



NASHVILLE BOOTS UP

Music Row Faced Tough Demographics As The Digital Revolution Began, But New Faces—And More Web-Savvy Fans—Have This Sad Song Set For A Happy Ending

KEN TUCKER with additional reporting by ANTONY BRUNO, Billboard Magazine, March 22, 2008.

"This is for my MySpace people and everybody who voted." With those words at last year's CMT Music Awards, then 17-year-old Taylor Swift, who won breakthrough artist of the year that April night, signaled a new era in country music.

While MySpace and other social networking sites are the norm, even for artists whose fans don't include too many teens, Swift's comments represented perhaps the first—and certainly the highest profile—public acknowledgment of the growing importance of digital in the country realm. Country artists are always quick to thank radio, their fans, their teams and God, but MySpace and Facebook haven't drawn as much appreciation.

After the show, CMT VP of digital media/GM of CMT.com/VP of operations and administration Martin Clayton said artists with youth appeal such as Carrie Underwood, Kellie Pickler and Swift benefit from having fans that have grown up with computers. "That's what they do, that's where they go, that's where they are."

Swift, who has more than 650,000 friends on her MySpace page, is on the site daily, posting pictures, updating her blog and chatting with fans. "If you see pictures up there and a blog that says I put up new pictures, I put up the new pictures," she says. "And they're usually from my little digital camera that I take out on the road." This from a young woman who is also finishing up her senior year of high school (she's home schooled), touring and recording a new album to follow up her 2.5 million-selling self-titled debut.

When it comes to digital sales, country fans haven't been as quick as some to embrace the digital age. Digital album sales are on the rise, but at 4.5%, country lags behind overall sales of digital albums, which represented 10% of all albums sold in 2007. Even artists whose fans skew a little younger—and a lot more tech-savvy—lag the overall market. Roughly 4% of Swift's overall album sales come from digital downloads.

The reason why country is behind the curve is a source of debate among those in the know at labels. Some say it's because country's older demographic target—25- to 44-year-old women—aren't as quick

as other groups to adapt to technology. Others say country's largest retailers—Wal-Mart, Target and Best Buy—make it easy for consumers to pick up an album while they're shopping for staples. Studies—and Nielsen SoundScan's own data—show some interesting, potentially correlated trends: Country music sells disproportionately in smaller markets, and rural areas have far lower adoption rates of the broadband access that enables digital music consumption.

Country's top sales markets by number of units sold are similar to the overall picture—the top five country markets (in declining order) are Los Angeles, New York, Dallas, Chicago and Atlanta and the top five overall markets are New York, Los Angeles, Chicago, San Francisco/Oakland/San Jose and Philadelphia. But country sells a higher percentage of its product outside the top 100 markets than does the overall business, according to data from Nielsen SoundScan. Almost 19% of country's total sales come from markets 101-214, while the overall business sells 14% of its total there.

A Mediamark Research report for CMT shows that in the "heartland"—roughly all of America outside of the Northeast and Pacific Coast—44% of adults 18-49 or 37.8 million people are country music fans. Roughly 76% of CMT viewers live in these areas. In the Northeast, 23% were identified as country fans and on the Pacific Coast 26%. It's interesting to note that MP3 device ownership is strongest in areas with ostensibly fewer country fans. According to the Yankee Group, 63% of persons age 13-plus in the Northeast own an MP3 device, while 57% in the West do. In the Midwest and South, ownership stands at 49% and 48%, respectively.

Universal Music Group Nashville (UMGN) executive VP of sales, marketing and new media Ben Kline says there may be another reason. "Look at broadband penetration nationally. It's an impressive number but it is just now getting into the heart and soul of where we sell our records in the rural areas," he says. According to December 2007 data from the Pew Internet Project, 54% of U.S. adults have broadband Internet access at home. Of them, 60% live in urban areas, 56% in suburban areas and 41% in rural areas.

Those numbers can push along a self-fulfilling prophecy. "Whether right or wrong, there is a perception that country is a little bit behind the curve digitally," Big Machine senior director of digital media and national promotion strategy John Zarling says. "That's presented somewhat of a challenge in selling the country artist to the online gatekeepers."

Those gatekeepers are waking up to a new Nashville reality, however. The CMT Awards, the genre's only fan-voted awards show, recently logged a record 2 million-plus Internet votes for the final nominees for the 2008 show. Meanwhile, the Academy of Country Music Awards are also expanding their Internet presence. While most of the awards are industry-voted, associate members (fans) have voted online for the video of the year category since 2004 and this year they will choose the entertainer of the year.

In fact, both the ACM and the Country Music Assn. handle the nomination and voting process online, something the Grammys and other awards shows have not yet embraced.

And now, Zarling adds, the gatekeepers are paying attention: "iTunes and Yahoo and AOL have really made it known to us that corporately they see country as a growth market and they want to place new focus on country."

AOL Music senior editor Beville Darden says her company is placing a new emphasis on country. While the site tended to focus on younger-leaning artists like Swift and Underwood and Urban, the company realized that based on click-through rates and listening patterns there was interest in other artists as well. "We needed to fill a void," she says.

Last week it launched "Country Corner," which follows in the footsteps of its successful Spinner.com Web site, which is aimed at the rock audience. "AOL users as a whole are really into country music," Darden says, noting that the No. 1 station on AOL Radio, which has 270-plus channels—based on the number of people listening and how long they listen—is "Top Country."

Yahoo head of programming and label relations John Lenac says the company's metrics show there is a growing interest in country artists and therefore is a growing priority across its channels. "Everything we do is because we have metrics that show us what the users want," he says. "We just had a big meeting with the yahoo.com home page team, and one of the things they said they specifically wanted to see more of in 2008 is young attractive country artists like Taylor Swift. They're not saying that because they like the way she sings. They're saying it because she gets clicks."

To be clear, it's not as if Swift just introduced Nashville to the Internet. After all, former Vice President Al Gore—a Tennessean—invented it, right?

DIGITAL SALES

As it was with the move from cassettes and vinyl to CDs, country's mostly adult audience has been slower to adapt to downloading music. While some artists—Carrie Underwood, the Wreckers, Kenny Chesney, Brad Paisley, LeAnn Rimes and Rascal Flatts, among others—have sold 6%-7% of their most recent albums digitally, they are outperforming the country market, but still underperforming stars of similar strata, from other genres.

Big-box retailers Wal-Mart, Target and Best Buy represent roughly 70% of physical album sales in country music. While Wal-Mart commands a 22% share of overall sales, it can account for 50%-70% of sales on some country releases, according to experts. By contrast, Wal-Mart may represent less than 10% of the sales on a rap title.

The fact that these stores are omnipresent in middle America contributes to lower digital album sales, Strickland believes. "The availability for country music is broad, just because of the number of doors people can pass through and find what they're looking for," he says, noting that as the most-programmed radio format country music is also readily available. "There's a country radio station in a town with a population of 5,000 people and there's a Wal-Mart there, too."

Country's demographics play a role as well. "With the core country consumer, who's 35-plus, there is still a desire, more than any other genre, a disproportionate desire to physically possess the product," Kline says. "We are a hunter and gatherer society. You could read the paper every day online but people still like getting it."

Yahoo's Lenac believes a change is coming. "Country fans are extremely loyal. As country users have iPods and get more involved in the digital marketplace, you'll see them overindexing in digital much like they do physical now, and then physical will flatten out."

Digital bright spots are certainly appearing. Swift's iTunes-exclusive EP "Live From Soho," recorded at an Apple store in New York, has sold 8,000 copies, according to Nielsen SoundScan, and surprised even her label. "That was something that was an absolute overachiever," Big Machine president/CEO Scott Borchetta says.

"Nobody knew what to expect," Zarling says of the sales. "From an EP sale standpoint there wasn't much data, even from iTunes, to really predict what that would do. It was really eye-opening not only for us, but for the folks at iTunes. What a statement to make for country music in their store, but also for bringing new music to the fans before the next full release."

Meanwhile, 55-year-old George Strait debuted at No. 49 on Hot Digital Songs in Billboard's March 8 issue. His 25,000 scans of "I Saw God Today" was a career best, and the only country artists higher on that week's chart were Swift, with two cuts, and Underwood.

UMGN's Lost Highway label, home to artists Ryan Adams, Shelby Lynne, Willie Nelson and Lucinda Williams, among others, boasts a higher than average percentage of digital album sales. For example, new Lost Highway artist Ryan Bingham boasts 36% digital sales on his album "Mescalito," according to Nielsen SoundScan. The label's alt-country roster attracts a slightly more upper demo (both in age and income), Internet-savvy consumer, according to Kline.

Kline says one of the pluses of digital downloads is "you're never out of stock." A recent National Public Radio piece on Lynne sent consumers to the Web. "You see the reaction immediately," Kline says. "On Amazon.com it went to No. 2, on iTunes it jumped up. That's the nice part, the instant gratification of the digital space."

Digital downloads benefit up-and-coming artists, Kline says. "In the past, if you couldn't find a record by a developing artist at your local record store, you were out of luck—now with online we are always 'in-stock.'"

Nashville is also experiencing the rights and logistical challenges that go along with the digital age. While all of the Nashville majors are slowly adding catalog titles to their digital libraries, Capitol Nashville recently made a large group of releases available. In the case of older artists, such as Wanda Jackson,

who signed with Capitol in the mid-1950s, finding original album artwork was a challenge. In some cases, the label had to go to local records stores that carried vinyl or search eBay to buy the vinyl and scan it in. "Some of this stuff we weren't even sure we owned," label COO Tom Becci says with a laugh.

While the digital market for country is still maturing, most executives who spoke with Billboard counseled prudence on embracing the new age of retail. "Grow your digital business and nurture your physical business," Warner Bros. Nashville senior VP of sales and marketing Peter Strickland says, in a mantra repeated in one way or another from many sources. "They're both important."

ONLINE MARKETING

Mark Montgomery, CEO of echo music, which works with acts including Kanye West, Korn and Janet Jackson on their digital strategies, says country—while it may have initially been a little slower to exploit the Web—is now different from other genres when it comes to using the Internet to build fan communities. "There are some very forward-thinking artists in this town that are way ahead of the curve and I think there are frankly some that will never catch up," he says. Among Nashville acts with fan communities comparable to the biggest artists in other genres, he cites Dierks Bentley, Keith Urban, Rascal Flatts, Sugarland and Alison Krauss.

Fan clubs—offline—have arguably been more important in country than in any other genre. To wit, tens of thousands make their way to Nashville every year on a pilgrimage to meet and see their favorite stars perform. There's a close connection between fans and artists unlike any other format.

Borchetta says MySpace, Facebook and other sites in some ways fill a role traditionally reserved for those fan clubs. "Engagement is more important than ever. If you have 500,000 friends on MySpace, if you have iLike and Facebook happening, you don't really even need a fan club," he says, before adding, "If you have a situation where there's a desire to have more, then you can either morph into a fan club or literally just have stuff to sell. There's a difference psychologically. Everything about online is 'I want this and I want it now' and 'I don't want that and I don't want to be forced into doing anything.' "

Larry Peryer, president of UltraStar, an online fan club management and marketing service, says interest in his company's services from Nashville artists and managers has grown in the last 18 months. "A lot of it was not ignorance to the solutions, it was that a lot of artists had really good local or home-grown capabilities. They were doing their own ticketing and some of their own merchandising fulfillment.

"To a certain extent the country artists are more used to being involved with their fan clubs," Peryer adds. "There's a very high degree of accountability. In general, the country artists are very vigilant about making sure that it's a value proposition to the fans."

The Live Nation-owned firm represents Kenny Chesney, Bill Gaither, Third Day, Little Big Town and Shania Twain, among others. While sister company Music Today provides ticketing and merchandising services, UltraStar looks after the Web sites themselves.

Country artists' fan clubs tend to be a combination of online and offline components, Peryer says. "A lot of it is about engaging the fans and getting them to behave almost in a street team kind of manner. But there's also a very strong offline component," he says, citing Chesney's fan pit at concerts as an example.

But strong online efforts abound in country. Recently Bentley asked fans to name, sequence and pick the cover art for his forthcoming greatest hits album. A video on his Web site walks participants through the process and the first 3,000 fans that participate will be listed as an executive producer on the album when it is released. Of course, to participate in "DB Hits: The Fan Project," one must pre-order the album.

A surprising entry in the digital space is 62-year-old Dolly Parton. While her new album, "Backwoods Barbie" on her own Dolly Records, features photos of hay bales, a pickup truck and mudflaps, looks belie the truth. "She's a very astute businesswoman," Montgomery says. "I would put her in the same camp as Dierks and Keith, willing to try anything. We're about to launch a digital download platform directly to consumers and Dolly will probably be the first or second one out of the gate."

Parton recently partnered with PerezHilton.com to allow visitors to that site to preview her album before it was available commercially; of Parton's first-week album sales, 15% came from digital downloads.

Video content may be the most important part of the Web, Warner Bros.' Strickland says. "There are more avenues to exploit video content online than anywhere else. That's certainly where the youth get their video fix. We're continually feeding video content in that area."

Sony BMG Nashville VP of digital media Heather McBee agrees, saying Web 2.0 sites like YouTube, MySpace and Facebook help build a complete picture of an artist. "It's not just about one song you heard on the radio, it's about actually making an artist accessible to consumers."

"I don't think we've ever had an opportunity to talk one-to-one with consumers the way we do now with the Internet," UMG's Kline says. "No matter how much you drill down in the direct marketing world of print, or mailing or TV, this is a new day."

Zarling says he has been "real aggressive" when it comes to getting exposure on music Web sites operated by AOL, Yahoo and MSN, among others. "The exposure value really has become equal to and exceeded a lot of television," Zarling says.

And much like other genres, the Web has become an important A&R tool. Borchetta says that while he doesn't actively surf the Web looking for new talent, one of the first questions he asks someone pitching him an act is, "Do they have a MySpace page?"

"It's a great place for me to go to see what they're about," he says. "I don't spend a lot of time personally just surfing through those, but if somebody's getting big hits, that definitely gets my attention."

Borchetta adds that the Web may not always be the answer for marketing. "Initially you go where the love is to build stories," he says, adding that "Taylor was a natural [on the Web]. She's of that age group. It was very natural for her MySpace and her Web site to blow up because as people were finding out about her, that age group of fans knew right where to go and we were ready for them."

MOBILE

Chris Stacey, VP of music industry sales for mobile marketing company Mozes, whose company represents Ashanti, Keyshia Cole, Britney Spears, Lil' Romeo and Nelly, among others, says Nashville is not behind the curve when it comes to mobile marketing. "They are as engaged as any other format and in some cases they were the first adopters of mobile technology," he says, citing Brooks & Dunn, Rascal Flatts and Keith Urban as examples.

While country has a relatively small share of the ringtone pie—there were only two country mastertones among the top 100 overall best sellers of 2007, according to Nielsen Mobile, Carrie Underwood's "Before He Cheats" and Brad Paisley's "She's Everything"—Sony BMG Nashville's McBee and others agree that it's a growing market. "The cost of devices is going down and becoming more accessible to that country music consumer," she says.

Superstar Tim McGraw recently teamed with dotMobi to launch mobile Internet site mcgraw2go.mobi, an Internet address created specifically for mobile phones, that's allows fans to access content from McGraw regardless of phone model or wireless carrier. Fans will have the ability to opt into a database to receive SMS and e-mail alerts, view breaking news, tour dates, download photos or videos and purchase electronic media.

Because of her age and youth appeal, Zarling says Swift is an "obvious fit" for mobile platforms. "We've seen a very, very consistent rise in her mobile sales numbers over the last year," he says. "And I think that world is still yet to be fully tapped with her." Part of a major Verizon campaign last year, which saw her placed in countless newspaper and magazine advertisements as well as on the Web, Swift was also featured in an AT&T program that focused on its answer tone store. "In the fall we did an exclusive track for Sprint that was housed in Sprint's over the air download store," Zarling says of an exclusive version of the song "Tim McGraw."

UMGN's Kline also sees mobile as an opportunity. "We have great relationships with all of the major carriers. Mobile's a different world. You look at things like Thumbplay and Jamster, they sell a ton of mastertones in those packaged deals, particularly in the urban and rap world. Country not as much. So there's room for growth."

AT&T head of music and personalization services Mark Nagel agrees that country is a growth market. "We all recognize that hip-hop and, to a certain degree rock, is still our bread and butter. We're somewhat held to what our customers are demanding, but we're definitely in dialogue with country all the time . . . we think there's a lot of opportunity there."

Nagel admits that country has not been an area of concentration for the company. "The ringtone market is only a few years old, and we concentrated where we were getting the most initial demand. As that's realized its potential, we're now trying to work all the angles."

The company is doing a promotion with Sugarland in which consumers that buy one of the duo's ringtones are entered into a sweepstakes that will fly the winner to a concert. A featured ringtone is also part of the deal.

Nagel says partnerships like that with Sugarland help raise the profile of country ringtone availability, because it's the country artist who will do the most to help push the format to fans. "The artists are the ones with the relationship with the fans, so we need to work with the artists to get the word out instead of us."