

EXECS SEE MULTIPLE WOES FOR MUSIC BUSINESS

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common denominator of looking for the isolated hit single, which has no long-term, meaningful career attached to it," Teller says. "This is reminiscent of the latter end of the disco era. The industry is ultimately responsible for its artist signings. We cannot point our finger at the recession or radio or MTV."

In contrast to these criticisms of the industry, PolyGram Label Group president Rick Dobbis attributes the business decline to the economy. "Anybody who runs their business thinking a hit record will cure a recession is soon going to be broke," he declares. "We're not out of the woods yet. In fact we're deep in the middle of the woods."

RETAIL PROBLEMS

Other label executives agree that more hit records will not cure the industry's woes, but for different reasons.

"It's not the recession," claims SBK head Charles Koppelman. "It's the fact that retailers and radio stations are far too leveraged. With all the payments they have to make, retailers can't buy enough product or stock inventory. And broadcasters can't do promotions, so listenership drops off. That, coupled with the recession, is the story here. Last year a major retailer would buy six to eight weeks in advance; now we're looking at two to three weeks."

Joe Kiener, vice chairman/CEO of Chrysalis North America, sees other drawbacks on the supply side. "Yes, there are problems with the overall economy," he says. "But the current slump in the music industry is a homemade, structural problem. It's true that there's less disposable income, but the real problem is right here in the business. It stunted its own growth by going way too far in starting up new labels."

Other label chiefs agree that competitiveness, while usually healthy, is out of hand today. They say it has led to oversigning and the crippling of artist development.

With new labels like Giant, Hollywood, Zoo, Interscope, Imago, and Charisma battling for repertoire, the race for artists and executive talent is fierce and expensive. Record company chiefs moan that promotion executives are earning what label heads once drew and new artists are being paid like superstars.

"The existing labels, plus all these new record companies, create way too much product," Kiener explains. "Retail pipelines are getting clogged and radio stations are getting 20 or 30 singles a week. How many of those singles can they play and bring home?"

"While many other industries in the late '80s geared themselves up for the anticipated overall recession, we did the opposite. We set up 15 to 20 labels when all the economic indicators were pointing down. That's what's wrong. And it will need to be corrected for the industry to be healthy again."

"You have drastically increased competitiveness these days," says Mike Bone, co-president of Mercury Records. "A band that's been together for five gigs has eight A&R guys each offering them a \$300,000 deal."

Similarly, A&M Records president Al Cafaro notes, "The new labels have driven the cost of marketing, promotion, and everything else sky-high. People are throwing mon-

ey at a lot of mediocre bands. And no matter how deep your pockets, if they are not replenished by business, you will soon be out of business."

Giant Records chief Irving Azoff thinks the rash of label acquisitions in the last few years also helped set

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up the current slump. "The high costs of doing business were caused by all the acquisitions as well as the start-up labels," he says. "Once you've rationalized spending several hundreds of millions to buy a label, it's hard to rationalize an expanding artist roster, high-salaried executives, and aggressive marketing of each and every piece of product."

LABEL LAYOFFS

Just how bad was this year's recession? In what may be the first of such consolidations, Atlantic merged its Atco imprint with start-up label EastWest America, resulting in about 25 layoffs, while Island merged most of its operations into

PolyGram (Billboard, Oct. 26).

The 11% drop in overall domestic shipments is a figure that tells only part of the story. Cassettes, the industry's most popular format, were off 23% and vinyl records plummeted 63% in the first six months of the year. The Recording Industry Assn. of America says revenues remained static, due to the popularity of the pricey CD format.

MCA's Teller says, "I don't believe those numbers tell the whole story. For one thing, these are retail price numbers and they don't account for discounting. Everybody's numbers were hurting in the first half of the year, everybody's. I would have thought revenues across the board would be down about 10% from last year."

Though Teller is riding on a record \$118 million month for September, he says all companies, including his, had identifiable problems earlier in the year.

"Industrywide, I would say new release product was down even more than 10% and hit music was way off. You did not see big-time multiple-platinum certifications, which is the lifeblood of the business. Only in the last two months has there been a turnaround," he says.

"The nature of the business is we're a hit business," says Jay Ber- man, president of the RIAA. "We

tend to go in cycles. We're just in a bad cycle right now.

"I would say business overall is down about 10%, when you take into account the CD substitution effect [consumer replacement of vinyl records with CDs]," he continues. "Mall traffic was terrible, which is

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where a lot of record stores are nowadays. Cassette sales were off substantially, and that's the scariest indicator. The most telltale sign of the economy is that we've got hits but not megahits. It's been a long time between 10-million sellers."

NO TECHNOLOGICAL FIX

As for the future, the industry cannot plan on another technological advance like the compact disc to power it through the present hard times. The substitution effect kept the industry in good financial shape all through the '80s but it is winding down. And, while new formats like recordable mini discs and digital compact cassettes have a great deal

of promise, there is no guarantee they will not go the way of the 8-track tape.

"We can't rely on another technology saving us," Cafaro says. "We have to confront the reality of an uncertain future."

Teller notes the problems will need to be fixed before the industry can recover for good. "There seems to be a good deal of optimism right now, as there are meaningful new releases drawing people into stores. But that isn't always enough," he says.

"If they don't have much money in their pockets, they will buy one record and leave. We haven't been getting the multiple purchases that we all need. Whether a few hits will cure all the problems is still a question. I would think that the balance of the year will see better sales numbers on a broader variety of titles."

On the other hand, Dobbis points out, "The economy has not improved. To run a healthy business in today's reality, you should deal with the recession as ongoing for the foreseeable future, regardless of whether Guns N' Roses and U2 are big successes. There is no instant solution."

Jeffrey Jolson-Colburn is a reporter for *The Hollywood Reporter*.

Rhino Taking Tomato Records Titles To U.S. Market

BY DEBORAH RUSSELL

LOS ANGELES—Titles from Tomato Records, an eclectic independent label, are now available to U.S. consumers via Rhino Records and CEMA Distribution.

The exclusive, three-year distribution deal kicked off Oct. 14 with the release of Tomato titles by Louis Armstrong, Jerry Lee Lewis, Ike & Tina Turner, and Jelly Roll Morton. Rhino will distribute Tomato's rock, blues, and country titles.

"It's a good marriage," says Rhino senior product manager Faith Raphael. "Tomato is a very artist-oriented label with high standards of quality and an incredibly extensive catalog."

Armstrong's "C'est Si Bon" is a collection of previously unreleased live performances spanning the late '30s through the late '60s; Lewis' "The Complete Palomino Recordings" features 42 live tracks recorded between 1979-1981 and in 1985; Ike & Tina Turner's "The Great Rhythm & Blues Sessions" includes tracks recorded in Memphis between 1967-1968 and originally released on Turner's Pompeii label; and Morton's "Mr. Jelly Lord" contains 16 cuts recorded in Chicago and New York from 1926-34.

"Tomato is almost like a very hip, sophisticated art project," says producer/founder Kevin Eggers, who notes designer Milton Glaser created artwork for every Tomato title.

The distribution deal also calls for Tomato's jazz and world music titles to be distributed by Burbank, Calif.-based Mesa/Blue Moon, a joint venture with Rhino. Rhino distributes Mesa/Blue Moon product through CEMA.

"It's an ideal situation because Rhino is very strong with blues, oldies, and singer/songwriters," says Paul

Santos, VP of marketing at Mesa/Blue Moon. "And the deal allows Mesa to cherry-pick the jazz, world, and [new adult contemporary] titles that we are best with."

Mesa/Blue Moon's first Tomato release was Al DiMeola's new "World Sinfonia," a "tango/world music tribute" album that has cracked the top 10 on Billboard's Top Contemporary Jazz Albums chart. DiMeola's current "World Sinfonia" tour of the U.S. runs through December.

In November, Mesa/Blue Moon will release Andrew Tosh's "Make Place For The Youth," a remix of his Grammy-nominated album, as well as DiMeola's new high-energy, electric album, "Kiss My Axe." In addition, Tomato is negotiating a first-quarter release from Femi Kuti, a Nigerian pop/dance artist.

Rhino plans to release six more titles in November, including Robert Cray's "Too Many Cooks," John Lee Hooker's "Alone" and "The Cream," Elmore James' "Dust My Broom," the late Harry Partch's opera "Revelation In The Courthouse Park," and a various-artists compilation, "The Great Tomato Blues Package."

Most of the titles in the October/November release schedule will be discounted under CEMA's "price buster" program, says Rhino's Raphael.

Rhino has scheduled some 30 catalog and new rock, blues, and country titles for release by February, she says. Notable among them is a four-CD Townes Van Zandt package featuring duets with Bob Dylan, Johnny Cash, Willie Nelson, Emmylou Harris, Freddy Fender, Tammy Wynette,

Joe Ely, and others.

Additional titles set for the first quarter of 1992 include "Live At Tipitina's" by Professor Longhair and "The Meters Live," produced by Paul and Linda McCartney.

Eggers founded New York-based Tomato in 1978. He closed the label in 1981 and reactivated operations in 1989. Prior to the deal with Rhino, the Santa Monica, Calif.-based Welk Record Group distributed Tomato here through independent distribution channels. Current European distributors include APT and Melodie, among others.

The Tomato catalog includes some 80 titles by such artists as Albert King, John Cage, Lightnin' Hopkins, John Hassell, "Fats" Domino, and Melanie.

Quality Parent R-Tek Raises \$9 Million

NEW YORK—R-Tek Corp., owner of independent label Quality Records, which had a No. 1 single last March with Timmy T's "One More Try," has made an initial public offering of stock.

The Winnipeg, Manitoba, company raised nearly \$9 million from the sale of more than 1.4 million shares at \$6 each. In over-the-counter trading at press time, the stock closed at \$5.125 a share.

R-Tek operates two record labels and two home video imprints. One music label, Quality, based in Los Angeles and distributed by CEMA, scored this year with the first No. 1 indie single in nearly 10 years with the Timmy T record. The other is Dino, which markets compilation al-

bums and recordings by new talent in other countries. Its biggest act has been the German band Die Flipper. Its compilations include collections by Luciano Pavarotti, Donovan, and Michael Crawford.

"Our bread and butter is compilations," said Raymond Kives, the company's chairman, president, and CEO, in a telephone interview.

Kives said R-Tek plans to use the net proceeds from the offering of about \$7.7 million to make acquisitions, develop new talent and recordings, acquire catalog material for compilations, seek new markets and distribution channels, and add to working capital.

Kives, one of the founders of K-Tel, founded R-Tek in 1985 with his

brother, Harold Kives, the chief financial officer. Music industry veteran Russ Regan is president of Quality Records and former K-Tel executive Frank Pietzsch heads Dino Music. R-Tek employs 145 people full-time.

R-tek also distributes special-interest videotapes under Quality Video in North America and Dino Video overseas.

For the fiscal year that ended June 30, R-Tek reports that net income fell 3.4% to \$1.36 million from \$1.41 million last year, while revenues rose 66.2% to \$88 million from \$52.9 million. The company says profit was down because of increased operating expenses.

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