

# JOE GALANTE

## Let's Build More Stars

**S**ony/Nashville Chairman Joe Galante is one of those rare left-brain/right-brain people who has both an affinity for numbers and a passion for music. He was 20 years old when he joined RCA/New York as a budget analyst. Two years later, in 1973, he transferred to the Nashville division as Manager/Administration. In 1977, he became Director/Nashville Operations and later rose to VP/Promotion and then VP/Marketing. In 1982, Galante succeeded Jerry Bradley as the head of RCA/Nashville. He moved back to New York in 1990 to head RCA Records Label-U.S. He returned to Music City in 1994 as Chairman of the RCA Label Group, which included RCA and BNA. RLG welcomed Arista to its fold in July 2000 and added Sony/Nashville's Columbia in the spring of 2006. Country Aircheck talked with Galante a few days after the CMA Awards.

**Country Aircheck: What were your overall impressions of the show?**

**Joe Galante:** I thought it was a well-balanced presentation of what is going on. We opened with two of our best [Brad Paisley and Keith Urban singing the current single "Start A Band"], and you could see the camaraderie. That was great TV because they were having a blast and they got to be themselves. Closing with the Eagles was another great anchor for us in terms of putting the two pieces together. You never felt stuck in presentations; it was a very music-intensive show. The stage, graphics and all the packages were phenomenal in showcasing our best and brightest. It was well done.

**Any of the results surprise you?**

You're always surprised. You hold your breath for the entire show, and you're never sure why some things work and some don't. It is what it is. But, there were some pretty strong contenders in the Vocal Event category, and then Robert [Plant] and Alison [Krauss] win. That's one of the awards where I went, "Boy, that's strange; that's really different."

**What did you think of Kenny Chesney inviting the Wailers to sing with him and having Kid Rock on the show?**

It mixed up the show, musically; you didn't know what to expect next, which I thought worked really well. Kid Rock had a huge record in this format this year; why would he not be represented? The Wailers are part of Kenny's influence, and that made sense, too. I didn't have any issues with anybody who appeared on the show. I don't remember anytime we've had reggae, hip-hop and classic rock all on the same show; it was really interesting.

**Kenny won his third consecutive Entertainer of the Year Award and fourth in the last five years. You've been with him since almost the beginning. What is it you know about him that the rest of us don't?**

He just never stops. I know he doesn't rest. He's consumed by this, in a good way. It's not 24/7, because when he goes away, he goes away. But he never stops thinking about how to make it better for the fans. He is so comfortable where he is. That's why going out there with the Wailers or doing the *Lucky Old Sun* album helps develop him as an artist and feeds him artistically. And, as opposed to getting the same run-of-the-mill records that we can line up on somebody's career over a period of time, I think it's great. It's great when Alan [Jackson] goes out and does *Precious Memories* and then works with Alison Krauss. It broadens what to expect of these artists and goes against the tendency to get so narrow. My biggest concern about our format is that we have such a narrow bench of superstars. If they keep making the same record every 18 months, they can't ever surprise anybody or add dimension to their music. We're just so focused

on Country radio and scans. Every once in awhile, letting an artist breathe, like *Timeless* did for Martina [McBride], allows them to explore something that they normally can't.

**You oversee the Arista, BNA, Columbia and RCA Country imprints for Sony. What is the culture you try to cultivate in your company?**

The artists and the songs are at the center of everything. That's why we exist. Every morning I check sales reports and statements and marvel at how much money we still make from what [former RCA label chiefs] Chet [Atkins] and Jerry [Bradley] did. So, I have a sense of obligation, knowing that we actually have two of the three oldest labels in town with Columbia and RCA. Half of the people in the Hall of Fame are from those labels. You ask, "What am I doing to add to the legacy?" And that really comes back to, "What are we doing with our artists and what kind of songs do we have to support those careers?"

After that it's about trying to instill similar values in people about supporting the artist in every way they possibly can, and being honest. The biggest thing we've got to have today, and in what we do here, is just being honest, open and transparent. If we're successful in our mission in getting records up the chart and selling, then everybody benefits. This isn't about, "I like this artist better than anybody else, and therefore we're going to do this." It is about the marketplace. There's only so much we can do with the time we have. So the artist, the management, the label – everybody – all need to be on the same page.

It's also about having honest conversations. Record companies are probably in a better position than most in the music chain to feel economic or behavioral changes. Before the sub-prime mess was in the headlines, we felt it. Before there was a change in CD sales, we felt it. We've felt our audience's lack of response – as of yet – to digital, even as people have been asking, "Why aren't you going there and why aren't you doing this?" It's like, "Dumb ass! Don't you think we're trying? But they're not biting." We're on the front lines, we see what's going on. We also have a really good understanding of what's going on with best practices around our labels, what's going on in the country and what promotions are working at what radio stations because we're sharing information.

We're competitive as hell within the company, but we're trying to give everybody the best shot at getting something done. We talk to artists and their management and teach them as much as we possibly can. We talk to them about what's going on and show them the research we're getting. So, a lot of our culture is about educating people, giving them the tools and giving them the responsibilities. This is not the old days when I could sit here and micro-manage this stuff. There's too much going on.

It's really all about understanding our operating principles: Respect the artist and respect the music first. From there it's about building the attributes of the brand – how do we differentiate one act from another and give them the support we need to give? That's a big part of this thing. And, being honest. In this environment, nobody's got time for bullshit.

**How have you handled the artists coming into your culture when Arista and Columbia came under your purview?**

In both cases, we went out of our way to make sure we spent time getting to know every artist while also giving them as much time as possible so they understand us. [I'm] talking again about the culture and the philosophy, asking what they needed, what they wanted. It's really pretty simple: If you keep your word, you don't have a whole lot of problems. But I think *that's* what it is – it's the commitment where people know that you're going to keep your word. And if there's a change in what you said, you have to go back to them. There's a lot of conversation; I don't want people to be surprised.

Hey, we don't have all the answers. We never pretend to have all the answers. All we can do is present the issues that are there and try to find mutual solutions, because at the end of the day, we're all trying to do the same thing. Sometimes our approaches may be different than at other labels; there's no doubt about that. But a lot of it is because we're so focused. People refer to that as "control." And the reality is, "No, we're agreeing on the goal. But we gotta be really in sync if we're going to get there." And it just depends; the system isn't right for everybody. Some people don't like that kind of focus. They would like to meander a little bit more, and that's fine. That just doesn't work here.

**How do you manage the four labels in terms of, on one hand, being one company under one big umbrella, and on the other hand, fostering competition for chart share, for No. 1s ...**

And for resources and for mom and dad's time? I'm fortunate enough to have great partners like Butch Waugh, Renee Bell, Paul Barnabee, Cathy Woods and so many others here who understand we're all here to do the same thing: help each person in the company do the best they possibly can. But again, the honesty under which we operate is very transparent. If we don't think they're doing the right job, we will change them. And that is a written rule. Everyone understands: you're here to do the best you can for the artists. I don't want to have a conversation that an artist didn't have a hit or sell records because someone wasn't competitive enough. So yeah, we have a lot of very competitive people here. But they understand the reality of the marketplace. There are days you can't walk down the hallway because two of the labels are going for No. 1. It's jump ball, because that's a free marketplace.

**Having that kind of rule in place really raises that bar.**

That's what it's supposed to do. But at the same time, there's nobody that has been let go from this company that hasn't been given time to prove themselves. It's never hair-trigger time. People are given the resources and the training to get things done. If they can't compete, or if we don't feel like they're doing the best job for our artists and for

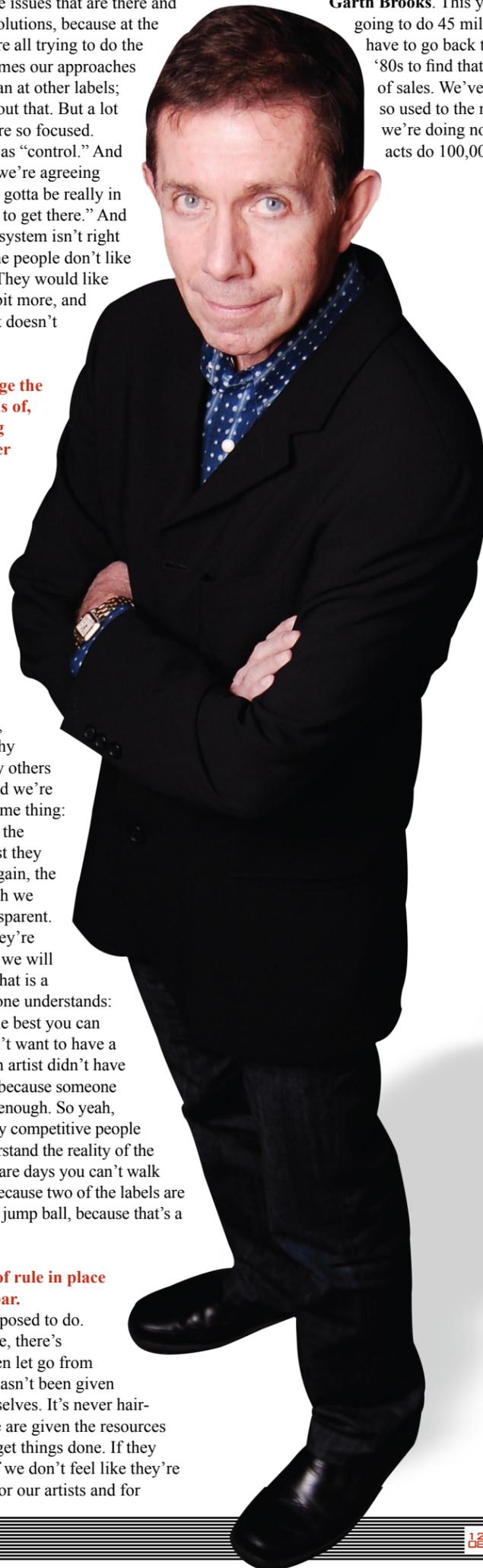
this company, we move on. If you're in this building, bring your "A" game.

**What are the marching orders for the promotion VPs?**

It's about airplay and moving forward on a regular basis. It's also about building the presence of the artists. It's not just about getting the easiest song on the album up the charts, and that's all there is. We argue about how we move the ball forward; there's a lot of blood on the walls about singles. Part of the problem is this town is too focused on airplay and not focused enough on producing sales. So these [promotion] guys are charged with, "OK, we may not get the chart position you want, but if we're getting the sales, we're OK." Brooks & Dunn's *Believe* is a prime example. It wasn't a No. 1 record, but it was the Song and Single of the Year and sold three-quarters-of-a-million records. I'll take those song all day long.

**Physical sales are way off again this year. Where do you expect 2008 sales to come in?**

In '05 and '06, [Country] did 75 million units. In '07 we did 63 million, including three million from the Eagles and two million from Garth Brooks. This year we're going to do 45 million. You have to go back to the '80s to find that level of sales. We've gotten so used to the numbers we're doing now. New acts do 100,000 units



and people are jumping up and down and making another record on somebody. As a town, we haven't adjusted to these sales levels yet. We're still doing a lot of things the same way, and still spending money the same way. We've got to adjust our mindset. I don't believe what we're seeing right now is cyclical; I believe this is a permanent change. There is a digital movement that hopefully, in the course of time, grows for the country consumer. Although, with the economic crisis we have right now, I'm not sure how many people will be making a transition to iPods in our format.

**So we're at the lowest sales levels since the '80s and there's a lag for digital. And, it might even take a generation until Country fans move to the digital age. How much pain is this town gonna suffer?**

Next year is going to be really difficult for everybody. To a certain degree, this is the last hurrah. You're seeing radio cutting back left and right on marketing and other things. How many controllables can you reduce before you finally have to lay off people?

I don't think we'll lose the presence of major labels in Nashville. We've seen a plethora of independent labels grow up here the last couple of years, and I wonder whether they can be economically supported in this environment. It's not just a matter of radio; you've got to look at the accounts, which aren't carrying the same number of SKUs they used to. The cost of doing business is getting higher, prices are declining and the volume is declining. Now, I may not be the best business guy in town, but those don't sound like great reasons to go into business.

And, publishers aren't getting as many cuts. Labels are beginning to get off records faster – they just can't ride 'em out the way they used to because it doesn't make any sense. Why would you stay on records if they're not selling, if they're not producing any real value? So, from a songwriting/publishing standpoint, things are only going to get worse as time goes on, because labels just can't make their resources about the chart, the chart, the chart. And we still have that mentality in town. I honestly believe there will be a shift as time goes on. Because records that chart but don't sell do not produce careers. They may be producing airplay, but ask a buyer or an agent, "If somebody has a No. 1 record, does his price go up by \$15,000 or \$20,000 the way it did a couple of years ago?" And they'll say, "No, it doesn't."

**What's going on at retail? I hear there's been a change in the way stores are stocking records.**

Everybody's bringing down the available supply. We've gone from stores having a 12-week supply two years ago to where many now only stock enough inventory to last two to four weeks. The bad news is an artist can have a hit record that is actually starting to sell, and it'll be out of stock. And that will happen for a period of weeks until we are able to build the case to grow. This will require more vigilance on our part and more patience on the artists' part because this is retail's way of saying to us, "If you don't turn, we're not going to take care of you." This is not the same business it was a couple of years ago. These are all [publicly traded companies] that are looking at their numbers, and they're very conscious of their inventory.

**What are your expectations for Christmas sales?**

This is going to be a very difficult Christmas across the board. We're really nervous about everything because of all the anecdotal information coming out where people are just saying, "We're cutting back, we're cutting

back." And then more people read that and think, "Well, then we need to cut back, too." But, while we may actually have some bright spots through the holiday, I'm worried about coming into January and the switch gets shut off and we suffer a quick drop.

**What's your sense of the Country radio business today?**

Both sides used to spend a lot more time on music. The great thing about this format is there's still more one-on-one than in

presenting on the Awards show. And he's part of ABC-TV's red carpet online promotion. So all of a sudden, he's above the fray of a lot of these guys that just show up in town. Programmers need to look at the value a company brings to separating an act from the pack, like putting Jake in front of Kenny Chesney and Brad Paisley (in concert). Radio needs to look beyond the charts and ask, "Who's going to help you separate that act, to help build your audience, to make your audience aware of the artist?" They



dinners we had just recently, they put the songwriters and publishers up there. And I can honestly tell you that nobody on that stage had anything to do with getting that record to the top of the chart. Labels are completely left out of that loop. But not a day goes by that I don't get a call or email from a writer or a publisher saying, "We're down in spins. What's going on?" We are the promotion department for all those people. But what's the value for me in driving a record from No. 10 to 5 to 1 if I'm not receiving anything? If it's not selling or not selling at the level it did before, why do I care? And that's a question that's going to come up more in the future than ever before.

Along that same line, artists and managers say, "I need these records up the charts to drive my dates." OK. And their investment in this is what? We're on the hook for the recording, the marketing, for all our people out there, all the T&E, covering backstage meet-and-greets, all that stuff – our dime. I'm not saying that there isn't an investment from the managerial standpoint. But the way it's working right now is the big pile of money is [in] live, merch and performance. Record sales is the smaller pile.

But the question is whether there's a justification for us to be sharing in more of everything. Do we need to give up some of our upside and they give up some of their upside to us? Yeah. There needs to be a more collaborative effort. But it's not the solution unless you're able to break artists to the same level that the stars are on. In order for this to succeed, we're committed to people that want to be in business with us. We're not committed to people that want to use us. There has to be a better relationship than that.

**Sony recently purchased BMG's share of Sony BMG. Do you have a sense yet of what the change will mean for Sony/Nashville?**

It's going to be much better for us. Rolf [Schmidt-Holtz] is our Chairman, and I've known him for 15 years. Rolf is the heart and soul of this company. And having one guy who reports to [Sony Corp. of America President/CEO] Sir Howard Stringer will be beneficial.

Sony is a content company. Bertelsmann was in a joint venture, and it was pretty much just, "How much are you paying me?" Bertelsmann had no desire to be in the vagaries of the record business, where you go, "Oh – the record didn't make the quarter; it's moving into the next quarter." And they ask, "How is that possible?" It was very dictatorial in that sense: "You must be in the quarter." Well, that's not the way it works. Sometimes product development slips; that's just what happens. I'm not telling you that's what we should be doing; that's what's happening.

Sony also allows us to be more integrated in terms of content. For instance, we have the PlayStation SingStar Country game. They're focused on trying to integrate all our products directly to their TV, to the PlayStation and on film projects. We didn't have those opportunities before.

They understand that this takes longer. The joint venture produced profits for both parties. Everybody was happy with what they got. Sony has made a very intelligent investment, in terms of the overall music group. When you look at what EMI paid versus what Sony paid to own a company that's three times the size of EMI, it's a good deal. But at the end of the day, it comes back to the fact Sony is in the content business and there is better synergy for us.

**You've outlined the challenges this business faces. But as difficult as things may be today, what gets you out of bed in the morning? What gets you excited?**

No matter how bad I'm feeling, it always amazes me how [EVP/A&R] Renee [Bell] or [VP/A&R] Jim [Catino] will send over a song that just changes my entire day and I go, "Damn! That's it." Or, an artist brings in their latest session that really lights me up and reminds me that, at the end of the day, for me, it's still all about the music. **CAC**

any other format, and there's still a hunger from a programming standpoint to build relationships. But everyone at radio is juggling a lot of balls, and they can't do what they did before. Everybody's watching over everybody's shoulder. Everybody's worried about not losing, as opposed to trying to win, and it's changed the focus and the attitude about what goes on.

People look at the singles chart success of some of these records and anoint somebody as the "new star." But you say, "You don't have a star yet. We're a long way from defining somebody."

I'm disappointed that we still are taking radio real estate and trading it for free shows and all the stuff that goes on at various places, as opposed to really trying to invest and build. This format needs to identify people and invest in them. We all need to build more stars, and we've got to do it quickly.

**What do you mean when you say you want radio to invest in artists?**

Many in radio are still looking at the charts. They should ask, "What's behind the chart number? What else does the artist have going for them?" Take **Jake Owen**. He was part of (CMA's) Vocal Event nomination, so he's now

don't have the marketing dollars to do that.

That's how we can be working better together. There has to be more than, "Will they come in and do my free show?" I'm not denigrating free shows, because they do have value when you start to move through the system. But some of these acts, you put 'em on live, they're terrible.

The reality of the marketplace is that radio has the real estate, and they need to be smarter about how they approach this. Because that real estate is how people enter this format. There's no denying that radio is the driver in this format. Everybody else stands behind them, in a distant second place. So, programmers have to come back the other way. If they've got less time and resources these days, they should look to the people who do artist development and partner with them, and invest in those acts.

**The "360 deal," where labels share in all or many of an artist's revenue streams seems to be all the rage these days. How do you see them?**

This is one of my favorite subjects, and I know I'm going to piss off a bunch of people. But I find it interesting that when we go to the [performing rights organizations] awards