that you have to have the album, I noticed that, *I* noticed, that maybe a boy that likes rock n roll, and also likes reggaeton, and also Anglo music and in one person, you have different tastes. Maybe like 10 or 20 years ago, if you liked rock, you can't listen to cumbia, because it was impossible to share the urban tribes to share music. But now the people that is really the one that more popular massive, shares the taste. Then you have of course the heavy metal… but it's not like 20 years ago, that you have dark heavy metal..

I: So it's more mainstream then?

CS: Yes, because you see it in the shows too. You have a lot of public that are going to see jazz or rock performances, popular music performance. The artists depends. But all the kinds of music have their own people, and they share.

I: And do you think that tango became more popular in the last few years?

CS: No, it has become more cross over. Yes, because tango, thirty years ago, was for people that had a certain age. Now tango, if you're twenty you can like and dance tango, if you're sixty, if you are 80. If you go to a milonga, you will see like all people dancing. Young people dancing, people from other countries dancing.. Everybody. So it has become a cross over. So now you're not afraid to listen to tango if you are twenty. Maybe when I was young, my grandfather listened to tango, not me.

I: Yes, that's what I've heard. That it used to be very popular, and then it kind of 'skipped' a whole generation and now it's becoming more..

CS: Cross over, yes. And you can mix tango with rock, electronics. Now it became music that can be mixed. And maybe thirty or fourty years ago, tango was the classical tango, that you couldn't mix with anything else. Maybe with folklore, but not much more mixture than that. It is the era of the mixture. *Fucion* is the future.

I: Can you tell me more about that?

CS: Well, that is my idea, but.. I think nobody is afraid of mixing. You know, you see like US rappers, featuring another artist, they've mixed. I think that this iPod-generation when you can listen to 10 tracks from different kinds of music at the same time, makes you.. tango singers sing with a rock band, or an electronic DJ with a tropical band. I think you can mix anything and no one is going to say; "Oh no, this is not well, or what are they doing?" Of course there's different kinds of music that goes to targets, that's always going to be like that. The classical music is a more intellectual target; it's not popular, it's not massive, but… I'm talking about mainstream or pop, when you reach several ages or social statuses at the same time. I think you can mix everything. And most artists have their own style, but are not afraid to include or another artists, or another kind of music in their new records. No, they're not afraid anymore.

I: So you think it's going to be more a mix.. Do you think that is also going to count for international music?

CS: For the world.. I don't think it's much more national or international. Now you can be.. when you return home, you can go to Lastfm and check the Argentinean bands that you liked during your stay here. And maybe you can't find them in the Netherlands to buy, but maybe you can buy it by iTunes, or some friends from here can send you the records. So you will be close to the music of all parts of the world. And when I was very young, I had to tell somebody to bring me those records from the US, and wait for two months to have the record. Now you can be close to the music that you like, whenever you like. That's why I think the borders.. you have no limits.. It's not that: This is from Argentina, this is from Mexico, from Russia.. You have like..

I: So it's more like a whole global music market then?

CS: Yes.. Of course have the mainstream.. always. I mean, U2 is U2.. But there are no more frontiers about music, no.

I: Can you tell me something about the changes that appeared in the marketing process as a result of the digitalization?

CS: We're in the middle of that. Maybe in three years I can tell you, look into the experience, what is my conclusion about that. But now, we're in the middle and everything is very quick, and you have to be very awake. And everybody has to have a lot of information, to react very quickly and try to insert in our marketing plans all the digital communication and internet communication and have a alliances with internet, as we do with the radio. Now, the traditional marketing plan leads together with a new marketing plan. It's not that one is out, and there's a new one.

I: So you're still developing the new one?

CS: Yes, now in the digital world, nothing is starting and ending. We have to develop, from now on always, because you have every day the technology advances very quick. So now, it's not that you have a new radio, when you know the new radio and you what in the radio you miss, you know exactly what to do with that radio and that's it. Until it changes the boss of that radio and the style of that radio, you don't have to sit and think.. No, the global, international communication.. it's always something that is going to be developed, it's not something that is like that. Today you have Facebook and very important sites to communicate things or social networks and maybe tomorrow appears another one, and Facebook is not longer important. And then maybe we don't want to socialize anymore and we want to be alone. And to only speak with people who.. I don't know. We don't know where we're going. So it's something that now.. What you have to develop is the rhythm, it's not that you have to develop the end of it. It is that you have to develop the end of it, it's the rhythm to be in form and to think as quickly as the developments are moving. It's no longer something quiet. Not only for music, I think it's for everything that includes communication. TV for example, you have TV with it's programs, soap operas, the music channels and the news, but maybe in two years you have a device where you can see whatever you like, an no longer you need a channel to tell you what are the options to watch from seven to nine. So the TV people have to learn too, that the things are changing, and how are you going to adapt to that? It's not that: ok, this is a change, so now we are going to do this, and that's it. No, the technological era, for everybody, it implies a lot of changing and we don't know yet if this is good or not. It's like to get the rhythm.

I: I read about marketing strategies as an answer to the uncertainties of the music market. As you also said, there's many things uncertain in the music market and you never know which artist is going to become popular..

CS: But, I don't like to call it uncertain..

I: No?

CS: No, it's like that. Music is not, because it's like.. you sell music, but you're not selling music, but you're communicating different kinds of music. And people is going to decide which music is going to be appropriate to their lives, because music is something that you connect in a sensitive way. It's not that you're selling a shampoo, and the shampoo makes you look blonder or brighter, it's more like.. cold that communication. It's music, it's art, it's culture. So that is not uncertain, because music, culture and communication will always exist. With me, without me, whatever.. But it's just that the rhythm.. It's to be quick to know how can I communicate the people that that artist has beautiful songs. So it's more that you have to be more creative, it's not that it's uncertain. And you have to have information. You have to know that Facebook exist, how many people have Facebook, or MySpace. Is it still as strong as it was three years ago? Or how many people is listening to the radio now? How many people was listening to the radio five years ago? Is the people stuck into select other kinds of online radios or still the same to the traditional radio? It's to know, what do you need to communicate that. And maybe now we sell CDs and maybe tomorrow we'll sell tracks and maybe now it's something physical, and maybe tomorrow it's something online or your phone has the record. That now exists too. But it's.. you have this retail now and maybe tomorrow you have ten different retails. That is changing, of course. Maybe the uncertainty is that.. But music will always exist this way, or in another way.

I: So if I say it very roughly.. it doesn't matter which artist or music it is, but what matters is the way you communicate it and the time and…

CS: No, one thing is.. what I was talking about is music in general. Then of course every artist, every album is particular, unique. Although if I have to work two albums or twenty, every album, every artist is unique. Every plan is unique. If I have to work a hundred records, every artist is unique. So it's not that volume makes less important one album. Every album is unique. It's more stressful to work a lot of albums, because you have less time. But the way we work, every plan, every album is unique. You don't repeat formulas, you plan something special for this artist and you start thinking which people to communicate that music and then make it a bigger audiences, and..

I: But I read somewhere that only 1 in 8, or even 1 in 10 albums becomes a real commercial success, and earn enough money to compensate the costs.

CS: But that depends on many things, because what I told you, because it is like music. So I can like a song and maybe you don't like it. Or I can like a certain type of music and it's something that is very sensitive and particular also. And you can define targets of people. I think this album goes to male, twenty years to thirty. But that's a way or a plan to approach something that you must organize, but that is not something certain. The public is particular, unique too. Maybe you have someone that is younger that likes music that older people.. or older people.. I don't know. Or different social classes that share music. So the work that you do with an album is to communicate the music. Then the success, it depends on many things. It depends on your work, the artists, the songs and it depends on the market, if something happened or this country is not so open to this kind of music, or.. It depends. I think that that has not changed, it's the same. It depends on the songs and the timing. It's something that you can plan, but it has like this mystical aura that can't be controlled. When is a song is becoming a classic song because it's a success that in ten years it will be part of the classic collection. You don't know that. Sometimes you have the most beautiful song in your hands, and it's not a success, it's a mystery that.. Although you do the work, you make the plan and you trust that that will be a success, but the last part of the chain is a person deciding and buy that music, or to listen to that music. You can't control that.

I: And would you describe the Argentinean music market as really hit orientated?

CS: Yes, as all the markets. The main thing is always hit orientated. But, it's a very cultural country, you have also people that is target on special music. You have like groups that likes music that is not so popular or so mainstream. But of course a hit is a hit, here or in China, the same.

I: And you think this changed by digitalization? I heard that maybe because people have easier access, thanks to the internet, to more different kinds of music..

CS: I think that yes, twenty years ago you had like fifteen records and now you can download or reach like hundred songs per day. So of course now it's shared between a lot more artists. And then I can play the guitar and make my profile in MySpace and suddenly I have talent and everybody starts.. it's like YouTube. I don't know, you have this access to watching or listening, or deciding things or participate in things with media and other people at the same time. And that is different, of course. That's why maybe, in like ten, you have more success, because the volume is huge. And more people, is deciding between a more quantity of channels, or radios, or music, or I don't know.

I: Do you think the taste of the music also changes?
CS: No, not the taste. It's that you have access to more information anyway. You can have access to 100 songs per day, but the songs that are good songs, are the same (…) ever. The quality is not in the quantity. You can have hundred songs, but the quality of five is the best. Like twenty years ago, you can have twenty records and the same percentage of quality. But now of course, a young musician has access to different kinds of music all around the world. That's why I talked about Fusion, to mix, because you are not longer afraid, you have information, you can listen to music I don't know, in Iraq, Iran, Russia and maybe you decide that the sound of a bongo in Africa sounds nice for a song that you're.. I don't know. It's more information, it's close, very close, very.. not expensive. You just go into the net and you have information. But quantity is not more quality.

I: Ok, I'd also like to talk with you about the structure of the markets, because independents are also quite important here, right?

CS: Yes, the independents that are bigger, have a lot of local repertoire. And there's a couple that has a mixture between a record label and a show management and show producers. So they have artists, they do the records, and then they have this artists for management and for shows. It's an independent company, but the structure is different from a record company. It has several different parts of it.

I: And do these companies influence you in your work? I don't know if you'd maybe talked to colleagues from other countries where majors are the only important players in the market and I think here it's different, because these independents are here.. Do you think there's difference?

CS: But in numbers they are not so big. No it's not like a record company alone. They have also other parts of the business that they share and use to do other kinds of business, like live presentations. No, the majors here, so the numbers are for the big companies. The independent companies are very focused on a specific repertoire, or have these local artists that they manage too. They have management too, and they have other business, not only the record business. And no, we live on together quite peacefully. But no it's not that you.. No bad, no good. It's like you can do something together with an independent company, but the volume is different. The rosters that has a major company, is like thousand times bigger than an independent.. It's very different. The investment, the quantity, the capacity in their investment. But it's very nice to work in an independent company too, because you have to be very creative sometimes. And you have to find a place for you, where there's a lot of big artists too.

I: Only one last question. We talked about the changes in the marketing process already. But what do you think the marketing process will look like in ten years?

CS: Some things the same, and some things I don't know, completely.. The quality will remain, or be the same. The way that people live their lives with music around will be the same. The way you sell music will be different. But not one way different, it will change all the time from now on. And I think that you still have to communicate. So you have other ways, or plans, or tools to do it. But the structure will be the same. What changes is the way. But quality, quantity and the need of music is the same a hundred years from now. What more.. I think since internet has come, not only for music, for a lot of things, we will have to make an analysis like, in ten years we have to look in the experience and to have, maybe…

(…)

Technology is something you have to include, or include. But I think that it's going to change a lot of things. In fact it's changing a lot of things. But it's not like an easy tool will solve everything or..

(…)

So I don't know, it's a question I ask every day. It's a way to communicate, but I don't see people communicate too much. I think when I was younger I used to communicate more than now, with all these tools, of course.

I: Why?
CS: Because you have to do things to obtain something. You have to… So when I was very young, in this country you had several years of a dictatorial government. So when I was young, I was young in democracy, I'm not so old, haha. But when I was sixteen or seventeen, several years after democracy started again, like theaters and music, there was like a bloom of the underground theatre music, bands, new bands because of the freedom of democracy. Like five or six years after the democracy you have these undergrounds working very.. So I had a lot of friends that we decided to experiment to go and see maybe a theatre group that was in an underground in San Telmo and we're like what is it to go there; is it dangerous? It was like fascinating to have the surprise of going to a place and not knowing what people would be there. And run away if it's a disaster or.. it was more fun. Now you can go and see that is you have like a salon and thetehe.. and you have like that. It's ok, you have information, but that information I

don’t see that people is getting closer with that information. I see that it’s getting.. Or now, you don’t talk anymore, you just chat and send messages in..

I: But on the other hand you can stay in touch more easily..

CS: Yes, you can get in touch more easily because I have friends living in other countries.. I have one of my best friends living in Ireland, so I can send a mail and I don’t need to call her and very expensive, I can use Skype. Yesterday I talked on Skype with my brother and nephew who are in San Diego and I see the baby there. But, I don’t know.. I prefer.. It’s not that it’s bad or good, I don’t know what this is going to do all the people with these tools. If we’re all going to end up in our houses, with a lot of gadgets around, the TV, the music, and all your friends in different screens, haha.. Or I was going to do things, to feel, to laugh, to be close, to be cold, to be hot, to touch, to be there, to get.. to run away if the place is awful.. I don’t know. I prefer more.. I think technology is fine and you have to use it for you. But it’s you first and technology second. And I don’t know what is going to happen, in ten years.. maybe technology is first. And so wait to get more focus on, I don’t know.. it’s like to make a less effort to participate and to develop.. I don’t know. I don’t trust.. I trust technology, but I don’t trust the use of technology. But the mass.. all the people, me included.. I don’t know what is going to happen. We talk in ten years if you want.

F. Interview Structure, Strategies (MP)

Manuel Peña Chueca – Managing Director Latin America Southern Cone Universal Music Argentina

I: First I'd like to ask you, what do you do exactly at Universal? What are your tasks?

MP: My tasks.. I always say that I am responsible of everything that is bad. Because then, they are going to call me. Part of the normal tasks of a general manager, let's see. In the enterprise, in the economic way of any company, is to be.. doing planning, executing and controlling. But this is pure economy. In our case, it is true we have to plan a year. Because more or less our year is guided by a business plan that has to be approved by our boss, our regional director and even the boss of our regional director. And this business plan includes what is to planify what the next year what is going to have. And what should be in a year. This implies to see what is the market trends, what the market is going to be, changing or not changing your structure to this market. Changing or not your business model to this structure. For instance, last year in Chile, Chile has a very big client that stands for 85-90% of the market. We show, we have a very big risk with that client. Because they were showing weakness in payments and every year was worse. So we decided, the company, the bring the accountancy part and the warehouses to maintain a very efficient marketing team. We kept the marketing team, we broke here the accountancy, we broke here to Argentina the warehouse. And we developed a third, very much, digital part, which didn't depend of this client that is Feria de disco. Last year in September, it arrived a moment in which they were not paying us. And it was just before Christmas. The rest of the companies had to serve them albums and CDs, because their budgets depended on that. We achieved to have a budget in which we depended, just in the digital part. Today we are the market leader in Chile, without selling albums. Why? Because how much the rest of the companies wouldn't pay, and we were very efficient in the digital part, so we have 60% of the digital market in Chile. And we have a 3% of a market that is almost inexistent today in Chile, which is the CDs. So we are market leader now. This is part of having the vision, for the next year, or in the next years.. what is going to happen. This also applies to structures. For instance we decided to bring Alejandro, you met him, and to improve a digital team, to make our efforts in the digital part of the business. Alejandro brought me people, he may have shown you his team, and to bring here a more digital oriented commercial director, instead of the classic physical CD sales director we had the last 15 years. This is also part of the structure and of focusing divisions. In another way this also goes to planify what albums are you going to sell. You have an exercise to do that comes from the international albums you know that are going to arrive next year. And on the side, you have to decide what albums are you going to release from your local roster. And from there, you begin the year. And from there you go.. in my case, I have with my team, we have meetings every month, in which we see the following three months what is going to happen. In terms of marketing, in terms of sales. Apart from this, you also go with the A&R department seeing what can you be recording the local artists. And in the shorter term, weekly or biweekly you supervise the marketing strategies with the local, Latin and Anglo, I mean English sang, priorities. And with this, believe me, there are a lot of hours every day for that. And of course, and what is something that no one will ever tell you, also a lot of mails. Which is true.

I: Ok, and for how long have you been working here?
MP: In Argentina for three years, I work here since June 2006. And for Universal from 1997. I am a strange recording executive..

I: Why?

MP: Most of them come usually from the artistic, or all the marketing areas of the business. I am a economist and began as a stock exchange analyst. Then I worked for Carrefour and I arrived to be the head of purchase of the cultural part of Carrefour. You know Carrefour? In Spain. And I bought music, books and video and films. And from there, Universal was distributed by BMG. And when they decided to become independent, they began the long sales force. So they hired me as a sales manager and this is how I got into the music and to the industry. From there, I went to strategic marketing in Spain, one year, and then I went to frontline marketing, and this was all about four or five years. From there I went to Central America five years, and here three years. And now I just got signed another three years.

I: Oh yes?
MP: Yes, last week.

I: Could you describe what kind of activities Universal Argentina does, according to music?

MP: In terms of philosophy our aim is to identify talent, record it, and monetize, is that the word?, and making money for the artist and for the company. This is the global philosophy. Related to Argentina, we have a part of this. We are like a network of more than 90 countries, which we work everybody. We work products of other countries. For instance, for U2, when I work U2, and I sell of U2 and pay royalties to England. So this is the part of working foreign repertoire and what you sell and send royalties outside. There's another part of local repertoire in which you identify local talent, you record it or them and you have the aspiration that it's successful internationally, so there's a lot of people that is going to work this and is going to send you a lot of royalties also.

I: Does it happen a lot with Argentinean artists?
MP: By now, we are working three artists. We are going to work the first album of Diego Torres with Universal, which is huge, we stole it from Sony. And we are working both of that, Axel and Babasonicos, now they're huge in Mexico, we began with this album. Axel is now beginning in Mexico and in Spain. So it's a matter of identifying talent.. Apart from this, we are now beginning with the merchandising, you know we bought Bravado, the merchandising company and we are beginning to implement it in our region. Apart from that, we are selling digital and we are beginning to explore the sponsorship deals, that can also be very good for our artists, and for us of course. We are not doing it for free.

I: And here in Argentina, to what extent are activities like production, manufacturing and distribution contracted out?

MP: The part of distribution.. In our local structure, we have the publishing, we have the marketing and sales and finance. For production we have two people that are assigned to production, that basically arrange all the parts that you have to send to the plant. And the plant is outside us, is not Universal owned. And the logistics, they are also third party owned. Basically when you manufacture, you go to the logistics that are common to all the companies. They are common to Warner, EMI and Sony. And also, this logistic is shared with.. I mean .. is the same client, they also .. Musimundo, which is one of the main clients in the country, with the main retail shop chain. It also has the local warehouse in the same warehouse, so it's relatively easy for Universal to work with. It is easy to let them into manufacturing and production.

I: And these other things, like marketing and publishing, you do it yourself..

MP: The marketing and publishing of course. The marketing we have subdivided.. in the marketing we have one in the head of marketing; Fernando, who supervises Argentina, Uruguay and Chile. In Argentina, we subdivided two areas, which are local and international repertoire. In local repertoire, we have manager, which is Marcos, with one label manager. An in international we divided one label manager for Latino, two label managers for English and USA repertoire and apart from that, we have a label manager for classics and jazz. And also, he is in charge of catalogue with an assistant. And the overall of this, is Carina for international. And in promotion, with the radio promotion, depending on Fernando, promotion team, that is two people on radio and one people for press and one people for internet and digital world and one person for TV. This is our promotion. The activities.. There is a part that is classic, which is in good relation with the media. Arranging the timing for the albums to be delivered, which means pre-evaluation, and make the marketing plan, defining phases, time scheme when you're going to go TV, to press, to radio. And nowadays developing around all of that developing an internet strategy, linked with the digital team. And this is our daily or normal activity.

I: And sales?
MP: Sales, our structure is.. Alejandro, you know him, who is director also for Argentina, Uruguay, Chile and he has, apart from a couple of assistants which are more in the administrative part, he's got now a label manager for new business and telephone companies in Argentina. And he's got a sales manager for physical sales. And maybe we'll get another manager for the digital world. And there's also a person that supervises, which is what we call POP, Point Of Purchase, decorations and all the posters and..

I: The artwork?
MP: The artwork, exactly.

I: Ok. And do you think this structure is comparable with the other majors here in Argentina?

MP: More or less, yes. Sony is bigger. They've got also a structure for Day One (?), which is the management company. And Warner and EMI are very less than that. You've met Diego, he may have told you the structure. And in the case of EMI, I have to put you in contact with Ernesto Vicente, and there are less people. We are 44, the record company here and I think they are 25, or something like this. But more or less the average of responsibility I would say.

I: Ok, and the artists are divided in different labels, right? And does the classification of the artists in one of these labels, imply a..

MP: A different style of label, maybe..

I: A different style of working? Maybe a priority or..

MP: No, not in our case. I mean labels exist and you have Motown, Island, Def Jam, etcetera. But these are what are, especially in the English world, you have a lot of labels that have a different personality. For instance in France there is not to be Mercury and to be Fontana for instance. Or Barclay, which is more into old music. In our case, as many of our repertoire comes from the English world, for us we divide it in English or USA repertoire, but this is more in terms of operational. An operational way. Why? Because in England we have a person that is in charge of dealing with the rest of the world and in the USA you have the same. What we don't want is people to be mixing everybody and work from this artist with Miguel or Soles. I prefer then to have a direct person to which they talk and report and is more effective.

I: So it's more a practical reason?
MP: A practical reason, yes.

I: And how are they assessed, the label managers? Do they have responsibility to the US and the UK?

MP: It's a mixed thing. On the one hand, we have the regional offices, that we have in Miami and to them they supervise what is Spain, Portugal, the whole Latin America and the Latin part of the USA. These guys have a vice-president of repertoire, they have one for English repertoire and another one for Latin repertoire. And they assess and supervise and coordinate which is the regional strategy. For instance, the new album of Paulina Rubio, they have the ones that are going to provide us the marketing tools. And also they are the ones that have to coordinate a promotional tour of Paulina, that will depend on the demand of the countries. And in the star show of the Saturdays, or the new digital shop that is going to be open in Argentina, next august. And around all this dates and priorities of all the countries, they are going to arrange and fix the Latin strategy. For English products, it's more or less the same, but different, because.. In U2, you are going to have on one side the English person that is overlooking all the world, but when they have to talk about Latin America, they will usually talk directly with the person of the regional office, the Latin regional office. But at the same time they send information to people here and to the region.

I: So between US or UK, there is often the Miami office?
MP: Exactly. But they all knew here people of London in many case you have to ask for help, you can go to talk to them, but it's like, what we were talking about, is like the Latin, the continental strategy. There are people that overlook the world strategy and these guys overlook the Latin strategy. What means, to go in there at the same time, with the same single, to deliver a regional hit. That means arranging all what has to do to around a promotional tour, or a concert tour within promotion. But well, we cannot go to the people in London. Everybody, asking from 90 countries, things to be arranged, these guys would be fools. So they concentrate and filter all of our demands or needs, to make it objective.

I: So that's why they make one global strategy?

MP: Exactly, make global and Latin and local.

I: Three levels.

MP: Exactly.

I: And what is your influence in these three levels of strategies?

MP: In principal I overlook everything, I assign the budgets monthly and I have to put many times pressure at my level. Which means more directly, or more indirectly, in many cases I would have to give explanations. As I told you, when something is bad with U2, believe me, they are going to call to me. And of course I overlook in terms of my experience and the campaigns also.

I: I can imagine you can determine the local strategy here to a great extent, right? But what about the regional strategy? Do you have influence in that?
MP: No, it's more directed from them. In my case, all the strategy comes around to put all the pieces of the puzzle in the Argentinean or the Southern Cone, which is my region, to put them all around.

I: So is it correct that they make a strategy, and you can adapt that to Argentina?
MP: Exactly.

I: And do you think that for the other major companies, it's almost the same?
MP: Yes, the special case is EMI, I think. As I told they have this matrix structure, in which the marketing people have to double report to a country manager in the country and in London. And the financial people also do the same, they have to all report to the country manager and the world reporters.

I: So they don't have a regional office in Miami?
MP: I don't think so. And I know Warner and Sony have, but I'm not sure about EMI.

I: Ok. Who determines which artists becomes a priority?

MP: Now this is (…), it means going global; let's go from local to global. If you go local, and you're successful in the market, then you go to a sub region or region, and if you succeed, then you go global priority. Going global priority means you have been successful in the region, you have a commitment with the company and in terms of albums, and in terms of doing promotion. These are the rules and these are world.

I: And who determines which artist becomes what kind of priority?
MP: The performance of the artist in every country. For instance, Axel, we signed him two years ago. He came with an album that made 80.000 copies in Argentina, which is marvelous, is double platinum. Then we began to work him in Chile, we made it gold, in this little region, which is the southern cone, he demonstrated he had that potential to run out his own count. With this new album which is *Universo*, we are working him in Colombia, in Mexico, in Puerto Rico and in Spain. So has had these three steps. Juanes, he had in Colombia, continued with central America,

Mexico, all the Latin region and Spain. And from that, he began the jump to Europe and Japan. Talking in terms in local and Spanish speaking artists.

I: So it's mainly a matter of numbers?
MP: It's a matter of.. more than of numbers, it's demonstrating a potential you have. Because it's a matter of performing in several markets. I mean, when you have this huge artists, and so varial, the thing is, I cannot work 1000 artists every day, I won't have days enough. And it wouldn't be fair for all. So it depends on my vision, artistic vision of the thing that I think that this is the one and this is not.. Shouldn't be fare for them. That shouldn't be equitable. *Como se dice?* A matter of justice. To have justice, all of them have the opportunity, and as long as they are performing in the local, sub regional, regional markets, they are getting the opportunity.

I: Ok, and in what way is Universal Argentina assessed by her global mother company? You have to report to Miami, right? [MP: Exactly] But are there also global meetings..

MP: Yes, yes, yes. We have one or two meetings around the year, in which are presented the priorities and we are taking decisions. Maybe a Latin artist, what is he going to chose? Apart from this, the English and I mean the global head quarters, send you and decide the global priorities, monthly. And they also evaluate you, in terms of your performance on that global priorities. And I think which is a good thing. This is what will arrive you to make global artists, not the determining local people 'maybe this or this market, yes or no'. You always have a bit of this market, yes or no. When you are talking about ten global artists, because they are huge, they have demonstrated it.

I: So you think it's a good thing to make artists global?
MP: Yes.

I: So what is the division here in Argentina, in the company, between local, regional and global? Do you know percentages, roughly?
MP: Yes, it's more or less about 40%.. I mean it's not the same, the market or the company. The market is 30 or 40% local, but for our company it's about 20, more or less, 20-25% local.

I: Ah, ok. And you already talked about this in the beginning. Some of the revenues, if they are signed in England for example, some of the revenues go to England by royalties, right? So is there also another way in which your revenue stream goes to England or America?
MP: What do you mean by revenue stream?
I: By the revenues you make, or the profit you make.. Is it that a lot of this money leaves Argentina to more Western countries, or…

MP: Well, we also pay dividend of our share holders, our share holders are foreigners, so we also pay dividends to our share holders. This is all arranged by what we call the all-in-fee contract, which is a contract you sign as a company, between all the companies and is like it rules, or set the rules of the relationship between all the companies. We have a central office, which is called Baarn, where is an international centre of administration of royalties. And it is all set in a 40 or 45 paged contract. For instance, if you synchronize a song in a TV commercial, this has this percentage for the repertoire owner, and this percentage for the local company which is you. Maybe a synchronization, if you cut it, if you compile, make a compilation of several tracks in which you are including tracks of a German track, this goes with this type of royalty. If you make a TV campaign, you have a deduction and this royalty is lower.. This is all set up in this big contract, which regulates the relationship of the royalties between the companies.

I: And here in Argentina in the company. What are roughly the percentages of revenues by the sales of sound carriers in physical and digital?

MP: 80-20.

I: And if you compare it to the sales of music to the media? If you for example bring your video to one of the music channels, they have to pay royalties, right? So what is the division of the total revenues between the sales of sound carriers and also the royalties of..

MP: But no, in this case we receive from them, which is what we call performance rights. These performing rights are registrated by the IFPI chamber and this IFPI chamber is the one that collect all that from the media. But from the media is not the biggest take, this is about 30%. Well I mean radio, plus TV, plus cable operator. These take by now.. It is collected by AADI-CAPIF. And this organization, the AADI, is the interpreters, the musicians organization, and CAPIF is the local chamber of the phonographic producers. They both collect that, that's a part of commission (…) for this organization to work, then this goes to CAPIF and they give it to you in principle, by now they are doing in cross way by market share. And this is.. precisely next Monday.. is a rough money that gets you.. will .. to result. Because they are not detailing, this comes from this is precisely next Monday, and the commission, we're beginning the work in implementing a process of identifying the tracks that are been used. This market share is a fiction, that we didn't have a better system to identify what tracks are been used by who. It's like a fiction, that has been used and the best approximation to reality. But always gives problems. For instance there are independents, for instance Popart, that have a lot of radio, because they have a lot of local groups. They work very well with the radios in terms of having concerts, and they have concerts and they put the radios to play and this concert is brought to you by La Mega, and all these things, but they don't sell many records. So they're saying; "Well, I'm having a lot of airplay, but

I'm not being paid for this airplay". Apart from this we received, last month it was, we received an instruction of retail constant, from London our office, that IFPI London is making a huge database of all the catalogue of all the companies, to be used by local IFPI chambers, to arrange the method to identify the tracks and do this type of assignment.

I: So it's changing right now?
MP: Yes.

I: And the performances by artists, works that in the same way, or..

MP: You mean a concert? Yes, they have the.. Well, it's curious. In terms of performance rights, I'm not completely sure. Javier may explain you this better. I will tell you why. I think, I'm almost sure, that when there's a concert, the author society takes its stake and you have to inform the songs you have sang in order to assign this money are paid to the author society. In terms of AADI-CAPIF, I think that as what we are charging, is the use is the phonomechanic master that you are playing. The theatre association took the action of not putting music before the concerts. So they argued that they didn't have to pay anything, because I don't charge for my artist singing in the (…). The authors charge for the artists singing songs that someone has composed. But in our case, the only thing that we charge is for the use of CDs that is going up, a recorded phonogram, a recorded song that is being played, that is what we're charging. So I think that the concerts are not charged, and we are now as chamber, we are negotiating with the theatres association.

I: But are the concerts profitable for Universal? Do you earn money by that? Or is it more used as a promotion tool.
MP: Indirectly yes, because you sell.. a long time ago, you sold a lot when an artist came. But now the effect is not so big, it's more diverse thing. You work a lot so that a concert is done. And apart from this, it depends on the type of contract you have with the artist. If you have with the artist a contract that includes a percentage of the shows, you get a direct return from that.

I: Ok. But what is the division in the total revenues by the sound carriers, the performing rights and the performances? Do you know that?

MP: I'm not sure on that. Because, in our case, I have the sales, and this part goes to our profits, so it is a whole, they give it to you as a bulk. So I know, especially in Argentina, it's an important part for all the companies, of my profit. But not of my income. In my profit I know it is an important part, and for all the companies, because you know Argentina is one of the best countries in the world in collecting. Our collecting society of performance rights, is one of the best in the world. Javier can this explain this to you.

I: Which percentage of artists signed by Universal Argentina recoup their initial investment?
MP: Hahaha. In Argentina, I think that more or less… The thing in Argentina, that is in this little countries, is not like you sign 20 and you have a percentage. Our roster of local artists is like 7. We left Bersuit, and we left Bonsur, I mean, let's say it in another way.. It's about half of our signings, we keep it. The ones that we don't keep is of course is because it is not profitable and we don't have a way to do that.

I: Oh, that's quite much, because I read in the literature that it's often 1 in 8 or 1 in 10.

MP: 1 in 10, yes. But this is 1 in 10 when you sign a lot. In our case, this is why I tell you, this is not because we are very successful, is that in our… This is one of the good and bad things of being the number one multinational company. That you have a lot of products from the rest of the countries, so in terms of signings, in little markets as Argentina, you are not so intensive. So it's not that I signed ten and I got one. I signed four and I still have two. It sounds like 50%, oh, it's yes that I've signed four artists in my three years here.

I: But in bigger markets it is probably..

MP: It is one in ten, yes. That is a usual rate.

I: So your strategies on uncertainties in the markets, is different from bigger markets?

MP: Yes, in our case for instance, we have begun this year to record singles. What do we do with this? We identify a group that has a potential and that has a hit. We record this single, with a video, so we have a lower investment than recording a whole album. If it goes well, we will continue recording a second single, if it goes well, we continue recording the whole album. And if it doesn't go well, we cancel or we recission/decision or.. I'm not sure about the word but we.. we leave the artist. Precisely from the beginning of the year till now, we have signed two artists, one of them we have just resigned this morning, and the other one is now in a soap opera TV, included in the soundtrack, that is being released by another company now. By the way it worked in the digital part, we worked the video, we worked the song in the radio and we are waiting now to see if it happens and if it happens, we go ahead with the second single.

I: Ok. Can you describe what makes the Argentinean music market different from other music markets?
MP: There is a lot of local companies, independent companies. And a sort of proud for the local music. You have to think that here it happened that.. In this market happened two things, very important, which were; one, getting out of a dictatorship regime, which made an explosion of the creativity in the 80s. And the other one is that this people had a war with the British, for the

Falkland or Malvinas islands. So it happened a moment, or a couple of years, that there were no English music in the Argentinean media. This made like an explosion of the Argentinean music, they always talk about the, national rock, and they love very much the rock. Which is very curious because finally there are a lot of English bands that come here and doesn't come to Colombia or to Chile, because this people love rock. And the (…) would like the cultural influence. And this is good, and they have a lot of roots also, but many countries have a local folk music. But the thing is, maybe the thing here is that maybe the protectionism or proud of the local artists, that also makes available that there are more than 40 or 50 independent companies in Argentina, which is for a Latin market is not so usual. Chile maybe will have two or three independent companies, and there are 12 million people. Here we are 40 and it's about 40 or 50 independent companies, which is a lot.

I: But then it is surprising that the market share of local music is only 30 or 40%.

MP: Yes, but the thing is that you have to compete with 90 countries, producing international artists.

I: Ok, but do you think the people estimate the cultural value of local music as high?

MP: Yes, this is seen in the shows, this is seen also in the consumption of music. If you take the last chart of Musimundo, we have a couple of Latin artists, I remember in the top 10, we have a couple of Latin artists, and four albums of folkloric music and at TV, which are Jonas Brothers and Teenangels, which is a local soap opera, and a couple of international albums, but it is more like.. In this moment of the music, it has to do with a lot of things. It has to do also with people of 35+ buying more CDs than people of 16+. So if teenagers are now consuming music through the cell phone or through an iPod or an MP3, and you take the album charts, you are going to say; this is a very major market. No, the thing is that in this market, people buying CDs are the older ones, but this is here and all around the world. So this is a split between local and not local. You see, the people that are selling local groups, always are established artists, so in my case, my personal opinion is that it's more a matter of target than a matter of music. I mean it is more a matter of type of clients that are buying CDs, than a matter of the music that is demanded by the Argentinean market. I mean when in the charts, you see the local artists that sell, are selling to people of 35+. But I think that, if you do the whole interpretation of the market in terms of that charts, of sales, if you are not taken in count that there are a lot of teenagers that are not buying physical CDs. So that you cannot make the interpretation of sales as music of the market.

I: Ok, so do you think in general that local music is qualified as of higher quality than international music? Or is it really depending on the..

MP : I think that there are good artists in all the countries, and quality is not mixed with nationality, but with talent. (…) haha. No, it's true, I mean for instance, here we have a couple of hits that are called Deja Mentrar and Te Amo. They are both of a Panamanian artist, called Maca. EMI has another one called Nigga. These three hits are all reggaeton. And they are from Panama, that is a two million people country. Is Panama qualified as a.. Panama is not recognized as a country of musicians, but they have very good musicians as Danila Perez and.. that is a huge.. Well they have that sound that suddenly is cool, which is reggaeton, that has entered and they have the hits. Is it a matter of being Panamanian or not? No, it is a matter of.. well, there are people there that made good music, and made it international. It doesn't depend on Germans are good or bad. In classical music it's different, they are always like, the Northern European are better orchestras, and the Latin are better interpreters, you know tenors. You know, there are always very good soloists in the Latin world and better orchestras in the better Northern European world. They are more disciplined and Latins are more free, but that is all around the world.

I: Ok. But I'm asking it because in Holland there is a general opinion that international music better than local music. But here it's not the case?

MP: You have Andre Rieu, and he is selling all around the world, and he's from the Netherlands. So it's not a matter of..

I: No, but I think that there is a general opinion of people in Holland that international music is better..

MP: Always you have a thing that is.. but it depends.. You are medium high class, you are not poor in Holland, maybe if you go to.. I don't know what is the folk or the roots music in Holland, but maybe if you go to lower class people in Holland, they don't care about international hits and they love the local music and the root music. So maybe.. and it's a very risky thing in this business, to make the interpretation of the market in terms of the wrong tastes. Which is a very important thing to do when you are in these chairs, you know. Because you have to read the market, is my opinion, to read the market, to see what the market is demanding but not basically 'I discovered that artist and this is going to be huge in the world, or huge in the country'. No, in our case with my team, what we do is to identify what is selling, what is selling in mobile, and this is linkable with the singles strategy, and what is selling in CD, in both terms of economic and trend. If there is a trend of reggaeton, well, ok let's do a single of reggaeton. But reggaeton maybe not sell in CDs, but is selling a lot in the digital world. In another way, you see that people of 40+, is buying albums, well let's go for an artist that is for 30+, this has nothing to do with artistry, but by now are like the limiting, where are we going to look for talent? When you have identified that, you are going there and to look for it. This is in my case. The English world or USA world is different. When you have markets of millions, millions, millions consumers, you can maybe be more free to do that. In my case, I'm talking about what I can sign. What I can sign is Argentinean artist, looking of course for the Latin market, but with possibilities of going outside. Or we all aspire, or all aim to look for international artists for your own market. But you have to begin by your local.

I: So you base your choice often by previous successes?

MP: Not to previous successes, but of analysis, for instance. I was telling you, when I came here, I did an exercise of A&R with my team. Well let's see what has been selling, and we made a map of social class, ages and genre and only began to put all the albums that have been sold of the last two years. Apart from this, I asked, is there any Christian music here? Well, it is sold, but not in the traditional retail shops, but there are Christians, Evangalists, because I knew that in my previous company in central America, there were a lot them and we sold very well. Go and sign a band.. What is here, rock? Go and sign a Christian rock band. We signed them, and we sold 25 or 24.000 albums, marvelous! If I had to look for the previous success of the pieces of reports, we had nothing on that. But well, if you see rock and you see.. The analysis of what has been happening, serve you what is happening and also to see where are the holes in which you can place, you can place a bet. For instance, this is in all the countries around the world. You can see the Jonas Brothers, Hanna Montana, they are selling here and they are cross over from all classes, but in a range of age. What are we doing here? They put teenagers and they put another TV series of local characters and they are selling also. They are betting on that success, doing the local version. This is also fair to do, in our case, we have two examples of looking what is not in the market and looking what is happening outside.. Sorry, and looking for international successes and your local market and doing the local version.

I: Ok, so is international music sometimes also 'Argentinafied', adapted to the market. Does it happen a lot?

MP: (…) For instance we are now releasing Nelly Furtado, Nelly Furtado is huge in Latin America, is releasing now a Spanish album (interruption by phonecall). For instance Nelly Furtado is now… For instance, Axel, we are doing a duet of one of his hit singles with a Spanish artist to go there. And at the same time, the hit of this Spanish artist we have recorded in duet, to introduce him/here. All these types of games is allowed, to make more easier a foreign artist to go into the country. And also he serves as an ambassador to a local artist in his country.

I: And in what way do you think US or European musicians or music styles influence the local music?
MP: Absolutely. It's clear. It is a part of the busi… First we have in a global world. Some people today is available to hear music all around the world. Second, we've got also media. You have to think that media are programmed by people, by persons, and these persons need some references. And references are always going to be more advanced markets than ours. And these more advanced markets are always to be the English ones. So many times you will find that programmers are going to see the billboards for instance. Or going to see the top European charts; if this is a hit in England and the US, I have to put this. Why? Because I think, I mean I as a programmer, I think that I'm going to get more audience than my competitors and I'm going to keep my job. Because media is surprisingly.. You have two types of media; the ones that are taking the risks and want to have the exclusive, or I want to put this first. And the other type that is conservative; well, let's wait until this is a success and then I will put that. It's a combine thing. Always the ones that want to have the exclusives of the established artists, that they know is going to be hit, because the artist has a star. But it is strange that someone tells you; this song that nobody knows, or an artist that nobody knows, give it to me in exclusive, no they always want the exclusive of the established ones. They will look for the hit, because they have paid for the audience. So this is a way in which we have the influence. The famous free world of the internet, it is true. I mean it exists. But by now, a huge hit hasn't come straight from the internet. Not by now. You have people that have millions of visits, but usually are established artists that have millions of visits more. It's more like a way of promoting, more than a way of discovering, right now.

I: And do you think it's going to stay like this?
MP: It depends. You have to mix there a couple of things, which is the reliability for everybody to see what they want, when they want. And on the other side, you have to cross it with what are social networks and like a need of prescription. Remember that this is a business of glamour and fashion. I always tell like, it's not the same when I tell you that grey is the color of the season and when Dolce and Gabbana say that. But it's the same grey. But still you need a presence of promotion to make this fashion go ahead.

I: So you think that the sounds which were hearable especially a few years ago, that the record companies are going to disappear, are nonsense?
MP: Absolutely nonsense.

I: So you see internet more as an extra marketing or promotion tool?

MP: Absolutely. And remember it's the same always. We go back to the basics, or the beginning, which is we go back to identify talent, record it and promote it. Today it's much more easy to record. I mean to record in your house, something that maybe is not the super sound, but a huge hit always can be done. But what they kind of do, is say that that exception is the rule. They say that "There was one guy in his little village, by villages of 3000 people. They got into the garage and make this marvelous song. Beck, for example, always recording in his house with his little multi table, in his little studio. But Beck is one, not that everybody goes there.. (interruption by phone call) The challenge is there, but I think there's still a need for identify talent and arrange, or have the expertise to arrange it, record it and promote it.

I: So you think the competition from the internet is not that big?
MP: For me, no. [I: You don't see it as a threat?] The threat is different. The threat is the threat of 'free'. The threat of getting it for free. But I always say the same; what people are looking for to get for free, is what a coincidence that that has been worked by a record company. Many times you will hear; no, I want my album to be free in internet. Not many successful artist say that, haha.

I: And we were just talking about the European and US market, right? Do you think it is considered as an example here, for people and local artists..?
MP: No, people here is in.. I told that this was more in terms of operational (…), but people here, for them, I think it's English or Spanish music. For them it's not European/US.

I: Ok, but do you think that people here consider these US or UK markets as an example? Because you said that they are looking at markets because they are a bit ahead on the Argentinean..
MP: Yes, when I say people, I say people of the media. I mean journalists or radio programmers. And this is part of the influence that is very automatic.

I: And do you think this has influence on the artists here?
MP: Yes. Because what you hear in the radio, is like the prescription, it always influences.

I: So do you think that there is going to become a more global style then?
MP: No, maybe not that. But maybe more opportunities to access to more different styles. I think, let's say, you hear international …, one of the hits that have been made by either a local artist here or a local company. It's free. Maybe 40 or 50 years ago it would have been much more difficult that an Argentinean guy making reggae, than today. At inverse, Bajofondo Tango Club was this weekend playing in London. This is much more easy with all the global communication that we have here, and they were singing with a very important English singer, I forgot his name. And because of that, we can mix a rapper from Spain, with Bajofondo Tango Club, making

electronic music of Argentina. I think it's more a thing of enrichment than a thing of getting a global style. A think always, the music begins local and may get worldwide from a local point of view. For instance Juanes, is recognized as a rock star. Juanes begun with playing what was Colombian roots rock. And you hear his music and it is a Colombian. Axel, in Spain, is singing Wino, which is a local Argentinean dance song. And people in Spain may recognize that as a Latin song. This is when it gets global, but for Axel this is a folkloric, Argentinean rhythm.

I: So they are not adapting that to the global market, they are staying with their own..

MP: Exactly, music begins local and you can think it in global when this local style, hits all the countries that adopt it as something that they like. But when you don't know that, for instance, for Spain a Colombian song and an Argentinean Wino, may sound Latin. This is Latin. But for the English people, Spanish and an Argentinean and a Colombian may all sound Latin for all of them. What for us is different, for another people that hear it, it's the same. And it's not the same, it's a matter of perception, and maybe for us, it's the same the German pop, than the Netherlands pop and the Swedish pop, and for you it's absolutely different.

I: But do you think that the music tastes are going to change, thanks to the digitalization or the internet?

MP: No, for me it's a matter of much more richer, the opportunities you're going to have to listen to music. For me it's not a matter of changing or universalizing a whole style. It's absolutely the opposite. Now you can hear African music that I never heard when I was 15. And now I hear Egyptian music on LastFM for instance.

I: And what is the influence of other Latin American countries on the Argentinean music market, do you think?
MP: Now we have reggaeton influencing here, reggae music also. The cumbia is also very important in the taste of the country. Although that it's not selling too much, but there are a lot of groups recording cumbia. It's like a matter of proximity also. When you have proximity, you also have influence.

I: And do you think that this proximity here has more influence than the proximity in the US and Canada for example?
MP: It's different. Just to see a couple of examples. You have a lot of cumbia here, which is traditionally from Bolivia, Peru. And also the main expression or the main trend for local bands is to do rock. When I say rock, it's classic rock. You take Rengue, Redonditos de Ricota, which are like icon rock bands and they do classic rock. And with classic rock, I mean rock of the seventies. Are we rockers and are we cumbians? No, it's like they have the opportunity and they take this

space. Of course if rock in the world is so important, it's because it's a style or a rhythm, that is much more easy for everybody around the world to take. And this is why it is a hit. It's not like Norwegian classical fiddle, haha. It's very cute, but it's not so popular for everybody, or not so easy to adopt. This is what I was trying to say you before. It's like when you go to local, in other countries, when it's a hit, they adopt it as a global.

I: Ok. Do you think that it's easier to make money out of local music than out of international music, right?

MP: No. How am I going to explain this? It's not a matter of being easier or not. The thing is, the international easy that arrives you as a company to work, has passed a lot of filters. I mean, when I work Amy Winehouse, there is a lot of English artists that I have not worked. And I cannot compare with my ten artists. I mean, this ten I sign to get one, what we were talking about before. I cannot compare this ten with Amy Winehouse. Also the English signed ten and send me one. So I think, it's like talking about quality of national and international repertoire. I think quality is everywhere and talent is everywhere. The thing is, that in bigger markets, they are able to send us more numbers ones out of that ten. And when you are a multinational company, you have, and what is one of the good things you have, more ones of many countries. So it's much easier that you have hits from all around the world, competing or working for your market.

I: But isn't it in the future, because of the piracy, that companies are looking for other revenues than just the sales of the sound carriers? And then it's easier to make money with local music, right? Because it's much easier to have access to promotion, or to..

MP: We are now beginning a lot of models. You saw this thing with the ISP in England, that they are getting paid access to a whole library that you are getting all the time.. and these are subscription models. And the thing that they made also with Nokia come with Music. The system is changing. For instance, now with Juanes, we did a regional deal, in which we placed it in one million phones. And this is something you (…) from the first day. Before, you had to work, to begin to sell and then you reach the first million, and then you say "Wow, we are great". Now on the first day, we have one million telephone sold. So models are changing a lot. And it is not the finest, which is going to be the definitive model. Now we are like, going after technology. Because the problem of us, is that we are not technology. And I don't have the budget of Microsoft. And I also haven't the laws of the government to make this protection for my content. What you have seen what has happened in France and in England, this is the beginning. So my technical advantage is to identify music. Identify talent, record it and sell it. But my technical advantage is not to be the best programmer in the world that can make tomorrow a system… No. That is not my advantage and I don't have budget to hire this engineer. Even Microsoft is able to protect their Windows, so haha. It's much more difficult for me, I don't have all that engineers.

I: But aren't you looking for new sources of income?

MP: Yes, we are beginning with merchandising, we are beginning with the concerts, we are beginning with the sponsorship deals. All the new digital world that …

I: But aren't these deals more locally orientated?
MP: Depends. For YouTube for instance, we had a whole deal for the Latin American region. There are a lot of catalogues that is been done. A whole deal with Guitar Hero and this is a global deal. The Vebo (?) or YouTube deal was a whole global deal. So you have this big global structure that makes this big negotiations and also in your country, part of your structure, or my structure is to look also for money where it is.

I: So you don't think your company is going to become more locally orientated in the future?
MP: No, I don't think so. I don't think so, because you still need to do international or global hits and global artists, which is part of our sense as multinational company.

I: Ok. And in the era before digitalization, the market was always characterized by the strive for hits, it was very hit orientated market. [MP: Absolutely] Do you think that internet, with its endless space, that the whole hits – niche positions changed?
MP: It depends. Again it depends on the target of the audience you're reaching. As a global, yes it is true that digital is a hit orientated market, this is true. But for instance, there is the famous Long Tail. In my case that I am 40, I'm buying a lot of music, that I didn't buy when I was 16, and now I'm completing my library. Or for instance iTunes, with the Genius application is recommending you a lot of music you discover, and maybe is not a hit, but goes a lot with your personal taste. For instance, Deutsche Grammophon has made this digiwebshop.com that has all the catalogue available for you. And you are able to discover songs, you can discover composers, in which you can have it in your computer for one week and can decide if you want to buy it or not. So it's not only hits. Of course it's a business of hits in general, because you need hits to support a structure, and to make a future catalogue. But it's not the thing of… It's like some phases of the development of an artist. You are always going to have a loyalty of fans that want to know what is the whole oeuvre that artist is giving to you. Maybe this artist, of course has to begin with a hit. But I was today with Babasonicos Adrián, he understands his album as a project. And maybe also this digital part allows you to do, as an artist, you have right of maybe two hours, that you couldn't do with the limited CD. You know that (…) you are as a consumer, allowed to take a track or to take the whole album. So it's a mix and it all goes to the same. Which

is, allow the people to make the consumption of music and allow the artist to express the talent. So they can match.

I: Ok. So you don't think the market is going to be less hit orientated?
MP: No, believe me no. Not more than it is not now, I think.

I: Has it changed already, you think?
MP: No, I mean; what is a hit? There are eternal hits, there are season hits, there are summer hits that you will never hear again, but there is still 'I haven't found what I was looking for' of U2, which is an almost 25/35, or more, years old song. And they both are hits. And maybe you are not listening to the last summer hit or a hit of the season, which was a hit. So at the end it's a matter of songs and artists.

I: Ok. Do you think the niche markets are going to become more profitable?
MP: What good question. Niche markets, it's my personal opinion, are beginning maybe an opportunity, that maybe worked before, in which piracy is more difficult to go. Why? Because pirates sell always what is old. What do I mean by that? This is a thing I always say. If I go and I see these pirates in the streets and I see my albums, I get angry. But if I don't see them, I get more angry. Because it seems I'm not selling, I'm not doing my work in marketing. But pirates don't steal reach, I mean industrial piracy, not (…), still don't reach to this niche market, so you again I have another opportunity where it doesn't. I mean piracy has made niche markets profitable, no, they sell the same. What have made them, is maybe more.. have given this niche markets the strength or less weak, but not more or less profitable.

I: So do you think that could become an aim in a company like Universal, to aim more at niches?
MP: Maybe not, I mean when you have this volume of company, a niche is not an aim. It is automatically filled, by the volume of the number of countries you have in your company. So I mean.. Suddenly I'm going to record French music? No, I have a huge French company. Or suddenly I'm going to produce tango in France? No, I have an Argentinean company. Or suddenly.. You understand? In this type of volume, niche is automatically filled by the countries.

I: But if you would try to sell French music here, it would be niche music, right? [MP: Absolutely] But then you will try to make a hit out of it?

MP: For instance, I'm beginning to work here for Ampany (?), we're beginning the work with him. But we're talking of a number 2 or number 1 album in France of a single that is here. Maybe.. Johnny Halliday I never tried here. Because well, Johnny Holiday has to begin in France, afterwards in Europe, and afterwards in Europe he'd come here. If he doesn't sell in Spain, they are not going to try to sell it in Argentina. So it's part of the strategy I was telling you, of getting global.

I: Ok. And do you think that the Argentinean music industry, about the hit orientation. Do you think the Argentinean music industry is less hit orientated than other..

MP: Maybe yes, but because of the number of companies. When there are a lot of companies, and maybe because these companies are more niche orientated.

I: So that's one of the influences of the great amount of small companies.

MP: Yes. It's because there are a lot of companies.. No, I think it's a cultural thing also. You know the cultural level of Argentina is in principle higher than other places, other countries. And this is what allows.. there is a lot of consumption of music. Also to have a city like Buenos Aires, in which all around you have 18 million people, is what also allows you to have a lot of cultural manifestations, theatres. Despite we have the problem, that probably everybody has told you, about this discotheque that has burned down and they closed a lot of bars and it is not allowed to play in a lot of bars. It is the famous phenomenon of Cromañon. It was a place that five or six years ago, 300 people died in a concert. So the government closed all the bars, set a lot of complicated authorization to allow people to do concerts. But again, having a potential audience of eighteen million people in twenty or thirty kilometers around, allows you to do a lot of shows, shows here are very important. That almost every weekend there is an important show. Now not with the flu, but usually you have a lot of shows here. They say 'Well it's Argentina, because they are very cultural', but it is also because they have eighteen million people, and it's relatively easy to sell 5000 tickets. Much more easy than in Madrid, which has five million people.

I: So that's a reason why it's more culturally..

MP: Exactly. There is a whole lot of variety of different options.
I: Ok, and is it also in another way different from other markets? You were already talking before about the great amount of independents, and this..
MP: There is a lot of local folk music recorded here, we have lot of rock bands, record here. And also we have a lot of tango music, being recorded here. And to give you an example, here the Gardel Awards, here there were presented 143 albums. Which, in terms of local market, is a good figure.

I: Ok and then I'd like to go back to the digitalization. Do you think there's a difference in the extent to which countries are affected by it?
MP: Yes, I think Argentina is less, because we still haven't the digital shops.. Personal Telecom,

the company, has just begun a month ago. iTunes, we still don't have iTunes here. And you have to think that iTunes is approximately 85% of the US market in terms of digital. So it is still missing, the shop here. There is a couple of shops here, this Personal one and another one, which is called Baja Musica.

I: But that is not a mobile provider, right? So that is a digital retailer like iTunes?

MP: Exactly, but it's still not big enough. For instance Laura, you met Laura, had a digital shop and didn't sell anything.

I: So your digital content is mainly sold by mobile telephony..

MP: Yes, mostly by mobile.

I: And you think Argentina is less affected by the digitalization?
MP: Still yes, but I because of first, we have not the width band, the access is less in our country than in other countries, Chile for instance. And second because we don't have the operation of iTunes for instance in England, Japan or the US.

I: And what about piracy via the internet? It is also less affected?
MP: Exactly. You see here piracy in a lot of newspaper posts, that you don't see in other countries, for instance.

I: You mean on the streets?
MP: Exactly, on the streets. In other countries this street piracy is not important. It was, three or four years ago, but now when people have access to internet, this piracy goes less. And also it's curious because this piracy goes less, the sales are more adult oriented target, and the piracy in the streets is more adult oriented target.

I: So they are similar?
MP: Exactly. Because a 16 year old boy is not going to buy a CD in the streets. If he wants to go pirate, he is probably going to download from the net.

I: Ok. In what way did Universal, on a global level, change her policy in response to the digitalization?

MP: We were the first one to go ahead in digital in the world.

I: In mobile telephony or digitally?

MP: Mobile telephony, digitally, we were the first to set a system in which we could digitalize our catalogue. We were the first to develop the position of people in digital markets. I you think that our digital teams, now are bigger, but they began four years ago. In four years. You see, parts of our competitors have one person for digital. This was us, four years ago. And this is also why we are now 60% of the market in Chile in digital, and 52% of the digital market in Argentina.

I: So that will be an advantage for the future then?

MP: Absolutely.

I: And on local level, what was the policy change? You were telling.. this is a consequence of the global strategy which became also local..
MP: Yes, in our case, the change of policies, to give the importance of sales, in the sales channel, where digital was an exotic thing in the corner, now is our commercial director, comes from the digital world. And every Mondays for instance, marketing has a digital meeting, in which they are told the new channels, the things that are happening in the net, the opportunities. They are getting involved in which is the digital world, in which they are going with their marketing capacity, they are going to be able to identify business opportunities, that they hadn't before. Because in the old style, they always had to put the number one in radio, I had to do three interviews with the Rolling Stone and the local newspaper and I would sell records. Not more.

I: And then my final question; What do you think the Argentinean music industry will look like in ten years?
MP: Good question. I think there's going to be still little labels, of course going digital and very oriented, of course the 360 degree, like all the world, that's not only part of Argentinean industry. And I think there's going to be an interesting movement of exporting the local culture to the rest of the world. More than today is happening. I think they are going to be able to develop the Argentinean music outside Argentina, more than is happening today.

I: So do you think that there's going to be a more global market then?
MP: Not that, but I mean if Argentina want to be, the new Kyle Minogue is going to be difficult that it appears here. But maybe Mercedes Sosa, to put an example, or Axel is going to be much more easier to get developed outside or let's say Jorge Rojas for instance, which is a very important folkloric singer, it's going to be much more easier for him to arrive to other countries than it is today.

I: Do you think that the domination by the UK or US is going to become less then?
MP: No, not that, but the opportunities in the US market, which is today with the England market as number one and two in the world with Japan, is going to be much more easier, for an Argentinean artist to go there and sell music. So I mean, I think that from Argentina, and

especially from the Argentinean culture, is going to be more opportunities to be sustainable. It's going to be much more easier to sell Argentinean music all around the world than it is today.

I: And do you think it also works the other way around? That here in Argentina for example Dutch music can become more popular?
MP: Yes. What I say is that Dutch artists that can make this ritual.

I: So then it will become more international, probably?
MP: More open. The markets are going to be more open.

G. Interview Handling Music (FF)

Fernando Franco – Marketing Director Southern Cone Universal Music Argentina

I: You are now the Marketing Director of Universal, right? For how long have you been doing that?
FF: Just since three months.

I: Can you describe what kind of work you do?
FF: Ok, over here we do a lot of things, but basically it is to follow the development of the marketing plans for each product, for each band that we have. We have a team, and make go ahead with each plan. I'm a director of these plans. I supervise the structure and the circulation of the information inside the company, between different areas, between sales and marketing. And what else? According to market numbers, market actuality. Here, in Chile and in Uruguay. I have a great team, they do the job. Haha.

I: So you're supervising it?
FF: Yes. So I take care of our goals, just make some goals, so the team can do the plans, matching with the actuality of the market.

I: And before Universal hired you for this job, this position didn't exist, right? So do you have an idea why they created this position?
FF: So finally you're going to ask me about the market? [I: Yes, yes] I know that here, our president is looking for complete deals, I'm realized that this team is needing some director. It's a good team, but the way to make marketing is changing and we need to interact different ways to do the things. With brands and mobile and digital line, changes the way to make marketing where you think just in the radio, TV and to promote in our artist. So now it's more complicated. So I think that is the thing, why the team increased here, and because in Chile we have one people living there who was a director and he's no longer working there. I don't know if that's exactly what you wanted to know?

I: Yes. If I understand it correctly, it's because of the changing market and it's becoming more complicated, and therefore someone who could supervise it was needed.

FF: Ok, yes. And to interact TV with interactivity and other areas more dynamic. More taking care about sales too. About the relationship with sales.

I: Ok. (…) So if you market an artist or an album, to what extent do you have to follow rules by Universal international? Do they influence your work a lot?

FF: Yes for international product, of course. Maybe sometimes you have some artist with a new single and this single is the choice of the repertoire owner. This single is for all the world and maybe for some products here the market is not so close to listen to.. And maybe in the album, you can play another one, that would be better, but it's international launch you have to follow the rules. And it's ok because they have many tools that you can use. But in the strictly local market needed, sometimes it's not so well. Sometimes, I think it would be better if we could choose or make some opinion about the product. Maybe to make a little change to make more appeal here. But I think it is the same with all companies that is growing, that is going to globalization in a way. It is too difficult to maintain its local way to do things, or to make the plan so specific to the local territories. So that is different..

I: Ok. So what kind of tools do you get?

FF: We have a MPKs (?), ideas, artist interviews, singles, videos.

I: So these are all things you put in your plan, your strategy to make an artist successful here?

FF: Yes.

I: Ok. And about the marketing plans. I think there is room here to develop own plans. Or is it strict guidelines to..

FF: Sometimes, it's more hard to make our own plan, or to make our own vision of how to be a plan. But sometimes, but sometimes not. It's depending on the artist.

I: And in general, for local artists, you have more freedom than for international artists?
FF: Yes, of course.

I: And is there another way in which the marketing of a local artist is different from an international artist?
FF: For me each artist, each project, it is possible to have a different plan. It's not the same to have a pop artist, or a rock artist, Anglo artist, Spanish.. It is so different. Some media and some tools are good for one artist, and others are good for another artist. Sometimes we have international releases, that you have for example in the same week three or four releases, or three or four single releases, so it's too difficult to work. Then we can move. So that is an example when the global rules are a little hard. Sometimes we have one or two artist local and three international and then we have five artists in one week, pretending to be the number one in the radio.

I: So do you rather move the local artists then? Or the international artists?
FF: To move the local ones, of course. When maybe it's better, to do that with the international ones for us, but we need to follow the region as well. But it's ok.

I: And in the daily marketing, I assume it's for the local artists much more easy to meet them and I think they have more time for promotion in the country.. So is it more intensive to do the marketing for local artists?

FF: Uhm.. it's different, not necessarily it's more intensive, or not. Maybe if you have a new artists with a huge promo tool, it's intensive too. The thing with the local artists is that (interruption by phone call). Sometimes we are more close to the local artists, so it's possible to do things quickly. For example if media have a special day, or a special month because here we have media with an anniversary for example. Then we can do IDs with a local artist more easily than with an international artist. So the local, we are the first priority, and for the international we are the tenth, twelfth, or fourteenth maybe sometimes..

I: So what is the last in priority you mean?
FF: For the local artists we are the priority of the market here sometimes. For the international artists sometimes we are not the first market, we're the 9th, 10th, 12th, I don't know, it depends.

I: So do you think for Universal Music Argentina, local or international music is more important?
FF: No, it's depending the year, depending the moment. Sometimes we have here big important releases, this year for the end of the year, we're expecting to have Diego Torres. Sometimes it's the international one. For example, now is Nelly Furtado our first priority. So it's changing.

I: So it's changing through the year? [FF: Yes] So you can't say in general, international music is more important, for example?
FF: No. The market here is as it requires for you some kind of music; local, some kind of international, in Spanish, in English. And we do the marketing to bring the people the music that the people want. Here we have Spanish, English, or Latin, Anglo, local things.

I: Ok. So the local music in general, is it more aimed at a mass audience, or a specific target group?
FF: A mass audience.

I: And is there a difference between different genres. I can imagine that rock nacional is absolutely aimed at a mass audience, but tango is not?
FF: It's not so massive, no.

I: Ok, but in general it is more on a mass audience. I think all music of Universal is…

FF: Yes.. it's massive. So, not all the music of Universal. Universal also has music for more specific people. For example Diane Krall, which is jazz, for specific people. You can play Diane Crow jazz in one or two media, radios, maybe interview in one or two channels. Or fifty channels. It's to specific people. It's the same with Melody Gardot. We have other products than for the massive.

I: And do you think that the products for the mass audience have more priority than the ones for the smaller groups?
FF: The massives sell more records. I think it's not more important. It's the same, you have to make the own marketing plan to the market that is going to sell your CD and I don't feel that it's more.. Maybe it's priority because the company says; we have five artists which are more than our priority for the whole company and we make this product our priority too. But it's not always massive artists, priority in our plans. No.

I: And about local or international.

FF: No also. Depending. For example, Diego Torres will be a priority for us, and now it's Nelly Furtado, which is an international launching. It's depending.

I: And does it depend on the potential?

FF: I think depending maybe because of its potential here, or maybe a potential for the world. Maybe here it's not going to be so huge, but it's important for the development of the artist in the world. Maybe it's the development of an artist to be in three or four years a huge artist here. Maybe now we can sell less, and four or five years we can do tools with a lot of sales and digital sales, and..

I: Yes. And is the local music sometimes adjusted to a certain group of people in the market, like a target group.. For example, if a local group comes here, to Universal, and they play a certain type of music. And you say; Ok, I like it, but should be better, if you should focus more on this aspect or.. For example that a rock group could become a bit more poppy, or.. Does it happen like that?

FF: Here? If we pretend to change the style of the group? No. Today it's so difficult to sign in Universal. Here, if you don't have a song work like.. When you sign with a new artist, release another new artist. It's an artist you know very well. For example, Diego Torres, has more than ten years of all working. And Babasonicos is another local artist, they made some records with Sony, with independent records and now it's our artist. We don't pretend to change style or.. I think we choose this kind of artists, because we know the potential, we know the kind of music that they do and we think it's an appeal to the market, where we want to go. Or maybe because we are looking for the cover when a market or new market, or a market without any bands or artists that we have. So we have an opportunity there, so look for the artist that can do this job.

I: And the international music, a kind of the same question, is it sometimes changed into more attractive music for Argentina?
FF: Here, for international music, we can't do anything. It's music that is, we go to the rules.

I: And it doesn't happen that an artist for example translates his song from English into Spanish?

FF: No.

I: And in the marketing of an artist or album, how do you handle the piracy?

FF: Here we have a Camara, the CAPIF, and they do the job. They do campaigns and they are looking for piracy focus to fight there. They are in charge of that.

I: Ok. And if you look at the marketing process of an album or artist. The success of an artist or album, is it more depending on the marketing campaign or is it more the side effects, things you can't influence?
FF: Oh, it's complicated, because in all kind of art, you have to think in tastes, in subjective things. So you can make a huge campaign, you can see an artists in all the city and listening on all the radios, but maybe doesn't sell anything. It's like magic. It think sometimes you need the campaign, the promotion to introduce the artist to do that audience knows about the artist. And then, this process is depending on the moment, depending on too many factors. It's impossible to say; if you put one million dollar in this campaign, you are going to obtain this kind of success with this artist. But, you do the job to introduce the artist, to make well known the artist, use a specific media where the artist is going to be known for the people that you want to know this artist. We do all that we want to, or we want for the success of the artist. So in the last level, it's all magic what happens, in the moment that; it works, or doesn't work.

I: Yes, you can't predict that. You can't tell.

FF: It's impossible. You can predict for example some general things. Now, for example, reggaeton is successful songs in Argentina. So if you have a new artist with reggaeton, you can go with some kind of band, with success. But I don't know if it's going to be the first one, the last one, in the middle. I don't know.

I: Ok, and what are ways to decide what kind of marketing you are going to do according to this? Is it just a feeling [FF: No] Or is it a previous success?

FF: No, it's taking care about all records, the history of the artist, the profile of the artist. Listen to music, thinking about how is the marketing for this kind of artist, for this kind of music? It's massive? It's for specific people? It's thinking according to the profile of the artist. Where we can go, where we want to go? We want to make an artist for three or five years in the future, it's marketing. Taking the information and then make a plan according to that. It's not the same, for example, an artist that is maybe the music is not so good, but the image is so good. Maybe be more in the street and videos are better than just music or pretend to show the artist in making some performance. Because maybe he is not so well in making a performance, maybe he's better to see.

I: Ok. And how do you think the US and the European music industry influence the Argentinean music industry?
FF: I think, the history in Argentina, I think the music in Anglo is good or received to people, so the music from England, I think here a lot of success, music of the United States, it's like in England. But it's like here the two football teams, Boca and River, for international. The both countries give us the international music. Then, I think Canadian music has a third level, but it's history. On the other hand, Latin music from Central America, Miami, Enrique Iglesias, Ricky Martin, Mana from Mexico, is other big influence here. So music from England, from the United States, from Canada, is the Anglo music for us. Then Latin music if from Mexico, Miami, Colombia are the other kind of influence. And then local music, we have huge artists here. And later maybe some project of other countries, but once in each.. I don't know how many years.

I: So do you think the Anglo or the regional music is more important if you compare it?
FF: Depending the year. In the nineties, or maybe in the 1998, 1999, the Latin music was incredible here, starting in 2001 or 2002. In 2002, 3, 4 I think the local music grew, because it was depending on the local actuality, here we had a crisis in 2001. And when you have a crisis, many international artist is not a hit here. And people go to a more local concert and many international artists is not coming to do a tour. So people go to many local shows, and it's natural that local music is grown. And the process goes to increase the international artists to. And for many years the music from England goes ahead on the music of the USA. Other years, maybe the USA.. But it's a trend, it's changing. Latin music is going to be forever, but it gets bigger and smaller. Local music is going to be bigger and smaller and Anglo music to. Then you can see a phenomenon like bailanta, it's a local rhythm here, but maybe the bailanta have life, for three to five years. I think it's the same with reggaeton. I think reggaeton I think, is not the kind of music to be forever here. For instance (interrupted by telephone).

I: So it's like hypes?
FF: Yes.

I: And the Anglo music, do you think it influences the styles of artists here?
FF: I don't know, it's too difficult. Because we have some artists that are, I think, influenced by Anglo music, but I think that it's not to do a generalized opinion. I think the local music has some influence.. More today when you can listen to many fusion of music with electronics and rock and pop, and local too. We have tango and folkloric to here with (…) and I don't think so.. I think in some cases, yes, but…

I: But there are no artists in Argentina which produce music in English, right?

(…)

FF: So I think in Latin America we are different producers, or different bases of music of countries or regions from where music influences other countries. Or maybe a specific or this regions, this different regions. For example, Argentina has a particular kind of local music, called rock nacional. Mexico is the other *extremo*, the other side. They have a different kind of music. Local, like rock nacional for us, is rock local for them, but it's not necessarily the same. But in the soul of the rock is according. But for example, Colombia has a particular kind of music, more linked to the Latin music, with more Caribbean rhythms, with a rhythm called cumbia, with more kind of instrument of the basis and it's different from this rock local from Mexico and the rock local from Argentina. It's not the same. It's by some kind of artists, but it's one artist from Argentina, I think don't play this kind of music of Colombia. And I think this kind of artist from Mexico doesn't play the music from Colombia. Maybe this artists from Argentina are influenced by.. Because today some artists have different rhythms, are influenced from different territories. But I think, it's not the same, rock from Mexico, rock from Argentina, music from Colombia. Brazil is another country, it's in Portuguese, is with a huge music (…). Great, so it's beautiful. But local music in Brazil is so local too. It's too difficult to be influenced from Brazilian music. But it's not Bossanova like tango. We're talking about the local rock or pop, it's another kind of rhythms. I think we are in times when we have some kind of artists that are taking rhythms of different countries or territories that make then their music more crossover and you can listen in all the region. But it's not the same, one single of for example Paulina Rubio with some Mexican basis in her single, is not the same playing in the Mexican radio, to the Argentinean radio. It's from here, it's not so good, but maybe Paulina with the pop basis is better here. So that is the kind of artists that is going to be more crossover, that maybe have some Mexican rhythms, but more pop and is like is one is too, it's rock, but in some songs have some local influence of Colombia, but for us it's a Latin singer. It's not the same for example, Alejandro Fernandes, is Mexican, so it's kind of crossover, but not real crossover.

I: Ok. How often does it happen that an Argentinean artist become successful in a foreign country?
FF: I think ten years ago it was more easy for our local artists. I think Argentina in the 80s and 90s go ahead to the music (…) to the rest of the Latin America. We had some local successful bands in the rest of the region. Soda Sterio was in the 80s, first band that made tours in the rest of Latin America, and made sold out stadiums, and went to Mexico to do great tours. I think that was ten to twenty years ago. Now, I think for the region, Mexican rock music is going ahead to Argentina and is going to make more success, artists in the region. I think here, the artists made more on tour too many local products, talking about our local things, our local problems, or local actuality. So here there are big, big artists, but it's so difficult to get some success outside of Argentina. Some artists, they take more this dream of this way to do music, to include their music in other countries, make more crossover music like for example Axel, is a local artist, is an artist that is so successful here, and is growing in Spain, in the rest of the Latin American countries. But he is just one in ten. It's more simple for pop or for Latin music. Axel, is like, he does music like Enrique Iglesias, or we say *balada Bustamante*. And Bisbal, it's not like Babasonicos, is another band here, is rock and it's more difficult for them to go outside of our.. Another band that is growing outside of Argentina is not so easy. It's more easy for the Mexican ones to come here and be successful..

I: Is that because their music is less specific..

FF: I think because it's much local, the music and the lyrics talk about the local realities. So people outside don't care about the problems in our country, because we are in the ten years ago, in two crises, of political crisis, in monetary crisis. Music or artists talk about their reality. Bersuit was another band of this company, and today we/they broke the contract with Universal and go with Sony, but it's a big, big local artist. They may stand here for 70.000 people, but outside from Argentina, they don't make a stadium full of 1.000 people. And they have I think almost twenty years old, it's not a new band, it's an old band. But they talk about the city, the local reality, the news, what happened with old lyrics is talk about.. or many of their lyrics talk about political things.

I: Is it also an aim for Universal to release local music in foreign countries?

FF: Yes of course, you do an artist with opportunities to go outside. We are going to manage them.

I: And do you think that local music, in general is classified by consumers as higher, or lower quality than international music?
FF: No, it's the same. Depending the.. I think the market thinks according the artists, not the origin of the artists. So maybe in social lower levels, you can think they will listen to local music, but it's not pop or rock local music. The music we call bailanta for example, but the people who listen the top five or top ten radios for example, they listen to the music according to the artist. I like this artist, but it's another kind, I think I can listen rock and pop, it's not local more or less quality, no.. I think quality is in the perception, in the mind of the public. The people is in the same level.

I: And do you think that might change by the digitalization? Because thanks to the internet, that international music is becoming more accessible.

FF: I don't think so. Because here we listen to international music in the past year, without internet. And I think it's not because internet is not getting us more international music. I think it's just a tool to get it more quickly, or to get music..

I: So it won't change the taste of the people in general, you think?
FF: No, I don't think so. Maybe for a little portion of the market, it's possible. But if you are connected all the time, and you are with a group with an open mind to listen to new music. But it's less.

I: And about the music market here. In what way do you think the Argentinean music market is different from other music markets?
FF: For example?

I: For example, you said the type of music, that local music is important…

FF: Yes, for example in other countries, I think in the United States, I don't know exactly, but I think it's more difficult to get music from outside of the US. I think in Brazil it's the same, in Brazil, they consume many local music, more than here. And less percent of rock music of the world, and legendary bands of rock, and they don't consume Latin music for example. So here, we consume international music, we consume Latin music and local music. It's the three styles of music, I think it's not the same in each market. If you go to Chile, maybe it's more pop and less rock. Maybe in Colombia it's more Latin and less rock and a little more pop. And in Mexico you have rock, you have international, you have Latin music too, but maybe not the same here.

I: And also the same amount of independents is typical, right? [FF: Nods] Do you notice that in your daily work, these independents? Do they influence you in your daily work?

FF: Not so much, because here the media, or the 95% of the songs that the media play is from the majors. So it's the problem that for them, is that they don't have space to show this content. I think that is the reason, because is that the internet is not, today media, that may possible to know many artists from outside. Because you can get the international artist by internet, but you need somebody to tell you, what kind of music you can find and where. So for me, that would be great too, if you'd for example tell me "What kind of music do you like?" "That kind of music" "Ok, go inside this website and get this, and this, and this artists and that would be good for you" "Ok thanks". But it's not so easy, I think it's not so easy. For little groups, ok, but for the massive market it's not so easy. And I think that is the reason, because the media have 95% of programming space for music, with music from majors. Because if they play the music from majors, that guarantees audience. If guarantees audience, they are going to put.. it's like a loop. So if they put independent music, they are going to have less audience, if they have less audience, they are going to have less advertising.. haha.

I: Ok. And what do you think of the influence of digitalization on the music industry here?

FF: I think for the industry, it's good in this moment, in the sense of the past. This country, like Latin America, has huge piracy. And for the first time, digitalization was equal to piracy. But I think now, it may be possible to deliver music in easy ways. For example you have telephone, with capacity to storage music and to get it fast, music. It's great, because you recommend me some single and you just make some movement with my fingers and I can get this music. It's for internet too. For internet, it's like iTunes in the United States. We don't have an iTunes here yet, but it is in a few months, we are going to get it and now we have many changes to deliver music to internet and to mobile. I think with the (...) from the industry. Because the physical records, the CDs, we all know that it's decreasing sales. But the digital is growing and is growing each month. Maybe two or three years ago it was more difficult to see how the digital is going to increase and to get some market, but now I think it's all of us are seeing, or watching. For example in Chile, we don't sell physical CDs anymore, the past six months, we just sold digital. And we are first in sales in the first *semestre*, six months, ahead from Sony, ahead from EMI. Just.. and they still sell CDs, and we are not selling. I think that is one thing that the company does, all the digital sales, all the material have a net of distribution of the information and centralization of the information and the music. And the platform to deliver the music and that is important.

I: And I heard that before the digitalization, the music market was normally very hit orientated. But I heard because of the internet, with its endless space, that it might become more niche orientated. Do you think that is true? That niches are getting more important now and that therefore the industry becomes less hit orientated?

FF: Do you say that we are going to have many niches, and that's becoming so important for the industry to take care about many quantity of niches, because we are going to have.. maybe today we have five niches, and in a few years we're going to have 100. I don't think so, because that happened today.. That was asked five or seven years ago, what is going to happen in the future? Because internet, this thing, the possibility of niches, being more nichable, more specific, I think that if you have many niches, or more niches, you are going to become more massive. Because it's possible that you have 100 niches in the 5% in the market, but 95% of the marketing is going where the big media, or the media that have the more ratings, push to the massive. It's not that I like that, but I think that it's happening today and it's going to happen. For example Coca Cola, you have in the United States, more than ten kinds or Coca Cola, for niches. But how many people consume these ten kinds of Coca Cola? Just 5% of the market. 95% of the market just consume Coca Cola, the original one. Or maybe Diet Coke. And it's incredible because, now, when we have internet, when we have many radios, many channels, it's supposed to have many possibilities to know more kind of artists and to listen more different.. And, that is a personal experience, thinking in the past, that I listened in the radio, more different kind of artists in the 80s or in the early 90s, than today. Today, all the radios go to the top 40. The top 40 is.. because our job, to push our artists, the majors, and some majors go to the audience, but in all the times you have media that play all this. But all this play hits. But when I was young, I listened to radios with different styles and different.. So not just top 40 or top 20.

I: So my final question, what do you think the Argentinean music industry will look like in ten years?

FF: In Argentina, I had in the past twenty years, many bosses, from the outside and here, they asked me the same thing, that was "Can you plan for five years? Because we here in the US are making planning for five years." So we say, we draw the plans, means is no real plan, is the plan that you want to hear. Because it's impossible this market. If you see the history, it's impossible to think per more than one or two years. When we have a new government, maybe for two or three years, we can know what is going to happen, but we don't know what is going to happen next year. That is true, that is simple true. But I think that for the music industry, the digital thing is going to equilibrate down of the physical sales, I think we are going to talk about the sponsorship, to talk about the 360 degrees promotions with internet, with subscriptions, with other nontraditional ways of make money. It think the music is going to exist forever. That was in the past, that will be in the future. The music industry is changing, maybe not faster than the technology is changing. Maybe that is the problem, because the technology offer you possibilities that our minds can't understand, and to realized this possibilities. But each year is more comprehensive and I think that is for one hand. On the other hand the piracy is going to be less. I think what will be right, if the country is going to go well, but if we are going to have some economical crisis, that is going to be last in the row. That will be no problem for the government and for the law. So nobody take care about the piracy. But if everything is going in the right way, I think is going to go less. Mobile and internet is going give us platforms more easy to music get paying. I think it's a business that is changing and all of us is taking care of that. And thinking about that is the reason that here marketing and sales are working more together and taking care and ask ourselves always if we are making a campaign, or we have a possibility to get some money. We need to pay for billboard in the streets, or maybe a brand needs our artist to have a campaign and then we have a billboard in the street too. But it is changing, and faster. And I think it is so entertainment, because it's not quiet, it's moving fast and in different ways. And to me that's nice. And we need to, and one thing is that all companies say, and today go on, many companies say something and then move into another direction. I think this is a moment to improve and to make some changes and to have an open mind and to permit some (…) Looking for new models. And the thing is, and all the people talk about different models to make or do things, but all the people are transized (?), because they don't know if it will be better or it will be terrible, or don't get money, or loose too much money. Even my boss is going to handle because we do that in this way, or in another way. I saw that in too many people meetings in different companies, not just with the record companies. In the rest of the companies too.

I: So you think it will be a bright future?
FF: Yes.

H. Transcript Handling Music (EV) *(translated from Spanish to English by MW)*

Ernesto Vicente – Country Manager EMI Music Argentina

I: First I'd like to ask you, what is your position in EMI Argentina?

EV: Ok. As you know, EMI comes from a process of general restructuring of the company. This started at the end of 2007 in which (…). A big restructuring of the company started, like a matricidal (matrix) structure. Obviously, the teams around the world are reduced and even more here in Latin America. EMI around the world used to have more than 5.000 people, but now it's only 3.000, or less. Besides, the whole roster is reduced, the structure is reduced. In Argentina specifically we had a company of more than 30 people, and only 17 stayed. I'm in charge of the direction of strategic marketing which are new business, catalogues, DVD, etc. Considering this change and reformulation, I now stayed in charge of this country, like a country manager, depending on Brazil. Our president in Brazil is Marcello Castello Branco and he now manages the whole South American region, which is Argentina, Chile and Colombia. And from Argentina we manage Uruguay and Paraguay. So basically the marketing department, A&R, sales basically, these are supervised by me as well, here in the company. And furthermore there is the area of finance, operations and digital as well. I'm managing.. we all have like a double function in the company, right. My formation has to (...) with the marketing, about sales or other parts of the company, but a little bit of everything. Supervising all the operations of Argentina.

I: And what is the name of your position?

EV: I am country manager. And specifically in charge of catalogue, sales of catalogue and the South American catalogue. This is it, more or less. Many people have more positions in our country, for example in IT. The person who is manager in Argentina, supervises the operations in Brazil and in Chile. And the person who is in digital in Brazil, supervises the operations of Argentina, Chile and Colombia. So in the whole region, we work together a lot and many of us have more positions in different countries. But what happens in catalogue or strategy and managing the licenses and distribution.. we are quite independent (…) my real position in the countries, like manager of all the operations in Argentina, Uruguay and Paraguay. That's it basically.

I: So this structure is different from other major record companies, right?
EV: Yes, because I think it's the only company which transformed from a pyramidical structure, to a matrixial structure. (…) all of the sectors have their president, vice-president and directors. Globally we are divided in three business units, which are new music and marketing, catalogue and new business or music service. These are the three big business units. And at the same time,

the world is divided in three big regions; United States and Mexico, UK and important countries in Europe and the rest of the world. So in the rest of the world are from Japan, to Africa, small European countries, and whole South America. So all of these divisions have vertical responsibilities in where they do marketing, A&R or finance. And have horizontal responsibilities, which have resulted in regions, opportunities of business. It changed. Previously, we had a boss in Miami who managed all the operations; like A&R, marketing, finance, etc. There is a president in every country in all the areas, to who we give services or to who we report. In this moment, I have some work or functions I realize, which directly depend on someone in London. Who has to see the sales, or sales or catalogue. Every division is like a mini-company, a small company.

I: And is there still an office in Miami?
EV: Yes, there is, very small. The idea is as well to assimilate with other companies, but there is a marketing office, a digital office and a legal office. There are three or four persons who are functioning like regional in Miami.

I: So it is different from the other companies?

EV: Yes, we don't have a boss in Miami. Mexico is part of the United States and everything is located in Los Angeles in the capital office. There they move all the people of EMI televise. And Mexico directly report to them and all the parts. South Mexico, reports directly a Brazil, (…) there doesn't exist a regional office. (…) Colombia, Peru, Venezuela, Ecuador, Chile, Bolivia, which are other countries. Argentina, Uruguay, Paraguay, we depend on Brazil.

I: Ok. And to what extent are you free to manage your artists? Are there many rules..

EV: Yes, obviously in Argentina we handle about 20, or 25 artists. But most of our artists occur around the world and don't give guarantees to the companies. So the strategy of the company is to concentrate the work and focus directly on artists which have a potential in development, which are profitable. And the rest, we leave aside. (…) nowadays the aim is not to take as many artists and develop them, but to work the existing ones. Do a very intensive job on them, take many licenses in which the circulation of recoupment of investments is smaller. And to realize a process in which an artist can stay here for four or five years, so the company has more opportunities to develop the investments in the artists. Of all the ways from selling the company, there are rumors that we can't pay, that we are going to (…), these are all in the comments. Clearly it doesn't go well with the people, but you have to look further than the numbers of the finances, the credits between banks and the global crisis, which is in reality are our artists. Because we have a big catalogue, we have very good artists, we only lack of investing. Now we are not free to close contracts, they have to be approved by London. (…) they made very small contracts and the general line, the aim, is to what I already told you; focus only on the existing ones, so that we can start to develop stronger artists later. This is a bit of the idea.

I: But you do have local artists here, right?

EV: Yes, we have some very important local artists. Leon Gieco, one of our most important artists, Catupe Cumachu, which is another rock artist, a band which is recording right now. We have bands in development, like Cuenta Borjianos (?) and Azafata. We have Cacho Castaña, which is a recognized tango artist and for popular music as well very important. And furthermore we have licenses of television, like Patito Feo or Floricienta, or television series and sound bands. Which gave us a lot of work, historically we have done a lot of work with these (…), we made last year the best sold CD in classical, the best sold in pop music, the best sold DVD. In this moment, we have a Latin artist, Ricardo Montaner, which is (…) and he sells more than 70.000 units in a country which is an important number. I told you already, we don't have a big catalogue, like Universal or Sony. But yes, obviously our international catalogue which started with the Beatles, Coldplay, Queen, Pink Floyd is .., Depeche Mode. These are all artists which are in a certain way very powerful, they are even releasing discs. From ten September there is the revision of the Beatles, the new disc of Robbie Williams, the new disc of Norah Jones, the new disc of Joss Stone, Belinda. Our year starts in September, practically. It is very strong.

I: And the office in London determines which are the priorities?
EV: Yes, in a way they determine the priorities. For these big regions, which I just told you about, there are big priorities for Europe, for the United States and for the rest of the world. Obviously, the characteristic of our country Argentina, is that we receive a lot of Latin, but also a lot of international. It's a country in which we try to sell from Norah Jones to Niga or Flex, or who you'd like to mention. And there is a audience that is very open to all kinds of music, with Depeche Mode in the middle. So basically, the big global priorities, also count for Argentina and in many cases we have our own regional priorities… (interruption by phone call) I was saying that if we follow a line determined by London, and there is a board for international music and a board for Latin music, which is formed by different people, from different countries. Participating are people from the US, from London, Brazil, Argentina, Colombia and there we define our priorities. We follow a line of.. it is very well defined who our artists are, it is a company in which between all of the countries, and all of the people responsible for marketing or A&R, talk a lot and define together which are the priorities.

I: Ok. And do you think that the process of handling an artist in Argentina is different from handling an artist in another country?

EV: No. No, I don't think so. I think it's basically the same. Simply that it's a much smaller market and clearly that the potential for developing Argentine artists in foreign countries is much more difficult than it is to develop a foreign artist in Argentina.

I: Why is that?
EV: Because we can clearly accept Coldplay as an extraordinary (…), or Belinda in the Latin, or Ricardo Montener for the local artist.. which triumphs abroad, is difficult.

I: Because..

EV: Because the type of music which is made here, for the language, it's a difficult that an Argentine rock artist triumphs in Europe. The closest we can achieve is that it goes very well in Mexico or in Spain. But that's implausible. We have more success with the series, when we do the global distribution of Patito Feo, right now it has a lot of success in France, Spain, in Germany, in Italy, Mexico goes well, in whole South America it goes well. These are television products and receive the programs and we only have to translate them, add subtitles and it goes very well.

I: But except for the subtitles these programs are not adapted to the different markets?
EV: In some cases, in some markets, you only go with subtitles, made in Italy, France, and is the same product as in Argentina. In Mexico, we made a new version for Mexico; we take the content and reproduce it in Mexico. And it gets its own music as well. Put in Spain and Italy we continue with this own music. But as well, it's very difficult to develop an Argentine artist in the rest of the world. Well, tango is well sold. The Europeans love tango.

I: Yes? But not in the United States, right?
EV: Not in the United States, but it does in Germany, Japan, France and I don't know about Holland..

I: Yes, I think so too. But is it often an aim to develop Argentine artists abroad?
EV: Yes, absolutely. Because in any way there is this big difference. If an Argentina artist has success in our country, is important. If this artist has success in the rest of the world, it is a great result for the company. Not only for the situation of the change of the way, any sale abroad is much more one disc selling abroad, than three discs selling in our country. With that which, it's an aim, but difficult develop. Therefore, with these kind of products, we are closer to achieve them, these aims. More than one artist being a success abroad.

I: Ok. And the managing of the local artists, is that different from managing international artists?
EV: Yes, let's see. For the local artists, what we have is, obviously, the status in the country, the

relationship with them is much more frequent, and we are doing a more constant job, and we don't have to concentrate promotion in one week, or a in two days. All the work of press, TV and radio. With that which, to have the artist not to permit to follow us in their shows, do campaigns in great places, manage different singles, or cut the diffusion, which we have when we have an artist from abroad. But for us, we love it when every artist, which releases an album in the rest of the world, comes to visit us and does promotion. That's very expensive. With that which, the reality is that they get a different treatment and a different marketing investment. Because the international artist, you know that he's not obliged to recoup money with what which he has to pay the owner of the contract, which could be in London or the US, or wherever. On the other hand in our situation, yes. And we know we only have to recoup the loan with the work they realize in the country. Therefore, the marketing investment in a local artist is much higher and the expenditure in recovering, the promotion is much higher than of an international artist. So obviously, the work we do with one or other artists is different, with a local or international artist.

I: And is it also more or less important? Like the priority..

EV: Yes, like I told you, now we only have a few artists left. To these artists, we give a treatment of 'important artists', for this only way. Before, we had fifteen or twenty artists and obviously the marketing investment was the same, and some follow ups if the album didn't sell or the cutting didn't work in the radios, or on TV, we directly let them go and continued with another one. What changed now, is that we pay much more attention to them, we are much more behind every local artist, to not just have a.. Now the industry doesn't have time for failures, there is no time to develop artists. It's not the industry from ten or fifteen years ago, in a country where you could afford that the first album didn't work, and the second album didn't work, or the third didn't work, as well we followed to bet on changing/investing the artist. Nowadays, the times are much shorter. The whole case of digital business, made it much shorter to one. We are needing to have a success immediately, to get it and in the best case, export it. But the business changed a lot. The development of an artist ten years ago, with that which, (…).

I: And it all changed due to the digitalization?
EV: Yes, the digitalization. Besides, our country has a very brute piracy. Nobody is used to pay money for getting music from the internet, with that we have a serious cultural problem. And the most serious problem is, when you analyze which music is sold, is the music for the very young ones, or people older than 25 or 30 years. Between the 13 and 20 or 25 years, nobody buys CDs. Nobody pays to get the music in their iPod or MP3, or MP4 or whatever. With that which we have a serious problem in Argentina, it is a cultural problem and it is because no work is done to

achieve more consciousness with the people, so they are going to pay for the music, what the artist does, when you pay for a book, or whatever. We have this problem now, and now we start to suffer very hard from videos, the DVDs, which are pirated constantly. This is charged by Blockbuster or other companies, which are shrinking more and more in every country. It is one of the .. why this company, which has been one of the most important in the world, is (…). Today, seventeen people in Argentina, Sony I believe have about eighty, Universal more than forty people and Warner has about twenty people. We are not that bad in the market, we are the third company in the market, competing with Warner for the third and fourth, with an extraordinary catalogue, with big artists. But the people download pirated music or buy pirated discs.

I: And what do you do to change this?
EV: Well, the actions we really take, we do with the chamber. I think Manuel explained this to you.

I: Yes, and I talked with Javier Delupi from CAPIF.

EV: So what happens, the actions against piracy stay very unengaging to the record companies, to transform the politics of the people. Because, with this, what you accomplish, is that the people believe that we chase them so they don't download music. But in reality it's a problem of the law, a problem of the controls of the laws and not of the record companies. The record companies have to be in this other (…). Give culture to the people so they understand what is correct. If someone commits a crime, it has to be controlled by the laws and not by the record companies. In all this ways, and with also this other chamber which represents the artists, which are (…) very much closer to the whole issue of piracy.

I: And to what extent is the success of an artist to your opinion on the one hand result of a marketing campaign, and on the other hand of other side effects?

EV: What a question.. Often the success of an artist happens by less than you can imagine. Do you remember when the first High School Musical was released, it was very close to the 'Day of the kid' in the country, and nobody had ever heard about High School Musical. The disc was released and was sold out in two days. It started a fever, which (…). It had never been on the radios, the movie had been showed only one time, there was only one movie and the only reason for the great success was word-of-mouth advertising of the kids. Other times it's because it's a radio hit, other times because it's a television hit. There is a soap on the television now which is called Valientes, which deals with the issue of (…) and has success. Often because it's a great disc and the people recommend it, and sometimes because it's a great marketing product. I believe that there is nothing that does.. which is the only thing that influences. In the best case, the show, which the artist comes to (…) is important.. of all the ways, I believe that when you have a good album, a good product, it's success. It doesn't matter; sooner or later, you have success. In any moment the people discover it, in any moment in some case by the marketing, in some case by another collateral event, in another case by another advertisement, or a TV series or what goes. Someone has to realize that it is discovered and finish making a good record. But there has to be the product, there has to be the content. Without the product, without the artist, without the song, there is no marketing campaign which serves.. a great promotion which serves.. people aren't stupid. And a success.. you have to realize.. Therefore Coldplay has success in whole the world, and therefore the Beatles were in all the countries. These aren't cases (…), one hit and you forget it. If not.. there is work and professionalism in what the artists do. The artists, what they do, to market the artist is another case. Marketing serves.. everything serves, but you have to have a good product.

I: Always the quality is the most important..

EV: Yes, absolutely.

I: Ok, then I'd like to talk with you again about the local and international music. What is the division, in percentages, between local and international music in the company?

EV: For us, about 35% of the music is local, about 35% international music, English and 30% is the rest.

I: Regional?

EV: Yes. It's more Latin or Spanish. Therefore you could say that there is a great influence of music in English. Not as much from the US as from Europe. The bands from the UK are much more recognized than from the US. I'm not saying that the US doesn't have good bands, but personally, I believe that to the people, from the Beatles, to Coldplay, Oasis, the Rolling Stones.. These are artists (…) from London, Depeche.. Or David Guetta, whose album is here now, which is from France. Spanish artists, you tell me American artists.. I assume there are different bands, from the one hand, Pearl Jam, or.. which are more.. which are different kinds of music. I believe that the preference of people in our market is to bands from the UK, from Europe. And this has a great penetration in our market. Furthermore, there is much rock nacional, there is much national pop music, and that is all what we call cumbia, or cumbia villera, which is music for a very low social level, maybe the lowest there is on our country. But I think there is a great diffusion. So it has been accomplished that this music has crossed the social classes and that now, very rich people, or from a much higher social and cultural level, look for this kind of music.

I: The music from Europe?
EV: No, I was talking about local music. In the local music, there is a type that is called cumbia, which is like reggaeton, but lower. So this music is very popular, but in the very low social classes. It bores the people of other higher cultures, and of higher classes, like this music as well. So the local music has a very high importance. In Brazil I think local music even has 60% or 70%, and the rest is another type of music, because of the language and for what it is. But in this country, the local market is very equal to the international market.

I: And about the international music, why do you think people prefer music from Europe above music from the US?
EV: Because I believe that the great artists are from Europe (interruption by phone call). Yes, I believe that it's… I don't know. It's my personal taste and with the people I've talked to, at the time to choose music, well.. they prefer… There are exceptions, obviously.. Bob Dylan or American artists which are brilliant and some artists from Mexico or Colombia, or Latin artists. I don't know.. Shakira, or.. Well, I don't like Mexican artists, American more or less, some Colombians, but I do like Spanish artists a lot, French artists, English artists. I think that, in general, people see it like that. I didn't mention any Dutch, but I don't know any.. What is an example of a great Dutch artist which is popular around the world?

I: I don't think there are many Dutch artists which have great success around the world. Well.. there is Andre Rieu, who is very famous, but he has a very typical kind of music.

EV: More traditional?

I: Yes. It's not very mainstream. In Holland there are very popular local bands, but they don't have global successes, in general. And do you think that this international music, influences the style of the Argentine music?
EV: Yes, a lot. There are many bands, like Charlie Garcia, great artists from this moment, who are influenced by foreign music. There's many bands who have like icons, or references, from the Beatles, or the Rolling Stones. Well, if you take Argentine rock, or rock nacional now, all the bands have sounds which look a lot like Coldplay. So definitely we have a great influence from European music. Yes, for sure. Not from Italy, but our rock comes from a mix from music, a type of music that has absorbed music from other markets. There is now not much here to create tango, or folklore, or (…) national music. They are doing well, have success, but the bands with the great successes have developed sounds which are comparable with the great bands in the world. This is a bit what happens.

I: And do you think that the digitalization and internet influence this?

EV: Yes, tremendously. Before, you had to have a television, our you had to have an issue on the radio, to make the band well-known. Nowadays, when you want to know what the last hit is, you go to YouTube and you determine what is the most viewed video. And you can have six million visits and still not have released the CD, right? It's an incredible communication tool. I think it's definitely the tool which is used. Now, my daughters or sons, or whichever kid, can't imagine a life without internet. Well.. I grew up in a world without a computer. Now, to be with these kind of things, is something incredible. The communication is tremendous. If you release the new hit of Robbie Williams now in the US, after five minutes, you can listen to it here and in an hour there are 100.000 people who have already listened to it. Or millions, I don't know. It's an incredible tool. The only criticism I have, is that the quality of the sound gets lost. Because the kids are getting used to listen to whatever sound quality, to whatever mix. So they don't recognize a good recording, a good inversion in recording, or good quality, and more (…) video. The company already (…), because if almost all of the world listen to it, they listen to it through a machine, or the headphones, or the earplugs. I got this marvelous equipment in my house and I almost never listen to it anymore, because, before someone listened to it in his house and everyone listened to this kind of music. Now, in my house we are with many, I've got five kids, but everyone listens to its music. They are in their room with their equipment, and before this was different. So it's a great communication tool, but it causes a loss of the sound.

I: Yes. And do you think that the digitalization has changed or changes something in the taste of consumers? Do you think it will change the preference for local or international music?
EV: Well.. for me, it's more a problem of quality of the sound.. I don't think so.

I: No? Don't you think the market is more internationally orientated now, or..

EV: Yes, of course. Like I told you before, like communication, like it arrives much faster, and that you have a globally mediated coverage, without any doubt. But the thing is, that many times, it doesn't have the quality that it should have. But if you give fast access to have the music, achieve it, buy it.. it has made it much more easy. Now it's much easier to for the people who want to consume it, than before. It has transformed the world. The digitalization is something fantastic. What happens is that everyone has to do is (…) her rules and controls. If not, the artists are going to disappear, the authors are going to disappear, and the companies are going to disappear. So it's necessary to reformulate the business, to be behind the artists and to work all. And that we (…).

I: And what is EMI doing about this?

EV: Well, this is the big challenge. Not only, almost all of the companies, when you contract an artist, you have to participate in the merchandising, the shows, the appearances on TV, in whatever global businesses of the artist, which is 360 degrees. And be able to potence the success of the artist and at the same time everything that he earns. And this is a bit the aim of all the companies. So, now when we sign an artist, obviously we want to participate in its shows, in its merchandising, and whatever. And obviously in digital business, work with telephony companies, or brands who want to associate the music with the brand. It's much easier with the digital music.

I: So I think it's much easier to earn money with local artists, right? [EV: Yes] So are you therefore going to give more importance to the.. [EV: Digitales..] in the future?
EV: Yes, I've made.. Well, the great opportunities in the business, are with the international artists. Because they can do massive shows, what the people want. On the other hand, local artists (…) much. They always have different concerts in the country and the people have more access to this, right? But like I told you, today it's much easier to download music from the internet, and here people don't pay because of the piracy. The local music is not yet a good business, as a digital business. In some cases, for some hits, at once everyone sings or buys an advertisement, or buys a television program, that everyone wants a song as a ringtone or whatever. (interruption by sneeze) I was saying that today the digital development in Argentina is very slow and very small. We still need many years the development en growth, to reach the height of the US or Europe. iTunes doesn't exist here and everything is downloaded without paying, so our market is still very, very small. There is practically no market for full downer, of full track, only true tones or preloads the mobile phones. If not, the business wouldn't exist. (…), but it was a very important work.

I: Ok. But do you think that the local Music is going to be more important in the future?

EV: Yes, as I told you. For EMI, you could say, it's like everything, we had a process in which we had to reduce our national roster and with the time we are going to develop our artists and let them grow. And a big element for this, is using the digital tools. Above everything, to reach the youth. Because, if not, for them it's very important to have a quick access to the music. If there is no inversion in local artists, the companies don't make sense in this country. It doesn't make sense to have EMI in Argentina, if EMI doesn't have Argentine artists. So today what happens, the transition through the company is only this, it's a transition and it already started to get off the ground and it started to grow again. If it disappears all around the world, or transforms in a company which only has licenses of great global artists. I don't believe it's going to be like that. I would be without work then, haha.

I: Do you think that the Argentine music industry is less hit orientated than American or European industries? I can imagine that thanks to the great amount of piracy and the influence of independent companies, hits are less important here..

EV: Let's see if I understand you. The hits on the radio or television, you say, which are the taste of the whole market, are always pirated. So what we need to do, is to add a value to the product, so it doesn't fall into the hands of the pirates. And that it's not only a success on the radio, or only a success on TV. I believe that now a great part of the music, happens through the hits, but the sales happen through the niches. You can have great hits, which don't sell CDs. Which are top five on the radio, or the television, or which is listened to a lot, or through the internet. But despite this, you don't have good sales. This is because the kids, the adolescents, consume the hits. So it's not always necessary that a hit accompanies sales. Or better; that the sales accompany a hit. This is it more or less?
I: Yes. But do you think that the Argentine music market is different from music markets from other countries?

EV: No. A hit is a hit all around the world.

I: Ok. And do you think that the internet and digitalization…

EV: Yes, it's different in our country compared to other countries in the world. Because the hit, track of Coldplay, in the UK, US or Holland, you listen to it and buy it. In Argentina, you listen to it, and download it. This is the difference. So when you talk about the business and the possibilities in the market, we always come back at the same point, not until the people understand that the future is the digital music, but there is no music of digital music, if they don't start to pay for it. If not, the business is going to disappear. And if there is no business, artists and songwriters are going to be left. Because these people live as well. The digital music is a great advance and a communication tool and of very, very good access. But the problem we have in Argentina, is a cultural problem. So the success, the hit of the radio, of internet, doesn't always mean that it's a success in music sales.

I: And do you think that is going to change in the future?
EV: It would have to. We adults, we have to work for our kids and youth, who count on us. Because otherwise there is no future. But it all starts with one and it starts in the (...) of every person. I've been lucky and have been able to work in the industry all my life, with knowing that many people lose jobs and artists don't record. But not all the kids know that. And the big question is, why should I pay if I can have it for free?

I: Ok. My last question. What will, to your opinion, the Argentine music industry will look like in ten years?

EV: Woow.. How will it be? I hope it is.. it's a great issue, right? Music will always exist, and we are going to sell the talent of our youth. They are going to depend on the earnings of the record companies who invest in these new talents. And the decision of the people in our country to invest in new talent. I don't imagine it's different. I believe that everything, like always.. a great artists, which makes a great album and who triumphs, and hopefully triumphs abroad. You always believe that not one success is superior over another. There is always a superior distance to excel yourself, to change the music, the rhythms, the tendencies. I believe that the music in Argentina is going to develop and grow. We receive a lot of influence from the rest of the world and our market already works. So not another way stays to follow this and will stay oriented to this. I hope.. I would love it if it will grow and if it becomes much more popular in the rest of the world and that we have means and we become a serious country, where we can invest in culture, invest in music, invest in artists and that we can develop them. If this is going to happen, we are going to have good artists in the future.

I. Transcript Handling Music (DV)

Diego Villanueva – Marketing Director, A&R Warner Music Argentina

I: What are exactly your tasks here at Warner?

DV: I am Marketing Director and A&R Director for Warner Argentina. What I do is the marketing of albums, international, local and Spanish albums and I am also in charge of signing local bands and record. I go to see bands and when I like, I to talk to them. They get here and.. all that kind of job.

I: And for how long are you doing this already?

DV: In Warner I've been for almost two years. But like I told you before, I worked for two years in an independent, Leader Music and before I worked for ten years in Universal, in many different positions.

I: Could you describe the marketing process of an album or artist here in Warner?

DV: Well, I think it's the same everywhere. I think everything starts with the interest, you go and meet the artist, you like it, you talk to them. You try to get meetings and then you sign a contract and you get to the record.. to the studio and record an album. That's basically the process.

I: And the marketing process?

DV: That depends, depends on the album and on the artist. There's so many, different ways.. There's artists that belong to the radio, there's artist where everything comes from an image, from TV especially.. It's so big, the universe to market the album, that depends on the artist, the charisma. But I think I have to say that everything starts with a good song. If you've got an artist with a good song, you've got a hit. That's how I see it.

I: So how do you see which artist suits which marketing plan? Do you see that if you meet them?

DV: It depends on the target, it's not the same; a tango album, or a kids album. Total different marketing, a total different process, total different timing. It depends also.. the media you have available at the moment. Right now in Argentina, the marketing thing is getting complicated because.. let's start with the radio situation. Right now the radio stations are playing so many less new artists than before. So they play more catalogues. So it's getting difficult to break a new artist, because you don't have space.

I: Do you have an idea why that is?

DV: Well, because the business is complicated. So they are willing to give their audience what they already know. So it's about money, everything is about money. So they are taking good care of the sponsors of the radio. I think it's just only a situation, just a moment that we're living in Argentina right now. I'm sorry, I just forgot your question. What did you say?
I: About the marketing process. How you determine.. You were talking about the genre, which determines a plan, because you said that it depends on the artist if it's more focused on radio or TV.
DV: Yes, marketing an artist.. it has so many ways, there's so many ways. For instance, there's radio, TV or press, that used to be the way we market an artist. And then we have internet, and then we have other ways to do the marketing of a new artist. Let's talk about a new artists.. So, we could talk about it so much.. We could pick an artist if you want.. I don't know..

I: Well.. is there for example a difference between national and international artists? [DV: Yes] So in what way do you make a decision for the marketing plan?
DV: For the international artist and for the local artist?

I: Yes, in what way is that different?
DV: I'll have to say the language maybe, especially in the English product. At the end it's all the same, because you attack the same media. But in Argentina we have to focus, because the market is not as big as it used to be. We cannot release 25 international artists in one month. We have to focus, in order to give results. Argentina is considered right now, 40% Anglo, let's say 45 between Anglo and Spanish and 60 local. That's how maybe, this is by the depending on the release of a.. Warner especially, is huge international. We have 80% of international. That's not what the market says, but Warner is that way. 80% and 20 of Spanish and regional.

I: Ok, but I have another question about the marketing plan. To what extent are you free to determine your own marketing plan? Do you have to follow rules of Warner international?
DV: No, not in Warner. We just do what we say that we have to do. The marketing plan is divided into media, you know, radio, TV, internet, blablabla. But we don't follow rules. What we follow, is that we calculate the investment basically. I don't know if that's a rule, but.. We're supposed to sell so much and we have to invest that much. I don't call that rules, that's just the way it is, the business.

I: To determine a target?
DV: Yes, to determine a target. To determine the ships amounts of selling, you know. But it's not rules. No, we don't have rules. But we do have priorities. We have a central office, Latin office in Miami and we have in London, you know, the big boss. So basically we establish big priorities, which is Madonna.. you know, big, big artists. The five big priorities, and then we have

development artists, around six or eight and that's how we do it. And then there's opportunities, that each country sees an opportunity, for any artist that we think we can do it, and blablabla. And then we put it in the development part. Let's put it that way. And we start the marketing and promotion of the artist. That's how it works.

I: So the priorities are determined by… [DV: Yes, in the big house]. But you can adjust the marketing process on Argentina, on the market here? [DV: Yes] Ok and do you think the marketing here in Argentina is different from other countries? [DV: Oh yes] Yes? In what way?
DV: Uh, Argentina is a small country, for the marketing staff I've five people. I think Holland must have 20. It depends on the bigger the market, the bigger the company. So I think… Uh.. what was the question?
I: In what way the marketing process is different here?

DV: I don't think it's different from Latin countries. I don't think Argentina is different from Brazil, basically we have the same problems, the same similar problems. I think the marketing attaches to reality. I think people is so much different.. I mean if you like the song, you go and buy it. I mean that's how you do it.. no? But if you ask me a difference, I would have to say.. different markets basically. You know, large, smaller, medium. Not the marketing itself, of an artist.

I: So the size of the market determines..

DV: Totally, yes.

I: And that's why Latin America is different from the US and Europe?

DV: Oh yes, because it's totally different. For instance we don't get as much as international presence an artist coming, as Europe. This is the reality. I mean we're far away, business is different, we organize different, so we sell less than them. So it's totally different in the size of the reality of the country. You know what I mean? But then, we think or we market in the same way. When I got Madonna and just know it's going to be number one, it's going to be number one everywhere. You know what I mean? With all the barriers, all the problems, but it's number one.

I: Ok, and the local artists in general, are they more aimed at a mass audience or more specific target group?

DV: Warner has a very small local repertoire. This is basically because political planned that way. I'm trying to change that.

I: Why?

DV: Because I think we have an opportunity. Now, because local artists are more business to the company. Right now the companies are determining to sign different rights, not only.. I don't only sell a CD now, I have other rights when I sign an artist. This is planned to be 360. I don't know if you heard about it? A 360 deal. We're now.. Warner at least, and all the companies, we're getting to the 360 world. That means, if I sign a new artist, I don't only sign you the right of a CD or DVD, there are many other rights, that many, many years ago, it was taken by other people. I get the right for publishing companies, the right for merchandising, the right for live shows, sponsorship. So the new plan of business for the future, is planned that way to the artists. You asked me why. I think, we Warner Argentina, can do it, we can start change it. So that's why we started to sign new artists, in a 360 basis.

I: So you think local artist can be more profitable that international artists?

DV: Always. Well, if you (...) them and if do a good job, yes. If not, they could be a pain in the ass, because you use a lot of money. But we're doing ok, we're just starting. We're following in the transformation of the business. That's how I see it.

I: And is international music sometimes adjusted to the local market? For example that artists, which are normally singing in English, now sing in Spanish.

DV: Sometimes, yes. It happens. Right now we have Jason Mraz, he's number one right now here. I love him and we just put a lot of time, when we work for instance.. That's why when we talk about artists, it's so much different the marketing.. we were waiting for Jason for almost eight months, we're still working. My team and I, we believed we could put it, we waited eight months, working an album. Pff… it's a long time, it's a lot of effort and a lot of patience. And right now it's number one, and we're selling the album and he did, that's not my idea, it's an international idea, he did the second single with a Mexican artist called Ximena Sariñana. And he did the second single with her in Spanish. But sometimes you use that as a marketing strategy. Many artists.. Bon Jovi used to do that, yes, all his hits in Spanish. And sometimes it sounds stupid, you know, they don't pronounce very well, so it sounds stupid. So sometimes it doesn't work, it depends, you have to.. be a good thing. You know what I mean?

I: Yes. But do you think people here, in general, like local music better than international music?

DV: No, no.. If you put it that way, I don't think so. It depends. But like I said, 40 or 50% of the industry is international. Argentina has a strong local market. You've been around, there's plenty of local bands, and we have radios that are playing Argentinean music all the time, so the business is supported. But I don't know if they like it more or not.. I don't know.

I: Ok. And do you think they like it better if songs are in Spanish?

DV: No, I don't think so. I think it's good, sometimes you will listen to it. But, Argentina is used to listen to English songs. So, don't put it in the way you like it or you don't like it. Just it's not usual, I can name you five or six.. they don't do it all the time, translating from English to Spanish. Since I've been in Warner, there's only one artist which has done it.

I: So it's more common to not translate it?
DV: No, but many, many years ago, when I was in Universal.. all the time. It depends on the political of the company. It depends on the Latin… if they are going to use that. Maybe in Mexico that's alright, you know, it depends. It depends on the people, it's still a people business. So when we decide.. I don't like it, I wouldn't do it. If it's Anglo, if it's English, let's leave it in English. You know, I don't see it as better.. But there's so many different ways to see it. Also, it has to be well done, otherwise, the radio won't play it.

I: It won't add anything if..

DV: Correct.

I: Ok, and about the success of an album. According to you, to what extent does it depend on the marketing and to what extent to external factors?
DV: Wow, what a question.. I mean, there's no magic here. You know, sometimes when a song works, yes it happens. I think good marketing gives you good results. Good ideas, give you good responses of people. But also for instance, I had a conference this morning with London. You could have a good idea right now, a beautiful idea, but with this flu A in Argentina, with this specific situation.. because we sell music, we sell moments, we sell feelings. I don't know. You could sell a love song, but if you're not in love, maybe you don't get it. So I think that's why our business is so like this. Because, it also depends on the mood, the situation. I could have the best idea, but I wouldn't do it right now with the situation. I see it in the streets, don't get together, close in the theatre, because of this flu. So, I think good marketing is the key object, obviously. That's what we're here for. Otherwise I wouldn't have a job. But it's so big, that question. But sometimes you bet in an artist that you believe is going to rule the world, and you fail. But you have to fail in order to get a win. It's like gambling. That's how I see it.

I: And here in Warner, what does the structure of the artists look like? Is there a division between local and international artists?
DV: My team.. Like I said I have the smallest team in the record industry right now. I would say a normal situation: director, label managers (international, Latin and maybe local artists), and then you have the promotional department. Head of promotion; radio, TV and depends on the

company, internet, press. And then I have a POS departments, POS is who puts posters in the stores and so.. And that's it.. In big companies, in the big world. There's so much different positions; strategic department and maybe a new media department. Right now, Warner still has that structure, the situation that we live in. My situation is the following; I have myself as a director, a local and Latin label manager, an international label manager (for only Anglo products). Then I have a head of promotion; one TV, one radio and one press. That's it.

I: Does the classification of a certain artist in a certain division or label manager influence the way it is treated? Does for example the local or regional music get more attention than the international music? Or is it the other way around?
DV: No. It's a good question, but no.

I: So the priorities..

DV: No, it's just a matter of organize a team, it's not a different treatment, it's just how it's planned to organize the situation. If I could get more people in my team, I would just plan it different. But it's just a matter of organization.

I: So the international label manager has much more artists than the local/regional?
DV: Oh yes. But the local artists has many more time, because local artists consume you so much time. Because it's here, you have to go, you have to be somewhere. In matter of quantity, yes international has more, but in matter of time.. local artists calling you all the time and.. They consume you so much time.

I: So it's a different way of managing?
DV: Totally different. They call you once in a lifetime maybe. The international position is more in contact with the repertoire owners in each country. So it's lots of work, but it's different. Local is consuming so much time. Very different.. my people their daily work.

I: And how often does it happen that an Argentinean artist, signed by Warner, has success in a foreign country?
DV: Oh, since I'm here, never heard of it. But in general, Argentina, is not an export country. Maybe few Argentineans did cross over in another.. This is very complicated, very different market than maybe Mexico, which is a country that exports all the time. Or maybe Colombia, that used to export. Argentineans are complicated, that's a way of how we are. Maybe like France, they speak another language, but we just don't export so much. In Warner, since I'm here, don't know.. Never. Never in the story, no. We have one artist, that is Argentinean, but is signed by Warner Spain. Which is Andres Calamaro, I don't know if you've heard of him, it's a wonder. He

is Argentinean but signed in Spain, because he lived in Spain, but he's big there. He's the only one.

I: What do you think is the influence of the US and European music markets on the Argentinean music market?

DV: Big. I think we look more to European markets, in regards of artists. But still, US is influencing everywhere. It's the biggest market in the world. But obviously their successes always come here. You asked me about rules.. Sometimes the rule is that if they're big there, they should have been big here. That's how it works.

I: And why do you think European music is more influential than US music?
DV: Maybe it's a matter of what we like, it's a matter of sound. But still, I think before it was more towards that, now it's globally. For instance, we don't have the R&B music in Argentina, we don't like it. We don't have it on the radio. It's so complicated to get rap music in Argentina. We don't sell rap music, no way! It's so hard to.. I could maybe name you, I don't know, twenty rappers in the world that are so big. We cannot sell rap music in Argentina, maybe one or two in a few years. You know, like R&B.. What else? No these two kinds of music, which are very American.. it just doesn't happen here. And in the region.

I: In whole South America, it doesn't..

DV: No. It's so complicated. There's no rap. The rap thing.. I remember in Universal, we used to have so much rap. They said; why don't you sell rap? I said we can't do it. We can (...) in a matter of language.. Maybe we don't like the sound of it.

I: So even a good marketing campaign can't help that?
DV: You would probably fail. We never liked rap. That's something no one could answer me. I don't know why, he. Maybe you have a pop rap, like Eminem was, you'd sell it. So, I don't know.

I: And do you think that the European and US markets are more influential on the Argentine market than the other Latin American markets?

DV: What do you mean, like Mexico?
I: Yes, for example Mexico, or.. You think in general the neighboring countries have more influence on the music here?

DV: No, not the neighboring countries. Argentina has so many.. It could be like fifty Chilenian artists, and only one could make it here.

I: Why do you think it's like that?
DV: I don't know. It's just a matter of marketing maybe. Or just a good artist. You could have 25 millions in Brazil and only one, two or three come to Argentina. I think we have more influence from Europe and America right now. Maybe many, many years ago, that was different, but now no. I think we get more influence from Europe and the States. Some crazy Europeans, like Sweden or Norway, deliver one artist and that's such a hit. Or Spain, Spain is a big influence as an exporting country. We consume a lot of Spanish artists from Spain, more than Mexico. Maybe that's how the country is presented. Let me think.. I'm thinking now why.. I never did this exercise, haha. I's been long since I've been doing this exercise.

I: So you think that the market is more influenced by European music than regional music, in the end?

DV: Yes. For instance, there's no Warner in Ecuador. Sometimes we don't get music from Ecuador here. How business is planned.. is more European or American.

I: But that's also because the focus of Warner International is to focus on international music, and not to release regional music in different countries, like for example other Latin American countries here in Argentina. Because you said in the beginning that the focus is on international music, normally. Like 80%..

DV: Well yes, it's an international company and this is how it is presented. I don't know if this is the strategy. But in those countries, the music business is so limited there. If we're talking about Ecuador and.. Lots of those countries have local artists that is so complicated to get it abroad. To get it outside Colombia, you know. Like us, we have such a big industry of cumbia. I don't know if you've listened to it? Like Kuky, Kuky build his company doing that, and he's millionaire of doing that. But he never went to Uruguay or.. He never did the cross over to.. I mean Chile is two hours from here and.. But.. what was the question again? Yes, we have more influence with the US and Europe and that's 80%, yes.

I: And the influence of Argentina on other countries is also small?

DV: Depends on... yes it's small. I mean, Argentina is a rock country, we support rock. In the 80s all the rock came from Argentina. And they flew and they got millionaire by flying to Mexico and.. Now, we're more pop and we don't get as much chance to export artists, that's just a few.

I: And do you think that might change in the future?
DV: We're exporting tango right now. Tango is something I don't have here. But I know we exporting that right now. I know it's something it keeps on here. But still, a small percentage.

We're not talking about big things, it's still a niche. But if it changes.. well, if we get artists with talent and good songs. Yes, always.

I: Do you think the taste might change by digitalization? Because people have much easier access to different kinds of music.

DV: That might change yes, the globalization is easy, so.. Another things that connect us from the question you asked is that.. Lots of people from Colombia or Mexico that want to explore… they all live in Miami. We don't do that, we don't go to Miami. We stay here. So it's a matter of where you live of how to present a strategy. It's totally different. So that could be a good reason why we don't get as much Argentinean music in the world. Because people stay here. And we're so far away. So maybe Sweden.. that's why it exports so many artists.. you know what I mean? Holland for instance, I don't remember a big Dutch artist.

I: But I think local music is much less important in Holland then here. I think it's really focused on international music.

DV: No, there's not a Dutch artist that I remember. Not one. That maybe moved to Los Angeles. I can't remember.. I can tell you people from Denmark, Sweden, Norway, but not from Holland, no. I only know soccer players. There's not like a band, with the hunger of conquesting [conquering, MW], you know, get in the world. The same happens here. But that could change. Crazy people who have a hit and..

I: So do you think with the digitalization, people are going to be more internationally orientated, or more locally?

DV: Well there's always a big curiosity in many of.. I mean with MySpace.. we could listen to any band in the world but I don't think that makes more business. I think that, right now, which is going along with the idea of people know that.. But no, it doesn't change my business. I don't see it that way. For instance, in Argentina the digital business is mobile. We are no used by buying music in the net, it's totally illegal. So when we do a good marketing strategy with the mobiles, with the company in the cellulars, we do it here. So I think it depends. I don't know. I don't think it (…) of my business, I'm not sure on that. I don't think it will improve my business. Because I cannot monetize it. So far we don't have that.

I: In what way did the strategy change, when the internet became important and what are the ideas for the future?

DV: Well, basically it changes in the new generation. Instead of listening to the radio, like we all did, and go and buy records.. they're there. So our marketing focus changed. But not for all the artists. For some artists it would be very stupid to do an internet strategy, because it depends on the target group. If I've got an old artist, like Sinatra for instance, I'm not going to go there. I just do some marketing and take it. So from my point of view, it changes for the new generation. How you present a new artist.

I: But the industry is adjusting right now, right?

DV: Yes, it's transforming.

I: So what do you see as opportunities for the future? In the music business in general?

DV: Uhm, from my point of view, like I said before. How we sign a new contract. We need to focus on starting that. And the new bands, we have to get the new, the different part of the business we left behind on the big artists. That will cure for a bit our investments. And on how we can build different companies, more 360 based. So that's how we see it in Warner. Going towards that way. For instance we have this band Panamore, which is a brand new artist, this will be number one everywhere. We're just chanting the new album, it's going to be huge. And we have the new rights, 360.. All the rights to market and to get the money from that.

I: And about the signing of the artists. Do you think that because of the digitalization and the internet that it became harder for artists to break through? Or what do you think, does it maybe get easier to get signed?

DV: I would talk about Argentina now. Because not the digitalization was the problem, here it was the piracy and the economic situation of the country which makes us get bigger or smaller and take care of the business. I mean eight years ago, maybe multinational companies were going to close, because of the situation.

I: Because of the piracy?

DV: The piracy and the country problems. Argentina had a very [I: Crisis], yes crisis and bad politicals. So you have to focus on that and you have to follow that. It depends how's your business, good or bad. I don't think digitalization has anything to do, I would think we have a new business, that the curve is going up. I think the curve is going up on the mobile situation. It's a positive thing now, it's not a problem. We just need to be more creative. We just need more ideas on that.

I: On what?

DV: On, how to sell, how to improve. Because if not, it will just touch the roof. We could go older.. but they are selling more than ever on the other hand. So that's what we're doing, you know.. We try to add value to the… for instance; 'buy a song, get a free ticket'. 'Meet the artist, buy a song'. Blabla. We are focusing very on adding value to the music.

I: So it's going to be more service orientated as well then?
DV: (…) yes, I think so. We're getting there.

I: And about the A&R. What are for you determining conditions in signing in artists? If you're deciding; am I going to sign this artist or not.. What is important then?

DV: Oh it's living instinct.

I: Ok, so if you hear a song, you know it? Or doesn't it work like that?
DV: Yes, it works like that, totally. Yes, for me it starts with the instinct and the interest. And then when you meet the artist.. There's so many ways to sign a new artist. But I would sign on instinct. If you listen to a song and you know it's going to be a hit. There's no way, you can't doubt it.. You know if it's going to be in the radio and be loved by millions of people. Always. It's just like that. A good song, millions of people will like it.

I: So how does it work? Do you get demos, or..

DV: We get demos, we get a lot. And we work very close with our publishing company, who presented artist that they sign, Warner Chappel. And I get producers calling me all the time "Come and see this band, it's the next.. Beatles" Ok, I go. Sometimes I find the next Beatles, sometimes I find a piece of shit. But this is how it works.

I: Ok, and do they also already do their own marketing and promotion and distribution maybe, via the internet? New artists now, with MySpace and YouTube..

DV: They always do it, yes.

I: Do you notice that? If you get a demo, do you also look on the internet and try to find out..

DV: I use the new technologies, to follow the steps of an artist.

I: So does it matter [DV: No]. So it doesn't matter if an artist has 100 views or 10.000 on YouTube?

DV: Of course it matters. But that doesn't mean it's going to be a hit. I don't think so.

I: So you think that many views on YouTube doesn't necessarily mean that they are going to become successful?

DV: No. I don't know, maybe you look different. But then on things that are going to be such an explosion. It depends. But this is Argentina, he. Maybe in other countries, yes. The mentality is different.

I: Why is it different here then?
DV: Maybe, because they pay more attention to that. We don't pay so much attention, maybe.. for an artist on the internet. You know, still you're ruled by radio of TV. For instance, I just signed a program, Operacion Triunfo, broadcasted on (…) Zero internet, 25 rating points. We sold more than 200 songs on the (…), each day you watch it, you like it, you put in on your phone. You pay one dollar, I don't know how much. More than 200 in one month. Now I'm finished with you, I go to the studio, the winner is recording. Zero internet. Zero radio. All came from the TV. I'm going to sell it, because you watch it on the TV and you like it. If it was your favorite show, or whatever. So, I think TV still has the best power in the world to convince you. Yes, I believe so. In that kind of artists. Maybe if you put a band, a rock band, which is.. you come here. Just go and watch this best rock band in the internet and you like it. It depends on how it is presented. There's no manual for this. It's not like *química* [Chemistry, MW]. You know you have the formula.. there's no formulas in the record business. It's so different. The marketing you learn in the university, you know 2 + 2 = 4. No, not in the record business. It's day street learning. Day by day learning.

I: And could you describe what makes it different? Of course it's not a product like shampoo is a product..

DV: Correct, it's not. You know that people all night wash their hair with the shampoo if you do something good. Here it's different, because.. Why? You asked me why? I have to say we sell moods, we sell sensations. Maybe that's why.

I: And you can't predict that?
DV: You can't. You know when a song is a hit. You know it, you just feel it. You just know it. Shit, I just can't explain it to you, I'm sorry. You just know when a song is going to break all over the world. It's just different. You feel it in your skin, something I cannot explain, I'm sorry. But maybe you feel a hit song, you feel it in your skin, but then it's a failure. Oh fuck ok, and you go to the next one, haha. It happens. It's strange.

(…)

I: Ok, about the contracts of the artists.. You told me about 360, but for what term do you sign artists in general?
DV: It depends. Usually three albums plus first options. First options is that you belong with me for three albums, but I got the first option if another company wants you. I have the first choice.

I: So you can decide that?
DV: I sign that. Better offer.. if I equal the offer, you're still with me. But it depends on the artist, because some artists just give you one album. If they already have a marketing status, or their big or.. you know, it depends. It depends on the deal, it's a deal. But new artists no less than three albums or more than five. Something like that.

I: And does it also happen that in this term of three albums, that you break the agreement?

DV: Yes, lots of times. It depends.. that's a common agreement.

I: And what are the conditions to renew a contract?

DV: It's always about money. Or not. In my experience I have with artists.. that they want to stay, because I got fan of them, they are my friends. So at the end, I still think this is a business of people. So why would you want to leave if you feel good with the people, you agree on how you think or how they treat you. So at the end, sometimes I have to.. my experience says that my word is at the contract, so I try to follow my words, but.. I would have to say that there's or money, or feeling or relationship with the artist.

I: So there is some ways you predict their success? Either there are commercial signs which tell you this is going to be a success, or it's your feeling..

DV: Well, yes, I think it's both things. Like I said, sometimes you predict a success and you fail.. But.. Please, you know.

I: Ok. And we talked about this a bit before, but it happens a lot less that Argentinean artists break through on the global market, or to Europe or the US for example. Why do you think it is like that?
DV: Like I said, I can't remember one Argentinean that breaks international. When we speak international, let's put it in America for instance. I can't remember one artist that was in the top 5 of the Billboard charts for instance.

I: But why is that, do you think?
DV: I think maybe it's close, first of all. I lived in the States, maybe that's why I know a little bit, but you don't have radios that play Argentineans. Because you have strong.. Because the Latin market in America is 70% Mexican and 70% Cubans, or Puerto Ricans, I don't know, which is totally different from the music we play here in our radios. So it's a matter of taste. Like I said, it's a matter of presence. They don't go to live there, you don't know them, you don't get to know them. Maybe that's a few reasons why. It's a niche, Argentinean music. We stay here, we don't go. It's unbelievable.

I: Do you think that with the internet, niches are going to become more important?
DV: I think it's changing, but I don't think it will become more important.

I: So in what way is it changing then?
DV: I think it's changing, because, like I said before, we don't need a company marketing that. Which is, go on the internet and look for it. So that's maybe the way it's changing. But not the taste. No, not at all. It's so complicated to be an Argentinean artist in the Latin market.

I: But do you think that with the niches, hits are going to become less important? Because there is much more space for niches now, right?

DV: I don't know, it depends on the artist. I still think that we are so far away from getting into the taste of the United States Latin market. You finally remember now, many years ago there was one song by Los Fabulosos Cadillacs, which is a local band, that explored that. That was 15 years ago. But from now on, I can't remember one Argentinean artist that.. no.

I: But if we're talking about the music market in general, about the hits and niches. Because of the internet, do you think this division is going to change? Because the music industry always has been very hit orientated, right? [DV: Correct] I heard that because of the internet, with its endless space for niches as well, that hits are going to become less important and niches more important..
DV: I don't think so, no.

I: No? Why not?
DV: That's not possible, never. A hit is a hit. When I speak about niche, it's just a very little percentage. No way, no way. I think niche could be an opportunity. It could be a chance to become a hit. But you have to be a hit in order to work. Otherwise you will be always niche. No way, there is not a chance, a sign that for many years.. Like you said, it could become a hit, it has more opportunity, that maybe get to the mainstream, starting with a niche. Yes of course. And also a niche could be a huge success with live shows. But not in the record business. Maybe you believe in the artist and you go and see him, because he was in the niche. You know what I mean? Andres Calamaro is that way, Calamaro is a niche? He never saw, he never went to these countries, but he sold so many tickets when he performed. But it's not a hit. So we could talk about this for 20 million hours.. I could tell you many cases, but it's a long story.

I: And to become a hit..

DV: You need the power of a company, you need the support of a company.
I: Ok, so there is definitely going to be a future for the record companies?

DV: Yes. That's what we.. You always start with a song and it always starts here. Producers, live producers don't go to radios and make hits. They don't know how to do it. We do. So our business is bad, complicated. I think in this transformation, we're changing the contracts. But I don't see producers, for instance in Argentina, live promoters going to radio to develop new artists. I don't see sponsorship going to the radio or to the TV or whatever to sign new artists, we do that. So our business will have a revenge, I think, after years, totally. I'm very positive about it. Because we live this transformation. And also we… We came from the vinyl, to the cassette, to the CD.. Our business has transformed. And I think we're getting money from here, we're getting money from there. We're getting money from all the rights of signing new artists. But still the industry is transforming.

I: So then one last question. What do you think the music industry will look like in 10 years?
DV: Oh, I think it will be a healthy industry.. No, haha. Uhm.. 10 years from now.. The industry or the companies?
I: Both.

DV: I think the industry will be more powerful than it is right now. I think we will be more.. because I think we are learning a lesson on how to do the things. We're getting to know the knowhow of different new (…) of our business. Like I said. I think there will be more music. That's out of the question, music is always there. Not because companies are transforming the deal of the business, there won't be any music. I've been talking to some journalists "Hey, it's the end of you.. the end of the music". No way man! It's just changing, we're changing. We have new generations, a changing (…). So I see it very positive. I see we will be more integrated with the artists, because we are getting all the rights. And I think in 20 or 10 years from now we will be more globally.. To all the questions you asked maybe me and I didn't know what to say, maybe in 10 years we will know what to say. You know what I mean? I see it that way. I hope I'll be around, I'm too young yet. In 20 years from now, I will be 55. How old are you? [I: 24] So 44, that's not much. You could be a marketing director in your country. Yes, why not?

J. Transcript Independent (LT)

Laura Tesoriero – Owner EPSA Musica

LT: EPSA Music is an independent as I told you and what we do is, we search for new talent and in some cases we record it and then we market it. And in some cases we just license what others have recorded. And then we publish it, and we sell it and distribute it. That's what we do in a general basis. What I particularly do, I'm running the general picture and I'm seeing what artists will be next year in this company and try to talk to some, maybe TV channels or film companies to have some of our music in their TV or in movies. That's what I generally do, because I'm not involved in the daily.. I don't talk to radios, the press people do that..

I: How many people work here?

LT: Fourteen. Six are salesmen and nine are here.

I: And EPSA was founded in 1995, right?

LT: Aah.. you have done some research.. I'm surprised.

I: Can you tell me something about the development since then?

LT: Yes, we started in 1995, before.. EPSA is a manufacturing plant, so in 1992, we started with CDs, but before we had tapes. And EPSA Music comes from another record company, called Car Music, which was inside EPSA, inside of the factory. In 1974 we started with tapes. At that moment we had tapes and the … . Do you remember the 8 track cartridges? At that point, there was no music here, because the multinationals were not here and there was no music. So we said, we have to start putting music into this country. And we wanted to do it with tapes, so we started recording here and looking for talent and that's how we started with the music business. Then in 1992, we started with manufacturing CDs and the record label was not working too much. And then in 1995 we had a lot of artists that came here and made their CDs, but they had no way to sell them. They didn't know what to do with them. So we said, why don't we start trying to help those people that are manufacturing the discs but are not.. So it started from two points of view; the first one, because we needed something to put inside of the tapes, in 1974. And then we had that, there was a lot of talent all around, but there was no one selling it. There were very little independents in that time. And we were more involved in traditional music, tango and folk music. That music is not very commercial, so you sell a lot less, so you need a lot of time to recoup your investment. So we said; let's do it, let's start with that, because the artists were willing to do so too. And then we started in 1995 with this and now we have a very wide and important tango catalogue. Quality wise.. quality wise it's very important. All leaving artists and all tango artists.

I: Yes, so you're specialized in tango?
LT: Tango and folk music.

I: And how many artists are contracted in EPSA?
LT: We have in our catalogue over 600 titles. And maybe artists that we move, that we are behind them all the time.. 20. 4 top artists and 16 that are not so top.

I: And are they also in the charts?

LT: Tango is not really in the charts, only Santa Laggia (?) and Bajofondo from Universal are in the charts, but the other tangos are not. But we basically are more focused in exporting and selling our license and product outside, than the local market.

I: So more international orientated. So mainly in South America or also Europe, or..

LT: No, Europe a lot and Japan and we're trying in the United States, but that's very hard.

I: Why do you think that is?
LT: Because they buy more concepts than artists, and we sell more artists than concepts. And now we're trying to make concepts, but the Americans are more focused in buying.. If you go to a shop, you see concepts then.. Only the big artists.. Madonna.. and this and that.. They buy more conceptual and with a lot of TV. You need to have a lot of promotion, it's a big machine. In Europe we manage to do little things, smaller. The artists goes and performs, for example in Holland, we do that a lot. They go and have one week of performances there and so the discs are all over the place and they sell discs and they sell the shows and it's moving. In the States it's impossible. Because the chains are big. In that way we sell to record stores or to small distributers that have like twenty or thirty record stores in Europe. In the States, you sell to targets, to big.. it is (...).

I: So do you think in this way the Argentinean market is more comparable to the European market?
LT: Absolutely. It's more comparable in the way they consume, but it's not comparable, the money we have to consume. And that's why we have much more piracy than what you have in Europe. You don't have piracy in Europe. And here we suffer a lot from piracy. Piracy is really killing this industry. Tango is not affected by piracy. There are people that buy tango, that buy jazz.. I'm not saying this, but it's said in a research that was done that tango and jazz are not so pirated.

I: Because people really love it and they want to buy the CD?
LT: Yes, and because of the type of people that like tango and jazz. Maybe the age.. they are not pirating.

I: So I heard about a revival of the tango nowadays. That it 'skipped' a generation, but that it is loved a lot more nowadays again, than in, I don't know the past twenty years.. That it used to be very popular, and then some period it wasn't and that now 'it's back' again.

LT: Tango was very popular fifty years ago, and then it was not popular and now it's popular again. But yes, fifty years ago it was very popular, then foreign music was popular and Argentinean pop music was popular. And now you get to see young people playing.. You see that on the artist.. When you see that there are not many forty or fifty year old artists that play this and you see sixty or seventy and twenty. There is like a gap there. Of course there are some others that still haven't, but there is a big gap of tango.. Yes, because tango was not listened in the nineties.. When we started selling and producing tango here, it was like "What for?" And we said we know it's not in the short time, but we know that it's very nice music and very nice.. lyrics.. So knew it was not that..

I: So why do you think it was less popular in this period?
LT: I think it was more social movement where everything was more looking outside, and more foreign.. I'm talking about Argentina he? Maybe it was more popular to listen to things from outside.. Everything, from books to music. At that time we were more looking outside, than inside. And now I think, for the last eight or five years, we're more looking inside. Because of the crisis, we had a big crisis here which obliged us.. We couldn't look outside, we had to look inside..

I: Ok, so you think it's an economical reason?
LT: Yes, the crisis helped a lot to look inside. But when we were starting the company we were not thinking in this, we were thinking in exporting tango. So we saw that the consumption.. Now you see a lot of tango here. Now if you go to San Telmo and you see lots of tango. If you came to this .. for ten years ago, you had two places to go and see tango, no more. And I would go to France, and go to the milongas, and there were many milongas. That's what I say why.. So there were a lot in France and not here, so it was the other way around.

I: But now, there's also many Argentineans who like it again, it's not only for the tourists, right?

LT: No, exactly. Now it's also for us. There are like two circles; one circle is for the tourists and the other is for the Argentineans. The Argentineans are not so tango… more the original tango, not for tourists. There is a big difference between that.

I: Yes? What is the difference then?
LT: The difference is that, *como le explico*? Have you seen any tango shows here? Which ones did you see?
I: I've seen probably the most touristy one, in Casa Tortoni. And one which is called Querandí. The latter was about the history of the tango. So they showed the different stages in the development.

LT: The difference is basically that it is more easy to listen tango for export. What you expect to listen.. taratata ta… It's more typical. The other one is.. you can find that, you can find milongas, there's a lot.. There's a wide variety of things. You have Piazolla, you have electro tango, you have a lot of things.. So.. that's basically the difference, it's easier to listen to. It's easier to digest. But it's still tango, it's not fake tango!

I: So about the division about local/regional/international. So in this company, you only sell local music, right?
LT: We don't sell international music. We have like.. sometimes I go to Midem, that is the international fair in Cannes. And sometimes they say; "Can you sell this in your country?" And I sell some international music, but it's not our main.. We mainly sell tango, folk music and now some rock. Argentinean. So I cannot tell you in comparison how much do I sell international.. because everything is.. I can tell you the percentage of how much we export and.. 20% of my incomes are export. Which is not a lot, what we expected was 60%, but we've only reached 20.

I: Do you have any idea why that is?

LT: Because it is popular outside, and it's good, you can sell tango outside, but I still sell more here.

I: So is it here more than you expected? Because of the growth again?
LT: What growth? Haha..

I: No, but I mean because it became more popular since the crisis.

LT: No no, we are not selling a lot. I mean the CD is selling each day a little bit less.

I: Ok, and do you also release it digitally?

LT: Digitally.. internationally we do that. All our products are online, the same time that they're in the streets.. they are digitally available everywhere, not in Argentina. In Argentina, there is no good, big digital music service, but yes in the rest of the world. In iTunes in the rest of the world.. we have it here in the streets and in one week it's in iTunes. That's good. It's good also for our artists, because when they travel they know they can say: "Oh, and by the way, it's in iTunes…" You don't have to start thinking 'Oh, did I ship it and la la la'. Now it's much better, for the artists and for everyone.

I: Ok. And do you think the taste of consumers changes by the digitalization?
LT: Uhm.. I see your question. I don't think the taste changes.. I think the habit of consumption changes. Because before you liked this disc [points at a disc] and you would have to buy the whole thing. Now maybe, you are more driven by a song. You like an artist and a song and then if you like this song, you just download this song because it's the one you like. And then maybe you can investigate more and continue; or buy this song which is performed by others, which is sometimes the case. Or the same artist with other things that they have. So I don't think the taste changes, but the way that you consume music changes absolutely.

I: Ok, and do you think it changes the origin of the music? For example, people from around the world have much better access to tango and then they…
LT: Absolutely, I think there is more access. Now in iTunes, if you heard somewhere some Indian music and you say I like that.. I like the rhythm of the.. and the semi-tones.. and then ok 'Let's see' and then you can investigate on Indian music. Before you went to a shop "Indian music? Ok we have this CD in Indian music". Now I think it's better for the music of the world.

I: So you think the local music is going to spread more?
LT: Yes. We are the representatives of the Orchard. The Orchard is a distributor and aggregator what we have over 2000 labels all around the world. 23 offices, one is here in Argentina, here in this office and another in London, and in Paris, and in Tokyo and Australia, all over the world. And the main office is in New York. And what we do there, we get music of labels all over the world. From Argentina we have 60 labels there and we put all that music in the digital music services. How many in iTunes and 230 more. We upload music there and that is accessed by the whole world. We're all the time getting new content and putting it up there. I'm talking about independent companies. In this situation it's not only aggregators. Another aggregator is called Yoda (?) and it's the same thing. I think it's a bit smaller, and they don't have offices all over the world, which is good to market the music. Because if it is in iTunes in Australia, and I know that an artist of one of my 60 labels is going to Australia and send an email to Australia and I say "such and such is going to be there", and they speak to iTunes and they say "this artist is going to be here, so put it in the first page". So it's good. But there is a possibility now for every artist to, even if they don't have an aggregator, to be up in the air.

I: And do you think, the other way around, that here in Argentina also international music becomes more popular?

LT: Not because of the DSMs, because we don't have the habit of buying music. And luckily, yes, this is true.. But with YouTube, which is not illegal of course, or with the other.. all the whatever, what are called pirates.. I don't remember any now, but Torrent or, one of those, young people go there and look there and they see 'oh I like this..' But that is just promotion, it's is not.. It's piracy and we're not getting anything back. But socially, what you say is true. But from a business point of view, no. But from a social point of view, yes.

I: But don't you think that will change in the future?
LT: I think in the future it will change. I think it is changing and I think that the future is.. the people they don't want to pay for something. They're like 'paying for water', why? I can open the tap and I have water. But that water is not good, because it's not filtered and I don't care.. I filter it. I think that all the new business models that are working now with advertising, different types of sponsors paying for what the music people listen, I think it's only be the future. The B2B business. I as a record company have all this catalogue and I give it to you, and you pay me, and give it for free to your costumers, but you pay me. I think it's the model. It is already working and I don't know if any of these models is working in Argentina, but I know in the world, but I don't think it's working yet like this here. Because piracy is so big, even the business men that is there would say "Why am I gonna pay if the people can download it for free?". What we are missing is the education and consciousness. But I think that comes also with an improvement or a growth of the country. Where you have more education, but (…) need to be in a better economic position. It's only difficult to try and teach children to know that this is legal and that this is the intellectual property of the band and when they have 300 dollars to eat the whole month.. It's easier for an European to know this.. Yes, the intellectual property ok, and not that they can't understand it, but they have different kinds of money in their pockets. I'm not justifying it.

I: No, no. So what do you see as a solution for the future for the Argentinean music industry?

LT: I see the sponsors..

I: Branding?
LT: Yes, branding and advertising. And [mobile] telephony, as a general basis yes, but not for my type of catalogue. For mainstream absolutely, but that's for Madonna, Luis Miguel, for Argentineans like Chaqueño, Paladiccino, big ones. And you then you have it here, you can have ten or twenty songs, but not as a catalogue. I think what is the solution for the record companies, is this branding or.. But not via telephone. Via telephone for the small companies, we don't make a dime. No, because they don't want our catalogue. I have a broad catalogue, but not of successes, *no tengo exitos*. I don't have the top 10 that are on the radio, and those are the ones that they want.

I: So your repertoire is more the 'niche' part of the market, right? [LT: Exactly] I heard because of the digitalization and the spread of the internet, the hit culture could become less [LT: I hope so, I hope so, haha] and that the niches.. Do you think that is going to happen?
LT: I don't think that's going to happen. I had that same idea in 2004. In 2005 I opened a DMS here, a Digital Music Service, which was called Zap Musica. And I had open for three years, and closed last month, or two months ago. I had like 600.000 songs there, tracks of EMI, Universal, Sony/BMG, Warner and the Orchard . I had 600.000 songs there, it was a great catalogue. Thinking that people would like to… they wouldn't buy Luis Miguel, they wouldn't buy Shakira, they would buy what they couldn't find there. And I was wrong, they would buy Luis Miguel, Shakira, and then when I.. Very little… I cannot tell that this is statistical because we sold so little, that it's not important. But for me it was important, because I thought that I would be selling different tracks that you wouldn't find. Because there are many discs that are not published here in Argentina and I had them there. So I said if you are a collector and you like a lot this artist for example and you would go and find something else of this artist.

I: But this was a digital service, right? But wasn't it maybe a bit too early for the Argentinean market?

LT: Yes.

I: But maybe in the future there will be possibilities then?

LT: Maybe in the future, but what I'm saying is that at that time, in those three years, from 2005 to 2008, people were buying hits. People were not buying the music I wanted to sell. And I was making a big effort to sell them the other things, like the Orchard, things like that. Two banners for the majors, and two banners for music of the Orchard, independent music from all over the world, not only from Argentina. 300.000 tracks of independent music. Like download for free, this ones.. no no no. Some were free, just download them for free. And when there was one Shakira song for free, which was never de case with Shakira, but with a big one, [snap with fingers] was downloading, what am I (…). So, still the hit habit of consumption, I think it's still there. But it's going to be fading, I think that it's good that it's fading and I was listening last week, I went to some committees of the Latin Grammy's and I heard that ten years ago there were 35.000 releases per year, and this last year there were 100.000.

I: Really? In Latin America?
LT: In Latin America, yes. I don't have the figures here. But that is also telling that it is going in the way you were saying. Less hits.. I didn't see it, in my three years of having this store, I didn't see it. But I would think it would go that way and those figures tell me the same thing.

I: So do you think it's going to be harder for artists to break?
LT: For the last six years, there was only one artist that broke in Argentina, that is called Miranda. After Miranda, we don't have any artists that have broken. An artist like Miranda, that sells and sells.. no. There is no artist, no. Maybe a TV show, maybe.. but not an artist. Now it's much more difficult to make big artists. You don't have a Michael Jackson worldwide, Madonna. Every time it's less.

I: So why do you think that it's becoming harder for the artists?
LT: It's not becoming harder, it's different and there's more place for everyone. Before it was Madonna and only her. Now there's more place for everyone. There's place for more artists to be playing, because of the digital environment which gives more place to everyone. Before, now for me because I'm basically physical, you have to choose, you can't say I'm going to release this one, and this one, this one and this one. I choose, I say I'll release these two, because I have to invest a lot of money. Nowadays there are some artists that come here and say "I have everything ready, can you release it". And I say "I have to manufacture it.. no, I won't release it. I can release it digitally only". So I release it just digitally. But not here, I'm talking about the world. Because here, there's no.. no one is buying for the music on the internet. Via musica, we had Zap Musica, Dies Musica and that's it. And personal.com. But still don't have the habit. I think we have to work as an industry to make people, the habit. And also we're working on branding and.. don't insist and pirate, pirate, pirate, because it's a war that we have lost already.

I: So what are for you reasons to sign an artist? Because you are the one who decides that in this company, right?
LT: Yes, I decide that, together with two artistic people that I have. And maybe they bring the talent and say "What do you think of this one?" The first thing I like to… it's not mathematics. It's not like when you take a decision, and you say I put ABC and it's this and this and then the average is more than this and then I sign it. No, has, it's much.. I take it still as art and the first thing is if I like it.. It's horrible to say it, but it's like that. I have to like it, I have to fall in love with what I'm listening and if I do like it, then I continue on seeing and the quality has to be good. And then the potential depends on.. that's if I'm signing an artist to do all the investment myself, which now we are doing less and less, because now the artist comes with everything already done. But now, to do that, I have to like it and then I have to see a potential in the radios, that they are going to put it on the radios. Or that I'm going to sell a lot outside Argentina. Because sometimes some artists are, not well known here, but their quality is so good that you send one disc to Europe, to a German or to a French and they like it and they say they want to sell this here because of the quality. We are very strict with quality, not only of the performer, but also of the recording. For us that's the main difference between a disc from EPSA Music and from other

independents. Maybe they do it at home and they say it's ok, now let's do it like this.. Just record here on this microphone and it's not a really professional recording. We really try to do that, after we have the talent, to take care of the artist and, well..

I: And what about criteria to renew a contract of an artist?

LT: Uhm.. that is numbers. There are some cases that even the numbers that are not good, you say "But ok let's put in my chance again" and we do, but in general, 90% is numbers.

I: Ok, but if you sign an artist for the first time, do you see it on the short or on the long term?
LT: No, if we sign an artist, we sign him for three discs. Not for one. So it's the long term. If it's short term, it's a big artist and we just want one disc, and then.. But that's not us, that's the artist also. When an artist is big, or it's already well known, they say we'll give you one disc.. With the independents, with the majors no, because the majors give them a little money ahead and we don't do that.

I: Ok, so do you have the idea that in this way of signing artists, the good music will always rise to the surface and always will become released. I read about different kinds of strategies and the way of seeing uncertainties in the market. And how music gets popular..

LT: Yes, EPSA music is not a hit company. What we try, is to take care of quality and to release discs that are good quality and good tango. So our idea is that when you see EPSA that it's good tango. That's our idea, so not necessarily to sell a lot. It doesn't go together. We've been breaking even for a long time, it's not that we're earning a lot of money, breaking even. As a company we make money with the factory, with making CDs, but the other thing is more like a.. not a foundation because it's not a foundation, we want to make money by selling music, but we're not so driven by numbers. We're more driven in good quality of discs. And we do think, that if it's good quality, it's going to sell. Sooner or later. We have some discs from '96 or '98 that are still selling. Maybe we change the art, because the artwork is like old, but the music inside is so good and the recording is so good, that it's like a classic. It's not that you say, '98 and then you throw it away.. So we do think that if it's good, maybe you don't sell it now, but you'll sell it later.

I: So you think the cultural value is more important than the commercial value?
LT: Absolutely.

I: Has it ever happened that your music became a hit, that a major wanted to.. [LT: nodding] Yes? Does it happen a lot?
LT: It happens a lot. It happened to us twice. But it's normal, it's also good. Because when they

sell that one, they put a lot of money in promoting that artist and then I sell what I have, because I still have what I have. And I don't have to invest anything in..

I: So you mean you still get royalties for the..

LT: No, I release this five discs of an artist, I make him – Juancito – big. And then EMI gets Juansito, and I say: "Bye Juancito". But I still have these five discs of Juancito and I continue selling these discs. EMI does a lot of money on promotion of Juancito, on his new disc, and..

I: People are also going to buy the old ones?

LT: Yes. So it's good. At the beginning I was really upset, I was pissed and I didn't believe it was good, it's a failure and that we didn't retain the talent, and why? What did we do wrong? And I was punishing myself for eight months and then I started to see that the sales were going up, and I said "Oh". Not bad, haha. And with no investment. Because when you have this big artist you have to invest a lot in marketing and in everything. So with no investment.

I: And has it also happened before that a major offered to take over the whole company and to merge?

LT: Yes. I didn't do it?

I: Why not? If I can ask..

LT: Because, in my particular case.. this is a very niche catalogue, it's not a commercial catalogue. And we knew that the next day of the 600, 450 were going to be out. And we think we have a commitment with those artists. And ok, they would give us money, but it is not only about money I think. Music is not only about money.

I: It's more the art?

LT: It is more the art. So maybe they buy the 600 because they want 150.. Because majors, they really have all the numbers, the rotation of the.. If they're selling less than 60 a month, or I don't know what the number is now, it's out, 40 or 10, I don't know how many they have to sell a month. But they have a number and if they don't have that for six months, it's out. We're not so mathematical.

I: What do you think.. do you think this is one important difference between majors and independents for example?

LT: There are some other independents that also work as multinationals, with majors.

I: In what way?
LT: Other independents are not so into music but into selling music and they don't care. And it's ok, I'm not saying it's wrong. I'm saying that this is what the niche companies, or the companies that are selling niche products, are. From the ones that sell this type of products, I'm the biggest one. Because 1.6 [of market share, MW] is a lot for this.. But then there are independents that sell.. the biggest independent sells, *3.6 es Kuky o 4*? I think he has 4%. And he sells covers of, whatever.. he doesn't care. I'm not saying this in a bad way, it's different. He has great strategies and he sells a lot of discs and I'm sure that if a multinational comes and says.. and he would say "Yes, why not?". They will have to put a lot of money, but he would sell it. He wouldn't have the cultural thing. I'm more.. I think that whatever we.. I think that it's a responsibility to publish music and we're like telling the story of a country in this way.

I: Ok, so if I understand it correctly, the value of an independent like EPSA is the cultural value [LT: Exactly], and the majors are more commercially orientated.

LT: Yes. What I was saying, is that not all the independents are …

I: So do you think an independent like EPSA has advantages over majors in certain ways?
LT: They have advantages in getting.. Maybe I can go to the government and ask something, because I'm all cultural. That's one advantage we could have. And, no, we don't have advantages for.. because what type of advantages do you mean?
I: In the music market. I don't know Is it true that it's not commercial advantages, but more cultural..

LT: More cultural advantages, yes. Not commercial advantages.

I: So the majors have commercial advantages over the independents?

LT: Yeeeesss, absolutely. Because they have a structure, an incredible promotional structure, which we don't. And yes, they are much more.. they have those advantages.

I: But do you think the independents influence the market to a great extent here? Or do you think that the majors determine everything and the independents have to follow.

LT: No, I think we have a place. We have for example in CAPIF, which is the Argentinean chamber, we are seven and three of us are independent. So the four presidents of the majors and then three independents. Not bad.

I: So in what way could you influence it then?

LT: When there are decisions that have to be taken, we have a word there and we.. decisions to be taken.. Like are we communicate this in this way or in that way? How are you communicate piracy to the public? How are we going to do.. Nothing to do with commercial things, but to do with the music industry and we have a vote there and we can say what we think. Before, like ten years ago, there was the majors and the independents didn't exist. Now the independents, we do have a vote, they listen to us because we are near to the government. And we can get things, that they can get not. So I think that's good for both.

I: So it's balanced?
LT: Yes, it's balanced. So if four majors go and speak to the government, or to the ministry of culture, Madonna, "I'm not interested in Madonna, what's the point in promoting Madonna? I don't care." Now we can go together and we get things that are good for everyone, but we ask them from the independent side. But we ask it for everyone, of course. We don't ask it only for us.

I: But this is a typical aspect of the Argentinean music market, right? Because in many other music market the majors have bigger markets share?

LT: 75, you don't think it's big? I think it's huge.

I: I think in Holland it's even bigger.

LT: Is it? In Brazil it is 60%. I think it's.. could be better. But we don't have.. it was smaller. It was 20, now it's 25. So it goes up. The majors are also getting smaller than bigger.

I: So you think there is absolutely a future for the independent record companies?
LT: Yes, the future.. it's because of independents, haha.

I: So more for the independents than for the majors?
LT: Yes, absolutely.

I: Why?

LT: Because the majors are.. the music industry has shrunken a lot and it's more and more artisanal and it has to be more like, *artisanal como se dice*, I just invented a word.. More crafted, you need to check everything.. to be more on top of the product and checking every detail and the multinationals, the majors are.. they were used to having a person only dedicated to this, the other person only dedicated to that. They had like eighty people, and now they twenty and they have to do all the things they had to do with eighty people.. It's much more difficult for them. They have like a white elephant to move with less people, which is more difficult. We are small structures that are easier to move, more flexible. More flexible to change also. The majors until they decide not to put DRM, how many years were they saying? DRM, no DRM. You know what DRMs is? Digital Right Management, what to put on the files to .. you can burn it five times, you can transfer it to an iPod, or two iPods, do this, do that.. That's amazing, I sell you a CD, but you can only use it at home, you cannot take it there and you have to carry it with you all the time.. You buy this and you do with it whatever you want to. It's not like.. So DRM was really.. And how long did it take for them to decide not to have DRM? Three years or four.. I don't know exactly. And that's because there are big structures, A asks B, and B to C and C to D and H has to confirm what A said, but then B didn't get a signature of D and.. pff… We are much more flexible. I like an artist and just sign a tango guitar player and he showed me a demo last week. We said "Let's start the recording next week" and we'll release it in September. I don't have to start asking regional, if there's a budget, and no.. It's much more flexible. And let's start regional, if there's budget.. No, it's much more flexible. And that's why I think that that flexibility is going to help us.

I: What do you think of the Argentinean music industry in ten years?
LT: I'm a business woman, not a futurologist, haha. What do I think of the music industry in ten years? I think it's going to change a lot, because we will be much more involved with management of artists, like shows. And with digital and we will be focused on what we know how to do, that is getting new talent. And developing.. I think what we do well, is getting an artist and saying this artist is good what he's doing. Because the artist does something, right? He plays in a certain way. And then, what the record company does, is they get it and then say "Ok no, why don't we change.. we're just singing and singing this type of repertoire and then lalala.." And then positions the artist in a different.. So that task and marketing that, I think is what we're going to be doing and then we're going to be focused on that.. [interruption] So I see a focus on that and a focus on selling shows.

I: But you are not doing that already, are you?
LT: We are trying to starting, but it's hard, because it's not a business we already know. It's something we have to learn.

I: So are there specialized companies here in Argentina..

LT: Yes, big ones, veeery big ones. You have the small managers and then the huge companies.

I: So do you think there could be a cooperation between you?
LT: Uhm.. I think we have to do something with the small managers and put them together. Not with the big ones, the small ones and see what we can do with those. And we have to start to work with those.

I: So it’s going to be different.

LT: Yes, it’s going to be different.

I: Ok, we talked about everything I wanted to know, but just the company structure is not totally clear to me yet. So you first sign artists, and then you do the production, the manufacturing of the disc..

LT: Yes, but the manufacturing is another company. You have EPSA Electrical, which is another company, 70 people. And then EPSA Music. And I’m mainly working in the manufacturing plant, that’s why I don’t have too much time for music. So that’s why in music, the only thing I do, is get new artists. And in music we have a general coordinator, then an artistic director, and then press, and two people in production, a sales manager and another person in press and six people selling. That’s it, a small structure.

K. Transcript Independent (RP) (translated to English by MW)

Roberto 'Kuky' Pumar – Owner Leader Music

I: First I'd like to ask, what do you do exactly at Leader music?
RP: I am the president and the owner of the company. Leader is a company, which, started 26 years ago as a record company and as well, opened subdivisions in other countries. Leader Music also exists in Chile and Mexico. In Mexico since eight years, more or less and in Chile since twelve years, yes since 1998. So this is about the age of the company. Until three or four years ago, the company was only dedicated to the phonographic part, to the part of music; in CDs, cassettes, when it still existed, or vinyl. And, in the past three years, we've also done some activities concerning piracy and the (…) sales. And we developed the whole audiovisual part as well, which is films and Music DVDs of course and everything that is TV miniseries here in Argentina, like *Mujeres Asesinas, Vulnerables*, everything that appears at *Canal 13*, at Polka, all are series that we distribute. With international series like *Lost* or *24* it's the same, we .. it for the national TV. Well, of course we're also always dedicated to the development of artists. And what we started in the past years, is the issue of piracy, in (…) to make sure that the business of developing new artists is every time less profitable, almost not profitable at all. It's very difficult the recoup the initial investment of the development of a new artist, when which, we're seeing that the majority of artists have to (...) produce or record their own discs and after they are finished, they bring them to us, to introduce them to us and ask if we want to publish/release them, and this is a bit what is the development. As well, the company gives a way (…), because this phonogram is not this artists' property, if the artist doesn't bring a license. Well, we're in an phase of transition, in which on the one hand the whole issue of the quality of the physical sound carriers is very big and we need to make sure that we shouldn't hold on to all the company structures. The companies, normally, reduce the number of employees they have and in total, the work is more efficient. Therefore, what we're doing to not reduce the structure, was the incorporation of the video part. We didn't want to fall in the payments and to be able to maintain a structure of enough people. In this company work 45 people, which is a very important amount. Therefore it is a record company in Argentina, we are the second or third company, I think the second biggest record company.

I: Of the independent companies, or..?
RP: No, of all the companies. Almost all of the multinational companies have less employees than we. Because these are different methods of working, their sub companies ask them to board out work, the tasks, to third parties, and we prefer to have people with contracts. For example in the art-department we have two persons and the almost all the majors don't have an art-

department, they board this out to third parties, people outside the companies, to do the work. These are policies. We prefer to keep this kind of people.

I: Ok. And then I'd like to ask something about the internal structure of this company..

RP: Yes, sure. The companies consists of a president, with an assistant, who helps me effectively with doing all the work, for example if after this meeting and there has to be done something with you, I ask her to do something and she arranges it, because I've got other things to do, right? Or contracts, all these kind of things. As well, next to this, in the formal structure of the company there is a lawyer, which helps us in the legal part, what we have to do. And then we have the commercial department, where is a commercial director, and beneath that, a sales manager and further in this commercial department, two teams. One team which attend the general retail, the CD stores. And the other team does the part of the supermarkets. The supermarkets, what has to be done there, is a different kind of job, because in the supermarkets there is no salesman, who does the work with the clients, to offer them the products. So, they go to the selling points with their scanner, to control our wares, because in the supermarkets there is a B2B system on the internet, to control the stock, which informs approximately; in this store there are three units of Queen and let's control if these are actually here, because they might have been stolen or because they have to hold back a deposit. So, it's necessary because there are no salesmen in this kind of stores, and to do control these selling points. To take a look and to accommodate the wares, to try to guard the best selling positions as possible in the stores and to control if the B2B informs well, if there is a perfect synchronization with what actually is in the store. This is what is the commercial department. Besides, we have a department which attends the magazines, all the business with magazines. For example, for the reselling in a magazine, they ask for a collection of music DVDs, they have to go and talk to them to offer the products, show examples, to do business which are normally big, of a great volume, but which require a quite a lot management. If they don't close such a deal rapidly, it needs a lot of management. And, after this, what they have to do is, take to care of the logistics segment. Because normally we deliver the CDs or DVDs together with a magazine, I'll show you one.. [Shows a DVD] So on the one hand we create this product, but for this issue, we had to create a little book, and the art department was ordered to make all the design, the content. This, what is the header, gives the sales information. And create the product. Everything in this segment is also quite hard work, therefore many people in the company are needed, to attend all this. Because if not, they (…) things. All this, is the commercial area. Besides this there is the marketing department and promotion. In the marketing department, there is a marketing director, which manages everything in this department, the marketing, as well the promotion. The marketing also contains, what is the Artist and Repertoire, A&R. This is the person who attends on the one hand the artists, to see which projects are there, what is it that we want to do, who do we want to offer a contract. When the artists are contracted, what you do is also accompany them in the whole decision; you start with talking with the artist, you take care of taking/bringing out what is called a (…), a biography of him, about the way his life has been, what brought him where he is now, if he is known or not, the sufficiency of the business of the songs, the type of music. And you try to create a certain picture, which afterwards, interests the press. What is the story of/behind the artist? On the other hand, they also work on what is the image. If the artist is a heavy rock artist, which type of rock are we going to use in the picture? In which location are we going to shoot the picture for the CD? We think of how we are going to call the CD? How are we going to relate the name of the album, with this image? This is something that you lose in the end with the issue of the internet and the issue of downloading. Before, was the product more.. all the oeuvre what the artist thought sometimes, or between the artist and the company, we thought in a complete oeuvre. In which order we should put the songs, which in principle was more slowly, which was faster, and why? Everything had a reason, on the CD. Or an attempt to look for an argument for the people, when they listened to it, would suit them. Behind the label.. And now, with the issue of internet, in a way, the physical part is disappearing. As well, there is no necessity anymore for recording something complete, to record ten or twelve songs. If not, with only recording one song, bring out promotion, it has success or not. Everything that could be concerning the complexity of the oeuvre, like it used to be worked before, is changing. It is creating a new formula. Ok, now I've talked a little bit about the Artist and Repertoire part.. When we're talking about one artist, when this artist is signed by the company, after what else also occurs, which also A&R does, is the signing up of external phonograms. Companies from different countries, which have different albums, for example the DVD of Queen or what we have, or we have a company like Eagle, which is a company of videos, one of the stronger ones. We represent that company in South America, except for Brazil. And, so, the A&R department is always in contact with the people of.. in reality what we don't do is Brazil.. So we, for example, don't give all the information of what we are going to release, what is the program of release of the whole year? So we call to order them our release program, between our national artists, international artists, the dates, and we communicate this all to the stores, to do all our releases, right? So, this is the whole external part. Besides, in the external part, there is the company that does our licenses, they ask us for information, pictures of selling points, so they can see that we work with their products in different places. All this is accomplished by the marketing department, with their people of A&R. And besides there is the department of promotion. The promotion department works with the three media; with the press, the TV and the radios. The radios are the most important for the music, the TV as well, with the music channels and to take them along on the TV. And the press part, which communicates in the magazines, what the new products are. The promotion department makes an amount of new releases to make it possible that all the different media take along the new releases. They take along a radio for the radios, sometimes on the radio, they record different things in one radio, because there's many different programs, and everyone wants a CD, and well, it gives them the promotion. And the promotion department works together with marketing, and with the artist in the work they are doing for him. For example, when you are an artist, promotion tells you, from the 20th until the 15th of the next month, we are going to work it in the radios, to we give you a time schedule of what we are going to do on each day, at what time you have to meet with who, and where, this they, we are going to do the radio and also take into account who is the interviewer. (…) This is the program, number one the television, this is the interviewer, or this person always makes many jokes, so you have to understand the jokes, you have to take care of a situation in which could come, that the interviewer doesn't surprise you, that you don't have a bad experience. Or that you could make use of this moment and be comfortable, if you are in an interview. If he has to sing, as well, take along the .. of the sound of the channels, be with them, make sure that the dressing room is arranged well, that there are drinks, that there are things which interest him. This is all part of the promotion. And then there is the whole part of logistics. The part of the movement of the wares. What we fabricate, everything that we order, well.. First the art-department, which is the design, (…), the things I showed you. I'm going to show you some of the physical part of the company, so you understand, what we're talking about here, the way it is in reality. The part of the design, as well the designers, come together many times with the artist, to decide.. ok, you are blond, with the color of your eyes, it would be nice if we take a picture in a studio with this color, and which clothes are you going to wear? The artist brings clothes, (...) They work everything that is the image. And afterwards, plan what are the endpaper, if you have a little book inside, what do you want to have? As well, they consult marketing about that. About what could this artist sell? Because sometimes there are artist that sell a lot, or they sell very little. When the artist sells a lot, it can be much more sufficient, you can invest in more pages, or if not, you have to do a more simple job, but it has to be nice as well. So you have to be very smart. All this, is what 'art' does. What is also the finish designing all of the covers of the discs, or the.. And afterwards they inform the (...) people.. Oh, I forgot something important. Every Monday here, there is a meeting of the directors of all the departments, to inform each other about all the new things, and what they are all doing. Which problems do they attend? I don't know, in the printers, there's no paper which weighs 115 grams, because it goes along with something else, so we can't complete, or we can't use Digipax, Digipax is like carton… This type of information, what every department is going to do, they problems they have or the promotion informs; we are going to come with artists, the sales have been talked with the salesmen, so they understand that they buy more, that they put on posters in the rooms, because they are going to arrive in stores, which should be well supplied. All this is discussed in the operational meetings on Mondays, where all of them hear everything. And after this, they talk to the person who does the operational part, the part of fabrication, which is also synchronized with the people of ‘Art’, who is in charge of the fabrication of everything. First, on the one hand, he is in charge of the covers, order to fabricate the discs, order to fabricate the cover and have to do all this in the same time, pack it and to be available on the date which was set as release date. If we said, the 15th, we are going to launch this new (album), the three to five days before, we have to have all the ware waiting here, to distribute it. The whole stock of all the products of the company has to be controlled, the company has 1.600.000 different titles in sales.

I: In total? So how much do you sell a year?

RP: In Argentina only, about 2.200.000 units. This year, we’ll have to see what happens with the global crisis, we’re probably going to sell a 10% less, but as well, we are doing a lot of business with magazines, which are not going to compensate approximately the amount of business with the increase in the kiosks.

I: And how many different artists do you have?

RP: Right now we don’t have many own national artists, due to the piracy crisis, we only have ten, or twelve. But we also have many foreign artists, from different countries, who we also have to work, right? Or license things. But in a moment we arrive to have about 40 artists. I’m talking about active artists… because we have more artists, but some artists come and have a contract, but or they are not renewed, or they go to another company and they can do this type of solutions. The issue is, how many artists have a signed contract, normally every year one album is released and the future of this artist is compromised. We have reached 45 artists who release every year, who release .. it’s four artists per month, that we have to record. To record four artists is really a lot of work. This is one of the parts that used to exist, but that we are losing now. What was the artistic part. The artist director which was in charge of the recordings, with the artists. Now, I think not any company in Argentina – I don’t know about Sony, no, I think Sony has a coordinator for recordings – but before, the most important part of a record company was the Artist Director. The person who caught the talents, and the person who reached very good sounds in the studios, who knew all the studios, who said ‘it’s best for this artist, to record in this studio’, because there are better and worse studios, but there is a proportion and a order of what they produce, between a certain studio, a certain artist and a certain recording. There are studios with more rock sounds, and others with more sweet sounds, so certain music is good in certain studios, or with a certain other one. The Artist Directors go out with much of this, because they know to work in all the studios and do a very important job, which, with this issue, is disappeared.

I: So are the local artists less important now?
RP: Not really. In reality the consumption of music in Spanish in Argentina, is almost 50-60% of the total sales, half of which is also of national artists. 30 or 35% of the sales is of national artists. What happens, is that many artists have to … their own discs. So, I told you already something about the structure of the record company, which are many persons, which have to be professional, which really have to know a lot, they are not people who earn little money, these are people that are well paid. Normally, when an artist does his own CD, he doesn't have this structure in his disposition. In an office of representation, the manager of an artist, doesn't have this structure to work his artist. So what happens in this moment, is that a part of the business misses. The companies can't earn money by selling the phonogram and on the other side, the artists don't have the structure of the companies to do all the development. For example, you have to be able to account on the people of promotion. What does the television? I don't know. For example, a program of … knows everything that happens in the music, they know what happens with the musicals, they know all the people who work in every part in the production, of every single channel. Therefore, everything needs years in the business.. An artist can know how to do his disc, but doesn't know to who he has to go give his disc or what he has to say to each person. For what the producer of a certain TV program expects, I like this program very much, .. have to know where is the office, what do they say about it, because he's crazy, you have to be careful. Every person is different, and what happens in the structure of a record company is this.. they have a specialist in every area and they know what to do to make an artist famous. But the problem is that we're not selling discs today, we're selling less here, so what is sold, is also in the form of a disc, what we have been looking at, is the music for an adult audience. The audience from 30 years up, continues to buy discs, and they stay interested. And the child audience as well, they buy discs, because their parents or grandparents buy the CDs or DVDs. And the adolescent is a big problem, because they think everything is for free, that they can push a button and have access to music and they are not taking into account that we are just losing the creation of new artists. So we are seeing this here in Argentina, but also on a global level, the great events are still happening.. A Madonna, which is thirty years or more in the profession, continues to be the big female artist.. Or Michael Jackson.. I mean; where is the new Madonna? Where is the new Michael Jackson? It doesn't look like the new Michael Jackson. Or they have to form great corporations in which the objective, is not the sell discs. It happened for example with Disney, take the Jonas Brothers, they have their own TV channel, their own radios, they have their whole own structure, so they use it to develop. This is a comparative advantage, .. enough because it's a common artist. This happens one in a million artists. And what also

happens, is that the process what people consume is produced, is what they do, or what they subscribe. Because Disney subscribes their product, if the people don't choose it. The kid is an adolescent and attends the Disney channel and use a certain rock or Jonas Brothers all the time, on a certain moment they start to like it, because the promotional impact which these kind of products have. But what is happening, are two phenomena; on the one hand, the internet makes it possible to choose whatever kind of music you want, you could even listen to music from India. So if I start listening to music from India, which I've never listened to before, I get to know Indian music and this has very nice advantages. But as well, it is very difficult to generate the marketing. To say, generate viral marketing in the internet, to develop an artist. This is one of the other areas of the record companies, which is all part of the digital department. The whole digital department is basically in charge of on the one hand, the mobile department, which are truetones, and (…), you call by phone and automatically a song plays.. of for example Madonna.. this generates revenues for the companies. And this is a business which the company does with the telephony. The mobile business are download business, to legally download songs, the business of iTunes, well, this is what we were doing. For example our company works with iTunes, our products can be bought by iTunes, in the US, in Europe, in Australia, in Japan, without any problems. If you look for the products, you can find them. This is where the important areas end approximately.

I: Ok. And in what way is your company different from a major then?
RP: Well.. not much. We are just a company such a big company, …. enough in the structure. Maybe, I think the most important thing to me as the owner, is that I can take decisions instantly, without having to consult anyone. If something seems reasonable to me, I do it. It's a different situation in a multinational. So this is an advantage. A disadvantage is just that we don't have offices in all the countries of the world to do a big artist, of which we think could work on a global level, for example. Before, just when the phonographic business was more interesting, what I had, was other companies, was a meeting which you may know, which is called the Midem in Cannes, in France. Every year at the end of January, all the companies in the world come together, to buy and sell catalogues and what we had before, were ten or twenty companies in every country of which we took products and they took our products, to develop. What happens now, is to do most of the talking to develop an artist, when the product is not owned by you, it is too expensive and not justified. If to me, my colleague supposes, a company from Spain Blanco y Negro, tell me; take this artist I have, I would love to develop him. I think already, to try to develop this artist in Argentina, I have to pay for the travels, because he has to come here in the first place, he has to travel with many musicians, there are already promotion costs in Argentina, which are high, and I am not the owner of the phonogram, I'm only the person with the license. So what happens every day more, is that the companies from every

country don't dedicate to develop artists from other countries, unless the product clearly shows a big success. If it doesn't say; I have been offered the new disc of Mana, and so there is success certainly. But including the big artists, other things that happen, what is a problem, the media, or the radios, are also aimed to the youth so a great extent, which are buying less CDs. And unless, if you did more radios who aim at an adult audience, in total these artist are a much better business for CDs, but at the same time, there are no radios which specially aim at a adult audience. So suddenly, very important artists like Diango from Spain or Jose Luis Rodriguez, don't have companies. Or they don't have companies in different countries. And the careers of these artists are going to be lost. It is like there has to be searched for a new promotion job, and a profitability in the record companies, so this kind of work can be continued. Before we have been selling CDs or DVDs or tapes, but nowadays we are not selling. So a transition has to be done.

I: Yes. But the international artist you handle, are these generally from independent companies, or also from the majors?
RP: No, almost always from the independents. There are several independents, for example the one I was talking about before, which is called Eagle, which has very important artists. There are companies, like major, major, which are four; Sony, Warner, EMI and Universal. But besides there are companies which are very strong. With their foundation in the two great global music markets, which are the US and the UK. For example this company Eagle, from which we have all the DVDs, have very nice products. They didn't give the volume of their sales, to found offices in all the countries. They have offices about the Netherlands, Spain, France, the US, but these aren't countries that have to be justified to come (…) to Argentina. So what they look for, is a company with a good structure, which does good things, which pays them, the license and then their artist arrives here, we receive him and do the promotional work and when the artist arrives in London he says "Ah, I was with people from Leader in Argentina, it was perfect, it's true, we went to a beautiful place". Everything the artist.. When he .., he becomes satisfied. Besides that he is happy with the part of the work, the show, everything. As well, there is another social part, that the company realizes, with the artists.

I: And have you ever thought about merging with a major?
RP: I have had proposals, to merge with a major. In this moment, besides that I'm selling a lot and that I earn a lot. Really when there was one independent like me, 26 years, I got used to take my own decisions. To sell the company is a very important decision, because on the one hand, more than one commercially, I shouldn't have more problems yet to say.. this sale of this company means, (…) money which causes an easy heritage. On the other hand you need to have a satisfaction, on the day after. Sometimes you could continue working with the multinational

company.. I've been thinking, maybe in this moment, which was more than ten years, this doesn't necessarily mean that things in a way go forward. Today it maybe would be difficult, first because I'm bigger, and suddenly I believe that as well.. to manage a multinational also has a fun or different part. These are different jobs. To open the vertigo (?) to play with the own money of one, is more emotional. And if one went well, it really is twice as nice. Because when the business goes well, they have important positions in the market. I really have a great position in the market, with the media, the two biggest channels.. the majority of their business, they do with us. And these are personal satisfactions, right? Which as well, therefore, take the position of a multinational.. suddenly opens.. If I should contribute with something intellectually they don't have inside to a multinational. If there's a company.. ah there is a case. For example Universal, that Manuel told you to sell when he talks with me, for example they/we bought a company which is called Vale Music in Spain. It's a very big company, (…) if it is not very big, but basically.. Or Ricardo Campoy was like my counterpart in Spain in some business. Ricardo told me; "Work with these artists". This was a possibility. And finally he ended in selling the company to Universal. I don't know how it would be in this moment, if he should be satisfied or happy with having sold the company. On the one hand he got a lot of money, but on the other hand is the issue if he enjoys it. Because I, besides that I'm doing well in a economical way, I get up every day and feel like going to work, more than that it's important how much money I'm going to earn. So I wouldn't want to lose that. And what could happen to you, if you should bind the hands, if a company is not allowed to do that, I shouldn't be happy. The life has the priority, right? One should take into account that he is happy with what he does. But, to be honest, I'm thinking of it now.

I: Ok. And about local, regional and international music, do you think that local music by consumers is classified as of higher or lower quality than international music?

RP: I think from the technical side, the people understand that internationally the products have a larger budget. This is simply when people watch a music video of a national artist or an international artist. Because it's not the same to make a video which is just for one country, than to make one which is going to be seen in 55 countries. In total, the investment that permits.. let's suppose, that a video of Madonna is, or could be, hundred times bigger.. The talent is in any part, it's not not in Argentina, nor the US.. The difference is the means, the people who visualize these artists (interruption by phonecall) A case like Arjona, which is a small country like Guatemala, transformed in a global success and reached in a way.. they left their company.. well, they have been signed in the US.. or Shakira from Colombia. So it's true.. it is like steps and I think the people perceive it affectively, culturally much closer, without any doubt. When people listen who talks, you see when they vote.. Well, if someone feels or listens to a local artist, they are much faster attached the him. But on the other hand, in total the international products, often count on a much bigger structure. But I don't think it reaches a difference. The people consume (…) national and international.

I: Yes. And do you think this preference of national or international music is going to change by the digitalization, because it's much easier to purchase music from all around the world?

RP: No, I think the people keep on preferring local.. well, in this moment, there is a certain music which is growing a lot, which is the whole part of the shows. And in the part of the shows.. in the impresario happens the same, when you want to bring U2, you need to invest a lot of money, not only in the purchase of the artist, but also in the travels.. It's a very big investment and the impresario prefers, if there is a national artist, that he's very successful. So the majority of the impresarios is on the one hand exploiting, or bringing international artists, but work on the other hand also national artists. I told you already, there is a crisis in the development of new artists, which is the most important, because exactly there is no business in the record part, so they are not going to invest in new artists, but I think that when this improves, when there is a formula for the development of new artists, I think that the development of national artists is going to grow. Because in the case of Argentina, from the cultural, the esthetics of the race and everything.. it always has been a country that developed talent (…). But now we're in a strange moment, but I have the hope that it changes. And as well, generate new structures of.. let's say, new marketing strategies on the internet. Try to start with bringing people from other countries closer, so they start to see our artists. On internet also has this positive thing, right? Which is a reach in understanding what someone who in Holland is, thinks.. 'I love Argentine music', and how can we be get in touch? How are we going to find each other? Because you are there and I am here. Look, you are looking and I am offering, how are we going to meet? And these are parts of the things.. We have here in the company, very young kids, who are almost all day on the keyboard, are looking at things all day, and study tendencies, and enter blogs to talk to the people and see how they suddenly (..) in a blog. Aaah.. did you hear..? "Didn't you see the new Hijitus?" "What is Hijitus?" says the other one. "Oh, it's a cartoon, look, you can see it in YouTube." "Ah yes, I didn't know it. Oh, it sells, it sells.." That what is written there, is ours. He is doing work in the blog, to all the people who are there, talking about certain things, and they start consuming it. So their work as well, are … and are new. A few years ago, this didn't exist. And it's quite well. Or suddenly, you also saw in internet like accidents, funny things. Suddenly, from there, to put something funny with music from me. So suddenly they are listening to my music, right? All these kind of strategies are interesting.

I: Ok. Then I have a last question. What do you think the music industry will look like in 10 years?

RP: Oooh.. that's hard. I think that it's going to be very different. It is going to be more involved with shows. I believe we are going to start with forming a whole, like in an era of.. one of which I sold was the CD, but on the other hand I generated a video, but it stayed a nice, but expensive, element.. but it didn't generate any interest. It was just to promote and to know that the people bought the CD. I believe that the phonogram always is going to be the weapon that the artist (…) is able to give, above the scenario. On the other hand there is the issue about people listening physically, by a computer, or music equipment as well. In total, there are going to be all the songs, of all my catalogues on the internet. I wouldn't need to produce the cover, the CD, to produce every of these parts. If not that simply, someone is going to press a button, he's going to say "I want to listen to a certain song of Patricia Sosa" and he's going to listen to it and I'm therefore going to cash. The issue.. All of these things implicate internet and the post (correos). Before we sent a envelop with a stamp, with a postcard, saying, writing, it traveled. All of this happens now with one press on a button.. This all doesn't happen anymore, you push a button, and not much more has to happen. Just a little bit happens. The other day I received, actually I really liked it, I received a postcard.. But the reality is; what is going to happen with all these people who work in areas which are not going to be necessary anymore to accomplish the same goal. I don't know, the impresario.. Well.. for me I don't have fear, for my job.. I think with the capacity I have, I'm always going to understand how I can reinvent myself, to adjust to the new situation it's going to be. But yes, in (..) I'm worried about the people who are working with me, to try to keep them. Therefore I incorporate a lot of business, because besides that I love to work with many people, for example internet, only one has to push a button and you can't see someone's face, if he's laughing, if he likes it, if he doesn't like it, what he tells you.. For me, this is the best life has, or work with people and go to their desks. But well, I try to keep and try it, right? But also I'm not going to lead the company to nowhere. But in general it seems to me that in total, the physical carrier is going to be less every day, but I don't think that it's finally going to disappear. I think that it's going to be little ones. I don't know, the forty or twenty albums like the Beatles, no.. It's going to be five or six, compilations. They are going to release one, they are going to release the other. But I think like today there are people who return to buy vinyl and they follow the tape .. CD to listen to it. I think it's also going to produce a romantic situation in respect to the carrier. And understand that the CD is an artistic object, it's a 'whole', it has body and it has a soul. The soul of the music is what you hear, the body is the art, the image, everything you can touch and what.. this also has a value. It has an emotion that you lose if it is downloaded from the internet. What happens is that the new consumer is not going to feel what we feel. But I think the record companies are going to stay and with all that happened to us the past 25 years, I believe that any place is going to stay, haha. This is the idea.

L. Interview CAPIF 1 (JD1)

Javier Delupi – Executive Director CAPIF

(…)

JD: Because the IFPI society of labels is one of the most important of the world. Not only at the market side, but also in the collection of the public performance fees.

(…)

About table 'Mercado discográfico Argentino annual en unidades

JD: You can see here (1998, 1999) a very nice market, maybe the best of the industry in our country, because we reach 24 million units. And then, maybe have you heard of the crisis of 2002. At this year the production of units was about 6 million. After that we could show a recovery because there is a growth in comparison with this year (2003), but not with this (1998/1999). It is a recovery of the market, up to 2006 when we reach the best here in unit sales. But now we suffer the same crisis that the other markets in the world had suffered. Because the decrease of the unit sales has come up.

I: But it is a bit later than in the rest of the world, or not?
JD: Yes, maybe for this reason. Because we never had the true market, because of the crisis. Maybe if we would have this market, the crisis would have appeared before. That could be a reason, but you never know.

I: Yes. But the decline in music sales in the world, is normally a consequence of the internet [JD: Yes] But is it true that here the internet became later wide spread and had influence later, because of the crisis?
JD: Well.. the penetration of the broadband in Argentina is good in comparison with other countries in the region. But we think that this reason had effect in (…) Because in Buenos Aires the broadband is a big number, but not in the interior of the country. And then we believe that the broadband is not the reason of the decrease in sales in the interior. Maybe the physical piracy is the reason at the interior and in the most important market that is Capital Federal, or Buenos Aires city, and the other small cities in great Buenos Aires, for instance the most important sales. We believe that the broadband and physical piracy is the reason.

I: Ok. But the physical piracy, did it grow in 2007 and 2008?

JD: No, during the last years, the physical piracy has kept his level, about 60% of the market. We are thinking in this level of piracy, taken into account the substitution of sales. The people that are thinking to buy a CD, and they want a fake CD. But into the market there are so much fake units off to 50%. But maybe if you take into account the fake units, only the fake units, maybe the physical piracy is more than 60%. And then we believe into this year, the piracy has kept this level.

I: But there was a growth in the piracy the last ten years, right?
JD: Yes, at the beginning.

I: So in this period after the crisis, there was a growth?
JD: Yes the crisis was a reason to the increase of the physical piracy. Because people were thinking in money in this year, more than other issues. So then the price of the regional CD is very different to a fake CD.

The new is the decrease, around 12% in units.

(…)

JD: In Argentina about 50% of the market is related to national repertoire. That's a very good number, in comparison with other countries. Not with Brazil that has a very specific characteristic, but here.. (…) This is the digital report. The digital market has reached the 44,3% of the market. But if we split the digital and the physical market, the digital market it involved the mobile sales and internet. If we take into account only the digital market, 97% is related with mobile selling. Internet is very difficult to develop in Argentina, because we don't have any collaboration of the ISPs, but also of the government. You know that you have to try to act together in this way. And then internet is a very difficult issue for the national music industry. We are trying to work in this way, but it is difficult and we are thinking of starting a legal action against one or two ISPs, to sue them. Because it's the last option that we have. But at the end of the day, the digital market is only related to the mobile sales. Maybe when the 3G generation grows and we label to reach the correction, maybe we have a new problem. Because now the mobile sales have close labels and if somebody wants to buy full tracks or ringtones, the only option that they have is this. And then with the 3G generation, the user could reach internet in the process and then they could access to P2P services. P2P services are the most dangerous service for the legal market, now.

I: Yes. So in mobile telephony there is no piracy in this moment?
JD: No. In Argentina it's close to zero. Obviously we can put MP3 in our cell phone and try to get one in order to use as ringbacktones or ringtones, that's true. But the market is a legitimate market for us. We are thinking that this situation won't change in two years at least.

I: Ok, and how is it going to change then?

JD: We are thinking that the new scenario will be, when the 3G generation will have the highest penetration. And now the 3G generation is a very light percentage of the market. But we hope to maintain the mobile market and develop the internet. This is the idea. But this is so difficult. But we're working on that.

I: Ok. But what does the CAPIF do exactly to arrange all these things?
JD: We were talking about the ISP actions, we are trying to complete the requirements to sue, in order to get prove against them. This issue is a debate that technological things. And then it's so difficult to get one each of them, because we need to prove a massive infringement of the user and we are working on that. And we believe that we need to sue with the (…) society together. Because it's a powerful requirement. You are earning money from the users and nobody pays us. The business of the ISP is trying to get more traffic and receiving money for this. And the contents are the gas, the oil of this situation. We'd always see money and one of the most important effects is the decrease of the sales of the units. So well, we are thinking to sue an ISP and try to improve the situation through this. And we stop sueing end-users, because it was a step and maybe it's so difficult to change the reality of the market through this situation because the broadband has ground and the action is a significant piece of the market. And then we believe that the user is paying money for the connection and the true change of the scenario will come through the ISP. We want that the ISP implement security measures and at the last step maybe they could pay for the traffic of the MP3 and musical repertoire. First only on this level, but also on the side. But well, we're working on that from CAPIF. But the other action is to get a better legal framework. But that is so difficult because the people are thinking that the music is free and the legislation too. And then it's a very dangerous action, try to improve. Maybe they will start an action against us. And then legal action is dangerous for us too, because if a judge considers that we don't have reason, then the gate is open. But we think if we work so hard in order to start a very serious legal action, we could get very good results. Well, after that, in CAPIF, we are fighting against piracy, we have an anti-piracy campaign. Not only in the physical market, but also in the internet. In this room I'm working on the anti piracy in the digital market, trying to download this sights forum, where the people are distributing and sharing, not only MP3s what we fight, but also links. And we are notifying to the sights and the user, trying to cut off this ways, to distribuate music. Well, it's so hard, because people are thinking that the music is free and the links are not infringement at all. But it's an action. In the general scope we are working too in tax, because we need to decrease the tax charge on the industry, because we are thinking that the music or recording industry is a cultural area and in the taxes, it's not considered as a cultural sector, as a cultural industry. Because we don't have any incentive or

exception of BAT on the provincial and municipal tax too. Because we have a double regime of the political constitution of Argentina. You know we have the national government, the provincial government and the municipal government. And each of them has a tax regime. We have put a study that shows that the tax charge is about 40%. An issue of the public is the price of the CDs, 40% is tax. And then we are thinking to show that that situation is.. If you are thinking that it's so expensive, we will talk with the government to show this. If you are earning money we could work to decrease the price, but we were trying to get some compensation for the development of artists, to put us collaboration of the cultural areas of the government and try to get the exception of tax. Well, this is the point that we are working. Legal action, tax, anti-piracy campaign, lobbying.

I: Ok. So how would you describe your relationship with the government now?

JD: The music industry never has shown a poor industry. The people think that the labels are big industry, and now it's not the reality. The multinational labels, are called small companies, the staff is about twenty persons and Universal, maybe fourty persons, EMI sixteen persons in Argentina. And this is not the idea, we are trying to show that and the government keeps thinking that the music industry are a rich structure. For that reason we never reach exception and compensation of the government. For instance, the movie industry in Argentina gets much compensation, support in order to pay the production of maybe the structure, the whole production of the movies, advantages. And the music industry are producing with their own money and with the tax charge of 40%. The comparison is very good because the movies has tax free in many steps in the production. We need to talk with the government to show them, first of all, the actual situation. We don't have that you believe. And then the relationship with the government is good, but maybe free. The music industry of the world never has had good press, but in the past, in the last years, the situation was very good. And now you know that we need to change, we need to show this (…), what is the activities of the labels because they need to get money. And then we release a campaign called 'Todo empieza con un canción', all began with a song. But the movie is about how is the production of an album. From the scratch to the end, the public. Maybe it's good as an example of the communication, of the press action. I also have for you, it's called 'The Recording Industry in Numbers 2009' with the big picture and after that you have the foreign countries, the presentation of Argentina is here. (…)

I: So, to who did you show this movie?

JD: Ah well, we were working with the education minister of each province and it's a showcase with the students of the first classes and talking about how it is to work in the music industry. We get some artists of the same region that we are working and we talked with the students about piracy, how is the career. Trying to involve them as a part of the music, and not as people that are outside. And the end this artists played some songs of their repertoire. And it's a very nice.. It was very good, but it's so hard to work with each province, because we don't have a big budget and we aren't with so much people at the chamber. But it was a very nice action, and this movie was produced by us.

I: So this was part of the campaign, you were talking about?
JD: Yes, this was part of the campaign. And the campaign was called 'It all began with a song'. It was very good and this is a movie that we use, every time that we need to show, what is the music industry. Not only duplicate CDs, or the manufacturing of CDs, this is the end of the process. The company has purpose on try to discover artists and choose the best repertoire to the public.

I: And do you think it has its effect?

JD: Yes, in the small cities, but it's a communication.. It's a very nice action, but the scope of them is very light. Because we don't have money, basically, that they have in other countries for instance. And then we have this, we try to get, when this was an action … with the minister of education and we distribute into the musician professors, and they showed in each class the movie. Maybe this is an action that has effect in the future. And then, the children are very.. They had their own ideas, and the digital sales is a reality for them, and they think the music is produced by the internet, but not by the labels. And think that they must pay to an ISP, or by buying an MP3 player (…). But they say, we don't want to pay for music, music is in the air. This action is right to show, that it's not true. We need to produce music, and this country has a very nice culture, a very great culture, try to produce our own repertoire. And the career of the local artists is a very good issue of this target.

I: So are you going to repeat the campaign?
JD: Well, not for the time being. We pass three or four times a year with different colleges, with which we have a relation or a commitment. But it's not an active action now.

I: Ok. So I've seen that 35 Argentinean record companies are registered at the CAPIF..

JD: 34, yes.

I: Ok 34. But there are more independent companies here, right?

JD: Yes, CAPIF deals with two targets; one is a chamber and acts as lobbying with the big issues. On the other hand, manages the collection of certain fees of the phonogram producers and act on behalf all. And then, as a chamber, as 34 associations. But on the other hand has more than 300 producers that .. don't (…). But the association of CAPIF maybe represents 90% of the market. There are more independents, they are very important, and sometimes, they are closer to CAPIF, but not associated.

I: Why not?
JD: Maybe they are thinking that they could have a fee and sometimes as a form to think about the industry as an independent. Real independent, when you don't have the chamber. But I am personally convinced that we must try to get the most important representative of the independent industry, because it's an old fashioned way to think that the majors and the independents.. And now the independents and the majors, sometimes have the same weight. CAPIF needs to prove that they are a national industry, working in the development of time, and not only trying to develop CDs.

I: And how does it exactly work? There is this chamber, the board, which consists of the majors and some independents..

JD: Yes, the board is composed by four majors and three independents, but it's a way to work. I believe that it's a big representation of the independent industry, in comparison with others.

I: Yes, are in other countries, the independents less in the boards?
JD: I don't know very well, but I think that it's lower than this percentages.

M. Interview CAPIF 2 (JD2)

Javier Delupi – Executive Director CAPIF

I: Do you think it was harder for the independents to exist after the crisis, than it was for majors?

JD: I think it was a hard situation for both. The market share didn't suffer the change. We only had a certain changes in order to release for instance, but not for the crisis. I believe that after the crisis, the scenario is better for independents than majors. Because the commercial market suffered after the crisis in all activities. But the small market of the music in Argentina involves a certain commercial issues that it's better for an independent company, try to reorganize their company. For instance, the major has a big corporation of the world and they depend of certain bodies official into the company that they need to explain different situation, that has the same company in a different country, for example in Brazil. The scenario is difficult.. The bad scenario.. Maybe this year for independent companies, in order to reorganize the commercial campaigns and try to apply different actions without needing to explain the different situation in Argentina. Maybe the fact that a big company and then is a practical factor situation. And then, this is my personal view, another point of view of this situation is the appearance of different labels. They are not only traditional labels, such as Disney, Movistar, Starbucks.

I: They are music labels?
JD: Labels that work with (…), if I remember it good. They take different releases and they pay for them and work as a label, but only with big artists. But in Movistar cases they work to try to get nontraditional talent, with small bands, that are trying to get a career in the music industry. There are other nontraditional labels that are a big part of the business, bigger than the label. This year is a new [interruption] These labels act as a part of a business that is bigger than a label. It's a commercial strategic unit into a big picture. Disney are wanting movies, and the label is a piece of business for the company. The same for Movistar, which are talking with the phones.

I: But I'm surprised that they want to work with upcoming artists, because I expected that they would rather work with big stars.

JD: Yes, I believe that they are working on a marketing idea in order to stick the company to the music. But I believe that it is not that serious often.. Nowadays the contents industry is different from the contents of the last ten years at least. Because nowadays the digital markets need contents and they don't need big contents, traditional contents. They need contents in order to create and improve the traffic, to develop the traffic and the associated services. And then.. good contents and bad contents are the same. A video in my house, trying to help a little cat, is a content, haha. For Movistar it would be a small band trying to perform a song of the Beatles, it's a content. They are working on the idea to stick with the (…) mobile company, to the young public. But maybe no more than this.

I: But why is the content less important than the 'content of the content' then? You just told me that it's more about traffic, than about the content itself. Why is that, do you think?

JD: I believe that into the digital market, the mobiles and the ISPs, need to create and to maintain a traffic of contents. Communications, emails, chats, all different kinds of ways to communicate. And for instance in YouTube there are many contents, and the most of them are not professional. And the pieces, the new model of business is the (...) share of advertising. And then they only need something to show, in order to put the ads in this point. And then we can see that the content is not important in the label of the benefits. Maybe the last year we were working on good contents, on music for instance. The musicians want to go to the best sites in order to record their albums. The young people need to hear their musical contents in a specific player or through the pc, and the good song is impossible to detect. And then it's a change and the contents are decreased into the need to show a very good content. Maybe for instance the most viewed video in YouTube is a video in your house with a particular fact. And not Madonna, trying to show the videos of the new albums.

I: So do you think that music as a cultural product becomes less important in the future?
JD: No, I believe that the music will increase the piece of pie into the content. Because the visual market is one of the most easy to distribute and communicate. And the music is into the development of the new visual content. Because the music in internet is changing into audiovisual content. Maybe the last years, the music was only something to hear. But due to internet, with the streaming services, the music is audiovisual. But maybe there are personal customizing radios that are pushing. The music as a content to hear. But the music are developing, increasing the participation into the cake, of content. And if the music is more or less cultural expression, I believe that internet are increasing phenomenon, but at the same time the people are thinking that the music is of internet of is a piece of content of the world, and they don't need to recognize the rights or (…). And then on the one hand, we have an increase, on the other hand we have a need to recognize the music as intellectual property of the creators. And then we have the label, something to serve in this right. Because if the people want to buy, hear, want to have music, somebody must work in order to offer new contents, big contents and small. But the most important is the big (…) of music. I always say that what we are thinking in the music and the digital revolution, something like that, we start to talk about different ways to develop artists. It's a good thing to see what kind of music we have in our MP3, or (…) of our MP3 or CD. What artists are? Is it an artist we know through YouTube? Is it somebody we

receive from China? Or is it someone that is in (…)? Or no? Lily Allen or Radiohead? What kind of band? Because sometimes the discussion is over being revolution that never had the reality. We hear the music that is created by professionals. It's a very (…) statistic. The 1% of the music push 80% of incomes into the music industry. 1% pushes 80% of incomes.

I: Ok. How does that work?
JD: There are many musicians or albums that sold more than 100 CDs. In internet overall, the music that is being distributed, is of the niche artists. We need and we work big artists. Maybe if you want to hear special artists from China, that are performing rock or something special. But the music is of the big artists, in rock, pop, in classical. And then we have to put in the way. And the digital market, there are many kinds of contents. We need to put the focus on the development of the big artists, that the people want. Sometimes the revolution of digital market, the medium of the digital revolution, doesn't involve the thing that we are thinking only in garage bands. And maybe one, or two, or three, we will have, but the people want the professional bands. Sometimes an artist needs more than three album to reach a very good point in their career, to develop their talent. And then the digital revolution is sometimes market an idea in order to get free content and to create content to go to internet for ISP. And for the model business of advertising. We understand the new rules, but we must highlight the hesitation we have as labels, a very strong, hard need to develop careers, artists and labels.

I: But if you look at the share of independents and majors. There is a trend, right? Here in 1998, it's only 3, that is weird, right?

JD: Maybe in this year you don't have Universal and it's similar to 3. In 1996, you have independents, but you don't have the market share of Universal. Universal is Polygram.. I don't know. 1998.. Because Polygram and Universal are working together. Maybe it's not available. Maybe Polygram didn't exist in this year.

I: But the independents have been growing, or not?
JD: Yes, they have been growing. And nowadays, we have something similar to this. But in Argentina (…). But nowadays, it maybe is a trend of the development of independents. We have nowadays a scenario that involves the mergers. For instance Sony BMG, and nowadays it's just Sony, because they bought the BMG market share. And then this operations means a decrease of the market share of the big companies. And then when this came up, an increase of independent labels. I believe that the trends will go in the same way.

I: So the independents are getting more important? [JD: Yes] Because of the changes in the market and they are more flexible..?

JD: Yes, maybe the need that have the independents in order to go forward with this trends, is to develop a digital market. Because at this point, the structure of independent labels, sometimes is difficult to reward, because they need these companies that sometimes aren't in Argentina. And in Argentina for instance there aren't very good sites to download, and the people aren't downloading music in Argentina. And sometimes they have radios or web radios that are working in the foreign countries. And then in these point they need to improve the commercial deals and the development of the people in this companies, the new professionalization of their employees. And they are working on that, but it's difficult.

I: Ok. But what do you think of the trend of the past ten years, when the independents became more important. Is it because of the digitalization and the internet..? What do you think is the reason why the independents became more important in the past ten years?
JD: Well, I think that we were talking about that when we've seen the mergers, when we see the kind to work into the big companies, that (…) worldwide strategies. And then we suffered the crisis of 2002, the independent companies, could work with more flexibility. For example, they were working with the full rights agreements with the artists, in order to participate with the concerts and it's different than the traditional companies are working nowadays. EMI and Warner, they don't work with full rights agreements. They only are trying to sell CDs and digital content. This is their strategy and it's not bad. But it's an example of a small company that tries to work in a very changeable situation. But this is the cause of the turn in my personal view.

I: Yes, and the independents, is it that they became bigger, or is it that more independents came into the market?
JD: There are maybe five big independents and we have maybe the five independents reach 12% or 13% of the split, of the 24% and the other are small companies. And sometimes they have artists that are on the label. But this is the picture of the independents; five big independents and the other small ones.

I: So the independents grew in the past years?
JD: Yes, yes.

I: And about the crises. There has been the crisis of 2002, but also the worldwide spread of internet and digitalization, what caused that the music industry also suffered a crisis. We talked about that last time as well, but it wasn't totally clear yet. In what way do you think the worldwide crisis of the music industries, how do you think this affected the music industries? Because it was kind of simultaneous with the 2002 crisis, right?

JD: Well, I believe the big effect on the Argentinean market was that it was difficult to develop national artists. Because sometimes the big companies deal with the development of the big national artists, as a part of the big international market. Sometimes it's difficult to invest and then I believe that the world wide crisis affected our market in this way. The big companies are the traditional labels of the big Argentinean artists and what they can't invest this way, sometimes nobody can take this position and that the big artists suffer this situation and they need to find another way to create. And obviously in the most cases they find a way to develop a production, but sometimes it's lower than the last year. And in another way, sometimes the artist can't reach a new album. But I believe that the worldwide crisis affected the big companies, and the big companies are very important in each market. In our market for instance, they always have a very good and important positions. The independent labels try to develop artists and when an artist reaches a very good point of production, they pass through a major. I believe that this is a difficult position and sometimes there are big artist that a big company can't develop and an independent is a big artist can change this position of developer of this big, because it's a small company and they don't have money for the advantages to do good marketing, for the musician, and then it's difficult at this point. In the big numbers, I believe that this point is reflected into the new releases. After the worldwide crisis, the number of big releases was increasing too.

I: Ok, but if you look at the local and international repertoire (table 10), the international repertoire grew after the crisis, right?

JD: Yes, that's what we were talking about. The big crisis had impact on the local repertoire.

I: Oh yes, that's what you were saying. I was surprised by this number, because when I talked with people of record companies, they told me; 'No, after the crisis, we were more focused on local repertoire, because it was really expensive to let international artist come to Argentina and if people wanted to go to a concert of an international artists, that was very expensive and people didn't have that money, so they would rather spend it on local artists.' But that's also a thing I'm researching.. Maybe it is more their idea..

JD: Maybe it's a point of the.. They are saying the truth in both ways. Because the level of activity of each label has decreased and then, in numbers, they are focused on the national products. But they have less releases but then they are focusing on the national groups, but the level of activity of the market is decreasing. You can see in these numbers. And sometimes the charts of the units sold, have a different point of view. Because sometimes they recover (…) and export of units. And then, this is the idea, the worldwide crisis affects the local development and the independents need to take this position, to develop artists. When we have the Gardel Awards, that is the most important into the music industry and year by year we receive many productions, and an increase in productions. But an decrease in the number of big productions. It's something similar too.

I: So you think the focus of the majors is more on local music now? Because they do the big productions right?

JD: Well, the companies have tried to take care of big artists, because the big artists give them possibilities to develop other, small artists, because a success release let them invest in a small artists. Nowadays the piracy that affects a release doesn't let to develop small artists. And then we have (…). The big labels are trying to take care of the big artists, but it's very hard to invest in the small artists. And they focus on the big artists. But we could split maybe local artists; big artists, artists under development and new artists. And maybe the labels are trying to keep the big artists and the development artists, but the difficult situation is on the new artist. And the new artists are under the Movistar labels, trying to upload the content to YouTube as a hobby maybe. But I mean in this situation, will affect the future, will have impact in the future. Because we don't have the new big artists of the future. We are not working on the big artists of the future, that are the new artists of the present.

I: So that's a problem?
JD: That's a problem.

I: And do you think the worldwide crisis now, of 2008 and 2009, affects the Argentinean music industry?
JD: Yes, a lot.

I: Is it in the same way as in 2002, or do you think it's different?
JD: I believe that it's different, because the prior crisis involved a local situation and we decreased until five or six million units sold. But we were understanding that it was a local crisis and we could save this situation, because we were working in the bad way. But nowadays, we keep working but.. into the local, in the general situation. With the government, with the political measures. For example in the music industry, we don't have any compensation or support, we were talking about that before. And then it's very difficult, this point. But now, with the worldwide crisis, we will have a bad scenario, foreign too. And then it's difficult because, for instance, in the crisis, we could export artists and talent, because the trouble was in our country. Nowadays, the difficult situation worldwide and then I think it's very difficult, our presence. Today the market has decreased 30% and it's really bad, but in other activities, industrial activities the decrease has been the same. The manufacturer of cars for instance. Well, we were

working in an industry with.. before this crisis, and this big crisis has put us in a very difficult situation. And we think that the next two years would be years of so hard work and we need to try to work for crossover the future of medium styles.

I: But I looked at the numbers of 2008 and I think if you compare it to the global market, Argentina did quite well.. If you compare Argentina with other Latin American countries (table 4), it is very different.. In total, I think Argentina did quite well..

JD: Yes, in this case, Argentina took advantage, because the last year was the first exercise, or the first year that the unit sales have decreased. And in the other countries the bad figures has been showing a decrease in the last three or four years.

I: So that might also be a reason why the digital sales didn't grow as much in the rest of Latin America?
JD: Yes, yes.

I: Do you think that the crisis is going to hit Argentina later than other countries. That Argentina is a bit behind on other countries in the decrease of physical sales and..

JD: Yes. It happened in the figures. Nowadays, for instance Uruguay has increasing sales, physical. Nowadays they are having a increase of 3% in comparison with the same term of the last years. And we are decreasing 30%.

(…)

Maybe it's an issue related with the exchange between the Dollar and the Argentine Pesos. The dollar has increased and then it would..

I: You think these numbers are correct then?

JD: Yes, because you are talking about trade values in dollars. And the exchange rate of the dollar has changed. At the end of the day you have the rates, and it is very good and official information. And it's ok.

I: So the performance rights are very high in Argentina?
JD: Yes, very high, one of the most important of the world.

I: Why is that?
JD: Because we have a development from this from 1974 until now. We have been working on it for more than thirty years, trying to develop this business unit. And if you compare the (…) product, it's a economical point that takes into account the production. If you compare… (…)

I: So the performance rights, that's what the CAPIF does, right?
JD: CAPIF does this with another company that is on the half of the performers. The company is called AADI-CAPIF that has our name and our partnership and well, it's (…) it's a big company that has about 400 employees and works in the whole world, in all the countries. With the right of communication to the public that represents the UCC to stores and restaurants, shoppings, the other point is media. The broadcasting, videocasting and the traditional channel of television. And then it's a very important revenue nowadays, about thirteen million dollars, and it's a very (…) present of the production of music and this line is one of the more profitable business of the music industry, because each year it's increasing.

I: Why is it still increasing?

JD: It's increasing because of the professionalization of the system.

I: So in Argentina it's high in comparison with the other countries, because the AADI-CAPIF does a good job?

JD: Yes, yes.

(…)

I: Then I have one last question. Last time we talked about the piracy and the ways in which CAPIF is trying to handle it. You told me that you were considering taking legal action, but I was wondering.. When I was talking to people from the major record companies, they told me; maybe it's better to not sue them, but work together. Maybe it won't work. So what are exactly the ideas behind the legal action?

JD: Well, the idea behind is, try to develop the digital market. Sometimes we need do corporate, or try to become the action of the certain companies or services that affect our business. And sometimes we need to sue them. For example, ISP, we are thinking to sue them, because they don't want to work with us. Maybe it's possible to.. [interruption by MSN message] And then it's not an only way to work, because we corporate and work together, if the two parties are willing to do that. And sometimes.. But I believe that this way will be to work in a (…) in order to priorize or chose the action to go forward. We don't need to sue everybody, haha. I need customers, clients, people. And then I believe that I try to just think in this way. And then we need to chose on work with the targets. Because the people, the user is our client. We don't need to sue them, because he's our client. We need to work with the people that are doing business, with them, it's music. And then, we are in this way.

I: Ok and then I have one last question. Last time you told me that the tax on music is 40% here, but the Recording Industry in Numbers says it's only 21%..

JD: Maybe it's a different tax, the BIT is 21%. But the whole charge is about 30%. BIT is one of the taxes we were talking about, because there are taxes at national level, at the province level and at the local *municipios* level.

I: So is it possible that a disc here, is more expensive than a disc in Iguazu for example?

JD: No, it could be a minimum difference, but in the big picture it's 40%, the summarize of the whole taxes. This is one of them, the most important; BIT-IVA (?), with the tax of the commercial affairs of the consumers.