



Stanford eCorner

The Music Industry Unplugged [Entire Talk]

Cameron Strang, *Warner Bros. Records*; Nate Ruess, *fun.*

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Stanford Professor Tina Seelig discusses the creative process and music industry dynamics with Nate Ruess, lead singer of the band fun., and Cameron Strang, chairman and CEO of Warner Bros. Records and Warner/Chappell Music. As a kick-off to Seelig's Stanford Online course, Creativity: Music to my Ears, the conversation explores issues of artist development, evolving business models and the shape and future of the music industry.



Transcript

This is so exciting - I don't think we've ever had a rock star in the room before. So we are really - we have lots of rock star entrepreneurs and venture capitalist but this is exciting. So is this your first time at Stanford? Yeah, you still don't have a rock star. No, yeah, yeah, yeah. I think we'll - yes. Okay. So here we have Cameron, here we have Nate and in fact, Nate, this morning got a chance to go play golf at the Stanford Golf Course. Yeah. Pretty cool? Amazing. Yeah.

Well yeah, I was just like bumming around in Florida and other places and to come here is just incredible. Fabulous. As an excuse, I am only here because I was able to play the golf course earlier. Great. Well, maybe we can entice you back again. Probably. So let's get started. A lot of people in the room are not that familiar with the music industry. We're certainly pretty familiar with the Silicon Valley entrepreneur ecosystem. Maybe you could give us a little bit of a tutorial about what it means to be a producer, manager, an executive and also an artist in the music industry.

Cameron, you want to kick it off? Well, I'll start quickly. So the music business, the music business is really divided into major companies and independent companies. And now the major companies are really Warner Music Group-which I am a part of-Sony and Universal. And then there is a whole host of independent companies that are smaller than the majors. And generally, the business is divided in two: recorded music, which is the kind of the classic record business where we find artists, we make recordings of the music and we exploit that music however we can through CD sales, through downloads, through streaming, through licensing of all different types. And also the music publishing business which isn't the really the music publishing business, it's called the music publishing business because a hundred or two hundred years ago they used to publish sheet music but really today it's more probably the music licensing business and the song business. And that business is about owning and managing the underlying songs, the intellectual property of the songs themselves, the compositions themselves. So every song is written by somebody and they own that song and then it's used in various ways. So that's the music business that we're in and then there's artists and managers and booking agents and lawyers. There is a whole industry of people that make a living, working around the music business and artist and songwriters.

Great. What about from the artist's perspective? I am the exploited. It's a terrible word. So the lawyers... Exploit the music, not the artist. ... the managers, everybody, I create music, make art, write songs. They are not mutually exclusive or together, art or music. And I like to do a little bit of everything and that usually means that eventually you have to go out on tour or do interviews or do other stuff like that. But the music industry, where I am at right now, is a great place because I have had opportunities, I've been on the radio, have sold music so to get to, I guess, dictate, have a little more of a hand in dictating what I do as an artist is - it's a great place to be.

So around here we know about all different types of investors, whether it's seed funds that really look at companies very early on and those who invest later stage. At what stage do you start investing in artists and is maybe you can tell a little bit about how you were discovered and I mean you were really young when you first got your first record contract. Yeah. I was 18 years old playing in a local band in Phoenix and the radio station had started to play our music and major labels had caught wind of it and the next thing you know we're signing a big contract and when you sign a contract that's too big and you don't sell a lot about them, you end up getting dropped. And then I was re-signed by the same company about four years later in a different band which is, it's a very weird - I guess, just never giving up and I always had some sort of cult fan base to rely on which is an important thing. It's an important thing. You know, I talked about how it's easier to make decisions now after you've kind of made it a little bit but it's also wonderful to step out onto your own and I guess not be as reliant on the big companies. Though - but I think it took a lot of failing to appreciate what a company like Warner, whether it'd be the publishing or the record companies, can do for you when you are ready to - we're going to keep saying exploited which I think we need to just like - we do erase that word like absolutely. Yeah, yeah. Okay, I'm sorry.

That's my fault. That's my fault. So maybe you can talk a little bit about - Cameron, about at what stage you're looking for artists. Are you trying to find the folks who are in a small club or a coffee shop playing a guitar or are you looking for people who have a big fan base already online? Well, there is no real one recipe. So we are generally just looking for very talented people who, we think, will connect with an audience and sometimes they have big fan bases, sometimes they have small fan bases. I think one of the things about the company when a company as big as Warner is, we are dealing with all different types of artists. So to put it in perspective at the publishing company, we publish everybody from the Gershwins to Cole Porter to Radiohead to Lil Wayne to Nate Ruess to Jay Z and Beyonce and Katy Perry. So we've got a wide array of people doing a lot of different things. Some of them are current with huge fan bases. Some of them are historic with huge song catalogs.

So, there is a lot of nuance to dealing with the various people. But when it comes to finding talent and developing artists and investing in people's careers, we are looking for them at whatever phase they are at. I think sometimes we are very early and sometimes it takes somebody a period of time to be ready and to be in the place where it makes sense. Can you talk a little bit about the relationship, how much shaping gets done of the artist? One of the things I have learned about in getting to know the company over the few weeks is the term A&R. How many in the room have heard of the term A&R? Okay, a couple of people. Okay, this was a fascinating concept. Maybe you can talk about that process and how that fits into sort of working with the artist. A&R I mean, originally stood for artists and repertoire and really that's the part of the company that creatively works with artists and/or songwriters on the publishing side. But let's just stick to the record side. So that's the side that finds artists, that brings them to the company that eventually hopefully we sign a contract with the artist and then works with them too to get the recordings done to help them connect to the company in such a way that we can connect them to an audience.

So sometimes again there is no-one-size-fits-all, sometimes the artists are - have a very clear artistic vision and write and perform their own material. And some are not songwriters at all but have an artistic take on music and how they - what they want to perform, so we may help them connect with songwriters or record producers or songs themselves that people send us. So there is a variety of things that A&R does depending on what the artist needs. One of the things that I have learned along the way is that it's actually pretty rare to be in a position like you, Nate, where you actually are a songwriter and a performer, that a huge number of people fit into one of those categories. You're either a songwriter or a performer and that's where this comes a matching. As a songwriter and a performer, what sort of relationship do you have? How much shaping do you get of your work or are you given a lot of artistic and creative freedom? A lot of artistic and creative freedom and then that's - I don't think I was going to sign another contract with a major label unless there was something that I was going to get, because, as Cameron mentioned, it's good to have an A&R for someone who might need a little bit of shaping. But I look at a lot of artists and if I am critical I think like oh well they could use a little bit of A&R in this department or that department. I think for us, we're a confident bunch. I had made - I had seen the problems that I had had in the past. Artist development is a very crucial thing and it's not something that necessarily happens a lot these days and I think that that's why we are seeing a lot of bands just come and go or artists just come and go; they don't get an opportunity to develop and I think that we - through the trials and tribulations to where I am now, when we had written and recorded that last album, we didn't have an A&R because it was - we knew what we wanted to do, we were very - like we'd have a specific goal but that's usually not the case.

So usually, artists take full advantage of these type of resources? I mean if - yeah, they can be helpful. I had A&R on my first album on a major label 10 years ago and it was just a disaster. You know, like people talking to you about the songs that you're writing as a - I think as a band member or as an alternative musician or something like that, you look at it a little bit different. I have written songs for other artists and it's been set up by A&R people. Those songs probably wouldn't happen if it wasn't for A&R whereas I am not looking for any outside help in song writing. So I don't need that. But when you hear like from an A&R guy and he's - what did he say? - when I am making - when I was making my first album, I was about 19 or 20 and he was "you know what, it just needs to be a little bit more high octane." It was just... I'm not going to cuss. Otherwise, we have to label it explicit. There's good A&R and there's bad A&R. That's true in everything, right? Good A&R doesn't use words like exploited.

Well we were talking actually earlier today, we were talking about the good ideas and the bad ideas. So maybe there is good A&R out of bad A&R. Well, so one of the things that we're very aware of here is technology trends and things are changing all the time. That's certainly true in the music as well. How do you both follow and create trends? Well, I don't do either one. So - but generally... I'm buying those shoes tomorrow. Yeah. But as a company, I think it's a little bit counterintuitive because it's - and I think it really relates to creativity and it relates to being an entrepreneur or anything that's truly creative. It's - the challenge is how to remain fresh and creative and new in your approach so that you're not following, you are not chasing something that's already being done.

You are actually doing something new. And I think for a company or for an artist or for - that's just a huge challenge and it's an exciting challenge and it's one of those things when you experience it, it's really fantastic and I think it's what keeps us all trying and keeps us all going back because I am amazed every year or put whatever timeframe you want on it, I tend to use years, I guess, because that's the way we delineate our life in some fashion, but every year the songs are great, every year there is more hit songs, every year there is a song I hear or a bunch of songs that I hear that move me emotionally and make me want to listen to music or play it for my friends or play it for my family. And those songs usually don't sound like the songs that I heard last year. So it's - that's the challenge. That's the infinite challenge that we have in the music world. Do you think about this - do you think about trends or are you, as an artist, trying to buck the trends and trying to do something that's very different? No, I think that it's - as an artist, I think that I didn't necessarily have maybe the mainstream success I had until recently because I was so caught up in trying to kind of just make albums like from the 1960s or 1970s like Beatles-esque type of albums and I started to just lose focus on what was happening now. And I think with the last album I had, I had realized that I was just going to get left behind if I wasn't going to start paying attention. There is a lot of terrible music out there, most of it is terrible but there is a lot of good stuff and there is people trying to do new things and I let it influence me. I have become better; a better songwriter, just a better person, by acknowledging what's happening right now. I think it used to just kind of scare me a little bit but now I think that it's been one of the biggest reasons for my successes; to acknowledge that there is something in front of me that's happening.

Speaking of albums, I mean people consume songs these days as well as albums. Do you think about this? Do you think in terms of developing a whole album, a whole collection or do you think about one hit at a time? I think about - I think strictly about an album. That's how I was raised with my Dad's record collections. They got to tell a story. Right now I'm in the process of making an album and the biggest challenge for me is the cohesiveness, that's what the album is. It's not about writing a song; that's a little bit easier or it's a lot easier than thinking about tying this whole entire thing together and how it's going to affect someone's life as opposed to just that one little song. Whereas like in publishing it's a lot different: you are - a lot of it is based just around one song, a lot of the success is based around one song and that - it makes total sense. I was talking earlier other songs that I had written and how I might not think that it's - I am not breaking any new ground and a lot of times as a songwriter I will take my name off of the song and put a different name under the song. And that's just a little fun for me because I like to see how far up the song will get and not be kind of associated with it. But at the end of the day, I think that it's important people work too hard and it's weird to be judgmental.

If - like I try not to formula - to say, call a song out specifically because someone might love it and someone works really hard and they might get into their car after a long day and that - what I consider to be a mindless song might come on and it's inspirational, it's great for them. Do you think differently about this, the songs vs..? I think Nate had made a good point. In publishing it's definitely about the songs; we manage the songs individually. But, yeah, we think about it 24/7 songs, albums and singles. It's an ongoing discussion and which song, which is the single, which formats at radio, all of those kinds of things. So we - it's one of the real influences of technology on music is the way people experience and consume the music and that affects how they listen to it, how they engage with it and how we connect artists to fans. And that's - sometimes it's about whether they listen the whole albums or not or buy whole albums. So speaking of technology... Yeah. ...

I mean we've got these cultural changes that are going on but we also have huge technical changes, technological changes that are happening around us and certainly are affecting the music industry. Is - I am assuming you would think about this all the time. Is this an exciting time to be in music industry with all these technical changes? Yes. I mean it's an exciting time. There is no question and I think it's probably more exciting today than it was a number of years ago. Because our - the music industry as a whole has shrunk frankly over the last decade. So it's much smaller than it was 10 years ago for a whole host of reasons. One of them, I think, is the way technology has affected people consuming music. But on the other hand, it's growing in a different way. So it's really just - it's changed.

The record business per se has gotten smaller but the music business as a whole has gotten bigger. So the challenge to some degree for companies like ours is how do we go from being a record company to being a music company and what does that mean. And how do we look at that. So it's a time of great change which is really exciting but also it's challenging. I remember 10 years ago being - like having just started and I think I had gotten one of the last big contracts that they were giving out to bands at the time. And it was just insane to see that year, I think it was 2002 to 2003, and iTunes took over and everything changed and we started to realize that we weren't going to necessarily have a job as a band unless we got out on

the road and we made our money by touring and stuff like that. So we had to find ways and meanwhile I am looking at the music and the people at our label at the time and they couldn't figure out how to adjust. We were thankful to be dropped by them because we were watching them flailing. You look at people like Cameron now and we've got another friend who - they are embracing it and you're seeing the turnaround now because of people like Cameron. For me, just personally in my life, I am an entrepreneur really.

I mean I have worked at Warner Music for three years but prior to that I had only worked for myself, so - in the music business. So when I started my company, it was a record company. And in 1999, 2000 is when we started to see the decline of CD sales and the explosion of technology. With iTunes, in fact, I was then - I came up to Cupertino to see and I was at the theater at Apple when Steve Jobs introduced iTunes to the music industry. So I was sitting in a theater about this big. But what it did for me is it made me start music publishing. So it was the big driver for me to change our business model and to find some new things to do. So I started a music publishing company probably within about 12 months to determine how can we diversify as an entrepreneur as somebody who is running a business with 22 employees how - what are we going to do with this coming and with the change and the disruption that's going to occur. I think it's very interesting the reframing of saying we're not in the record business, we're in the music business and what new opportunities that opens up, in fact, almost everyone can be in the music business, right? Every kid in their bedroom or their garage can put together a band or sit in front of their computer and make music. What do you think about that? Is that a great thing? Is that a scary thing for a business that used to sort of control the whole process? I think it's a great thing.

I mean, to me, the more people that are engaged with music, the more people that - one of the biggest - I think one of the biggest issues I have in my life and I am sure for a lot of people here is how do you find the time to listen and to engage with music and how are we going to engage people on an ongoing basis. So the more people are involved, the more they - whether they start out playing an instrument. I always say for whether it's the artists, the fans or the people that work at our company, 90% of us fell in love with music at some point in our life, usually when we were young with our family or maybe in our high school years or when we are in college or whatever but that's what really drives us at the end of the day. So the more people that have that passion and the more people that connect to music on an ongoing basis, it's the better as far as I am concerned. Yeah, I mean I think creating is an amazing thing. I don't play an instrument, I just hear songs in my head and so I assume that it's something that pretty much anybody can do and should do because it's fun. Great. It's Fun. I didn't curse. I just mouthed the curse word.

And for me, just that - I don't play an instrument, I don't hear songs in my head, but I hear them after they're recorded. And I know what to do after that. So what are the biggest challenges? I mean our room is filled with all these remarkable people and there are a lot of people around the world who are going to be listening to this who are problem solvers and they are music lovers. What are the biggest problems that are facing the music industry these days and how would you hope that people would think about trying to tackle them? I'll take that one, I guess, biggest problems facing the music... Thank you, I didn't want to answer that question. I was looking at you. Well, look, we've got lots of problems. And I think it's something we talked about it before. I mean I try not to get bogged down in the problems. I think that we've got to look at them as opportunities because I think when we look at them as problems, suddenly it's like we've got all these problems.

But we have lots of opportunities. I mean we have technology, all the things that it brings, how do we monetize the music, how do we monetize our relationship with fans, how do we get more music to fans, how do we create a global company, how do we find talented songwriters, how do we find talented artist, how do we connect those artists and their music with the fans in an efficient way, how do we deal with the different interest - the competing interest that are surrounding music. Now, you know there is the DMCA, there is Washington, there's legal issues, there's royalty issues, there is all kinds of things going on. It's by far the most dynamic time that the music industry has ever seen. So there is lots of change and with all that change comes problems and opportunities. And I think that's what we're doing here. We're hoping that - so that there is people here who will find ways to help us deal with all the things we have to deal with because we are - at Warner/Chappell, we're a 200-year-old company. I was saying to somebody earlier today, we were Beethoven's publisher. So it's a - we've 1.2 million copyrights under management, everything from all the artists that I have just described. That's a big job unto itself and then we have to figure out what do we do in a changing world, how do we deal with that and there is only so much time in a day.

So how do we engage with really innovative thinkers with young people who are in college campuses who are - have their own experiences and their own ideas. So one of the things that makes this a very robust environment is the fact that there is a lot of experimentation and what comes along with that is sometimes things don't work out as expected, sometimes people call that failure. And this is the sort of place where we understand that that's part of the process, is that if you are not failing sometimes you're not taking enough risks. Is this something that the music industry embraces; the idea of experimentation and risk-taking knowing that not everything is going to work? As an artist, yeah, I love the risk-taking aspect of it. I don't like - even coming up, trying to write an album, following up the success of this last one, one of the things that excites me is just how much further I can go and where I can go and to limit yourself because something worked is terrible. It's like - it's atrocious and I hope that it fails and that I love it more than I hope that it is great and it sells a whole bunch and I don't like it. Cameron? For me, it's

hard to talk about the industry as a whole all the time because frankly I have never worked in any of the other companies. So - but for us as a company, risk-taking is certainly something that we encourage. I'm fortunate we have a relatively new ownership at Warner Music Group who are terrific; they guys who - the people who are my bosses and who I report to are extremely supportive of us taking risks, of us taking chances. So I think one of the things that we define our company by culturally is having a culture - an entrepreneurial culture.

So to us, what does that mean and how do we do it. It means taking risks, it means being fast, it means being experimental, it means trusting one another, decentralized approach to business and flat organization. All of those things we try to bring to the company every day because it's vital that we take risks and it certainly in our DNA too. I mean every new artist deal, every time we spend from a business perspective, every time we invest in a new artist or we invest in new music or in marketing or promotion or all of those things there is never any guarantees. The music business is, you know, I always say, Google "Dueling Banjos". Give it a listen, it was a number one record. And it's - there's all kinds of things that happened. So we have to be flexible and we have to be willing to take risks and we have to - it's a very, very challenging thing for a lot of people in business school. Or for me when I was learning the amount of risk that it takes to be an entrepreneur or that it takes to be in the music business is so much more significant than most other businesses that it takes a certain level of passion and faith to really undertake it. I mean it's very different than finance, it's very different than banking.

It's - you are out on a ledge. I'll just say this: I often - with people who come to work at our company, I often say there is a continuum of risk here and the artists are out here because you know you've heard of the fear of public speaking, as peoples know, well just think of public speaking a bit like having to write and read your own poetry and sing it. It's essentially a very, very risky undertaking. And then there is, at the other end, there is all the more traditional industries and more traditional jobs and then those of us that work in the music business who are entrepreneurs are somewhere in between and that's where you really have to follow that passion and follow the faith that it's going to work out have some luck. Some of it involves a little bit of luck once in a while. I - it's an important thing. I can't tell you how many times I'd sit in the conference room with my old company and everybody would be looking at each other going what are we going to do next year. And something will come along. A record will show up. An artist will show up.

A hit will come about. Dueling Banjos; was that the Deliverance song? That was a hit? I think so. Do you publish that one? No, we don't publish it but... Too bad. You should give permission for it to just be running right now, free of charge. That's a sadistic hit. There is no reason why that song should work, context, anything, but it did somehow so. It tapped into something at the time. So let's dive into the creative process. So, Nate, you're in a band, that is a pretty intense creative group.

Can you tell us a little bit about the process of working together as a band to not only create a song, produce a song, what does everyone bring to the table and how the decisions get made in that process? Well, I think it takes a lot of knowing what kind of what people do best. The songs generally start in my head and I'll conceptualize them, conceptualize kind of the album where it's going to go and then we'll all get together and kind of dissect it a little bit and make an album from that. And I think it works so well in Fun because we know each other but we're also such close friends that - I have been in writing sessions with people that I can't stand and it doesn't help. And I think to be around people that you trust, that you know kind of what their strengths are and you kind of - there was a time early on in the band when we would do some - the two of us would leave the room when the one person was kind of doing the thing that they'd specialize in. And it was just at the beginning of the band because it was so exciting for us to come back into the room and hear what they had done because while the songs, you generally start with me, it's cool to see to kind of the arc they take thereafter. Very cool. So I am going to ask just a couple more questions and open it up to the audience so you can percolate on the type of questions that you would like to ask to our guests. So one thing that strikes me these days, it's very different than when I listen to music, is that all - most songs come out with a video and it's really interesting. So how does that affect you? Do you have to think about the visuals that go along with the song while you are writing it? Is that something that's part of it? And does that change your experience of crafting the song as well as the folks who are going to be listening to it? Me personally, no. I don't - the video thing is more of like a massive annoyance that I have to like get in front of a camera and do stuff like that.

I like the song. My favorite part about music isn't what I saw. It's what I heard. And it's what I heard and what it means to me when you are seeing a video. And this is just purely artistic. I am sure that there are reasons why we make videos. And it's - they are all for business. If it were up to me, we wouldn't make any videos because they just don't seem - they seem kind of pointless. I want people to hear the music, not see the music and then get planted in their heads kind of what they think they saw. I want people to come up what the song is about themselves.

That's why I got into music in the first place. Good. Any thoughts on that? I mean for me, I think, I mean as a music fan, which is really what I am to begin with, I was never - I am a big fan of listening to music. I think that - but I do understand YouTube is obviously a massive part of the way people consume music. Yeah, sorry, I don't want to sound like a dinosaur. Videos are cool. YouTube is a massive part of the way people consume music today. And actually I think it's one of maybe a future of the business or of music in general is how people experience music and I think there will be visual aspects to it. I think

that's one of the great things about rooms like this and places like Stanford is, there is all kinds of technology and innovation that's going on that's going to make music more experiential in my opinion. And I think video will be part of that in some fashion and then you have YouTube and the phones with screens and certainly there is a whole lot of music that gets consumed with - that gets interacted with through video.

But at the real core of it, at the very, very core of it, the great songs and the biggest songs and the biggest artists have an ability to move people and make them feel and think and/or both at the same time through a song without a visual. I mean I think that through the publishing world of things as well, we got a lot of breaks on our first hit song just by it being on the TV show, Glee, and then being in a Chevy commercial. So, it works as an outlet to get your music out. It definitely works on a business level. Yeah, I think that's actually an interesting point. There is also a lot of use of music with visuals that come later or for another purpose or whether it's a movie or a TV show or a commercial or any of those things where we don't actually make the video that goes with the song but for some reason, it can be a very powerful combination. Great. So let's imagine there is someone in the room or someone who is listening who so wants to be a professional musician. This is something that really is their passion and they want to have this broad audience. What's the best way for people to think about the process of getting "discovered"? How do you like that question.

You take it. That question is like asked all the time. There's - the cool thing I think about this answer is that there is no rhyme or reason to it. You just - I think if it's a good song, I hope that through publishing or through record labels, it will find people. The internet has been so helpful in that making people discoverable. I will also say that if your goal is to get rich and famous, then you might have picked like the wrong profession. So, Cameron, though, do you go and troll on YouTube and see who gets a lot of news? I mean you know are you like sitting there... Troll? I troll on YouTube looking for artists to exploit. I mean is that what you're doing or does someone have to get introduced to you? I mean in... He is usually just writing over a little bunch of snide comments about Beyonce's attire or...

But we know that in the world of venture capital, in the publishing world, there are all sorts of unsolicited business plans and manuscripts and things don't get read unless they are introduced. I mean do you have a network of people that you count on to introduce you who are out there looking for talent or are you out there - literally are people looking on YouTube to see who is getting views. I think there are different approaches and there are different ways people do it. So there's - again, there is no one way anything happen but we have people doing research and most companies do have people doing research and obviously this is a - so we have people doing research and that involves lots of different things. There is a lot of tools that we have. They use - in technology we can see, believe it or not, we have companies and internet capabilities that allow us to see every radio station, how many songs they play, what time of day they play our songs, we can see when things sell by market, we get lots of data in a lot of different ways. And so we have a research department that works through that data and will look for things that are working or not working. An area that could probably use a lot of help and a lot of work frankly is how we find new talent, how we find talented people that are connecting with an audience because that's one way to do it. But also I think for me personally, a more informal network of people that I know and I've got to know for many years, some of them are everything from people who work in studios to people who work as lawyers or managers or booking agents or whatever. And also then just stuff that gets sent in and of course, there is a fans of your parents and the fans of your brothers and the fans of your - everybody knows somebody.

But the reality too, in my life with all of the people that I have been fortunate enough to work with, there is basically two real-truths to it. One is that I have been fortunate that all of the success that I have had and the companies that I have worked for have had is really at the core based on creative people writing great songs and making great music. And secondly, everything that I found and ended up working with was brought to me by somebody else. So I have never actually trolled anywhere and found anything specifically but that doesn't mean it's not just one person in the room or two people playing me something or somebody I know sending me something. And ultimately, you still have to make the decision, are you in or are you out. And that's the real challenge that... Great. I bet there are some questions in the room. Who wants to start? Yes, and say it really loud. Okay.

So you said that you're trying to make the transition from being a record company to being a music company. So obviously, a lot of your money that was in recorded music has sort of transitioned elsewhere. Is this primarily in live performances and touring now? Or what are the markets that you are trying to find in the music world? Well, yes, so a lot of - there is probably more money in the live recording business - I mean in the live touring business than there has been and I don't have it in front of me, but - yeah, but I would say it's more nuanced than that. I think we are looking at things like streaming services like YouTube, like new video services, how do we organize around that, how do we monetize our music in those situations, our videos in those situations, what's the best way to run a business around that, do we sell our own advertising, do we use somebody else to do it, do we have an algorithm that does it, how do we create more videos to go with that, what's the business around lyric videos. I'm sure you guys have experienced a lot of lyric videos, there is a lot of lyric websites... Yeah, what's up with lyric videos? Lyric video... What is a lyric video? A lyric video is a video that basically plays the lyrics of the song while the song plays. They're very, very popular... On YouTube like - on YouTube. So I can sing along? You can sing along or

you can just read along.

Yeah, it's like a karaoke type of situation... Yeah. So I think in all of those places, we're trying to figure that out and how do you organize a business around it, what's the best way forward. Do we want to be in the live business as well? I mean we, as a company, in certain instances share in the live performance of the artist. In some instances we don't. How do we - I think what - how do we partner more with our artists and connect them to more fans, are there - what are the global opportunities around an artist and around music, what's the music - what are the opportunities, how are people going to consume music in eastern Europe, how are they going to listen, are there opportunities that are different there than they are here, are - what's the relationship like with the fans; those kinds of things. Good. Yes? So when I was growing up there used to be like four major record labels and now there is only three main players. Yes. What do you attribute to Warner's ability to remain one of these three main players? Can you please repeat the question - just you can repeat it.

Now, there's three major record labels, what capabilities and what ability do we have to remain? I think, well, look, there is probably a number of things. One is the incredible history of the company and the scale of the music that we already are in business with and the artists that we have. But I would say going forward, our ability to find new talented artist and connect them to fans, our ability to help them succeed in doing that. That's really the lifeblood in the future growth of our company. And I would also say innovation and the culture of the company as a whole, how do we continue to evolve. So on the Warner/Chappell side, a 200-year-old company that's still thriving, how do you create a culture, how do you continue to have a culture that attracts young people, that attracts smart people that's innovative in its thinking, that's flexible in the way it approaches business so that it can survive whatever the world throws at us. And I think that's, as a leader of a company of the size and scale of Warner Bros and Warner/Chappell, that's the real challenge, is how do we create a sustainable ongoing business and business culture that's attracting people to help us to drive us into the future. Yes? Hi, I am wondering if you are looking at new artists, how important is talent versus like an image or a brand? Can you repeat the question? So the question was how important is image versus talent. And like branding? Yeah. So, it's interesting because I guess, I'll answer it in two ways.

First of all, talent is very, very important and it's been proven to me over and over again and I think there are times - there are times in running especially a smaller company, not so much running Warners but when I had my own businesses that are smaller, you ebb and flow with your own success and I think it was constantly proven to me that talent finds its way. And that's something I fundamentally believe in. I think then images, image and how does that, I guess, I wouldn't always separate the two. I think of oftentimes, the talent and the image are connected very closely. So a lot of great artists that I meet and a lot of people that I meet, they have kind of almost an innate ability and a feel to have an image that's genuine and is themselves but also connects with people. So I think it's a vitally important part of what they do but I don't think it's necessarily people have talent or they have an image. How do you feel about moustaches? If they got a little bit extra, it's great. But so I think they come together. Great. Over here.

Yes? Hi. How do you think the Warner Bros and artists should be compensated for the streaming, for instance, like Pandora or what would be your ideal way to be compensated for that type of...? So the question had to do with compensating artists for streaming music such as on Pandora. Yeah, like how would you ideally like to get... As much as possible. I think that was the right answer. That - I mean that's our job at times. But no I think that the reality is Pandora is a very interesting case and probably one that could - you could put a whole class around in terms of how it works with our industry, how it interacts and what the right way to get paid is. But I think really how I would answer is on a broader scale is we want to be paid fairly. I think Warners wants to be paid fairly. We want our artists to be paid fairly.

We can argue about where that point is but I also would say that we want to encourage innovation, we want to encourage new businesses to use the content, we want to encourage new investment and new listeners and creative ways for people to experience music and for fans to connect with artists and their music. So there is a lot of different views on how that can best be done but certainly we have taken the approach and I believe that we are pretty flexible in how we do that. We encourage people to get into business and use the music. Great. Back in the way back. So I have question about pirating. I'm curious what both of you think because you're veterans in this business. So I know a lot of musicians and usually what I'll ask them is how they feel about being pirated. And it's usually musicians who are just getting started or have maybe been in the business, not even a business really, but have just been doing it for a short while. Because it seems to me like the way that you get discovered nowadays is a lot of people discover new music through piracy and it's almost a way to measure how relevant a new artist is by how many people are looking for that person's music.

And so the other thing is, you know, if you have these piracy sites such as The Pirate Bay or torrent sites and they're making a profit off of the artist's music, why haven't the record labels just started, instead of a piracy network, just start giving it away instead? So the question really is about piracy and what the attitude is and how the record industry or Warner Bros Records is dealing with this. I get asked that question a lot just as an artist how I feel about it and I then I think that it's kind of - it's a little bit of a Catch-22 in that had it not been for piracy I probably wouldn't have gotten where I am and then at the same

time, it's kind of a drag because I have always bought my own music and I buy my own music because I love to own an album. I look at it a lot more artistically than... Anytime I get something for free personally, I usually don't end up listening to it, it feels a little cheap to me. And I think that people should take pride in ownership of art. However I can't - I think it's done as much - it's probably done a little more good than bad for someone like me whereas if you are the record label... Passing... Yeah, I mean it's a tough thing for us as record... I don't get paid no matter what, that's what I am saying. He's trying to decide where to buy his next house. I would - look, it's a tough thing for us, the piracy, there is a lot of places you can get free music.

I guess some of it depends on what you call piracy. So BitTorrent sites from overseas that are just giving away tons of free music, that's a really challenging one for me. I don't see the benefit of that to anybody. But if you're talking about free music where people are being able to get music for free, I think there are times when that's beneficial and certainly we, as a company, are engaged in a lot of free situations whether it's promotional type stuff, whether it's giving music away through various sites, whether it's premium type models with Spotify and Pandora or other places where we allow people to use it for free for a period of time and then they have to pay us after - at a certain point. So we have taken a lot of different approaches and a lot of different looks. I think there is a continuum of piracy too and I think there gets to be a point where my feeling is we should shut it down. But I think that there is also a lot of use to free music on the internet. Great. Over here. Thank you so much.

I'd love to hear what are the - so being in the music industry I am sure that you're also looking at how internet is changing other businesses as well. I'd love to hear what firms outside of the music industry you're looking at and thing they're doing that are interesting that you are looking to apply to the music industry. So the question is: are you looking to other industries for inspiration if to - for the music industry? Yeah. Yes, we are looking all the time and we are looking at them from different points of view and it's hard to be the expert on everything in the music industry. But I would say that - so I don't speak for everybody but, look, we look at a lot of different companies from - and how they're using technology; everybody of course from Google and Apple and the huge companies to smaller companies, Instagram, Snapchat, whatever the latest ones are. And really what we are - fundamentally, we are still - our approach is how can we either change our organization and change our company as a whole in order to better compete going forward or how can we use these various technologies or partner with these companies to connect more fans to the music that our artists are making. So we generally approach it through those two things. And when we do that, the possibilities become fairly infinite and we're constantly looking to try to do that. I think you might have seen just today or yesterday we announced a Warner Music Group partnership with Shazam to source talent, to supply new artists to use their data in helping us move forward. So they are obviously a big technology company but big or small, we are looking for companies we can have strategic partnerships with and/or be in business with.

Great. Yes. I've heard that you studied law before going into the music industry. I was wondering what prompted that change. So the question is - Cameron, you were a lawyer, you studied law before this... Yeah. ...and then you entered the music industry. What prompted you to make that change? Well, a lot of different things. But I studied law, I went to business school and then I went to law school. I became essentially a criminal defense lawyer and a litigator.

And really I wasn't prepared for it. I wasn't really emotionally able to do it. I wasn't prepared for the negativity. I wasn't prepared for the misery and the negativity around it, frankly. I like the intellectual challenge of it and when it really - when push came to the shove, I am sure it's something - I don't know if it's something that maybe it doesn't happen at Stanford but for me when I was that age it certainly happened is that it's hard to find something that you're really passionate about and that to me, I would look to the rest of my life. I remember when I was a lawyer at times I'd think my God, the rest of my life doing this. And I didn't see a lot of really happy people and I just didn't have the passion and the belief that what I was doing was really that meaningful at a period of time. So, I had always been a music fan and music had been probably - music and sports have been the most important things to me in my life to that point. So really I started the record company because I just felt like if I can be a part of bringing music to the world that affected people the way it affected me, that would be a good thing and that would be a worthy thing to do with my time, my energy. And so that's what I did.

Great. Last question. Yeah. I'm really curious, when you and your team are deciding to sign a new artist, what portion of your personal taste goes into that decision and what part of that decision is made by reaching a certain fan base, reaching a certain type of audience, filling a hole in your roster, so to speak? So the question is how do you - when you are evaluating a new artist or a new song, how do your personal tastes come into play versus looking at more strategically and how it fits a hole? That's a good question. Very challenging... All these questions. These are about a hundred times better than like the questions that I get on a daily basis. You should take this one. I'm like a random radio station like wants to know like, how fast can you run a mile? I'm not going to answer that today. Everybody is too intellectual.

So I'd answer the question this way. It's a really good question. When I had my own business, I would say, this was my personal taste and this is the records that we thought would sell. You know, we were trying to do this. So now that it's a much bigger company, and fortunately I am the Chairman and the CEO, we have a team of people and hopefully that they are finding things because you have to have that - I think somebody has to have that passion for it and that desire for it. So we try to have

a variety of people who can answer that question better than me. But I hope most of them some time they are going to show up and have a real reason for wanting to sign a particular artist or have a passion for it and be willing to stick with it and sort of - and stick with it through thick and thin or find a way to make it work, find a way to connect it to fans, find a way to connect it to an audience because that's it. So as far as the company at Warners goes, my personal taste and what I particularly want to do is not necessarily a deciding factor, although sometimes, remarkably I appreciate and like a lot of the music. That's a wonderful note to end that. I hope you agree that this has been really fascinating and given us a view into a very different industry than we normally get to look at.

If you're interested and curious to learn more about creativity and to polish your creative problem-solving skills through the lens of music, I encourage you to take a look at this new online class that we're working with them on. If you go to online.stanford.edu, you can get all the details and please join me in welcoming or thanking our fabulous guests.