



Keynote: Troy Carter, Founder, Q&A – Midem 2019

Cherie Hu: Hello. Thank you all so much for being here, I am super excited for a conversation today. My name is Cherie Hu, I am a freelance journalist focused on the intersection of Music and Tech, so I am very excited about this conversation. I wrote for Billboard, Forbes, Music Business Worldwide and I have my newsletter as well called Water and Music. I am very excited to have Troy Carter here, he is the founder of a new music and tech company called Q&A. He also was the former Global Head of Creator Services at Spotify. Thank you so much for being here.

Troy Carter: Thank you for having me.

Cherie Hu: I want to start thinking like higher level about what is happening in the music industry right now, particularly with music distribution, which, from my understanding, is what Q&A is focusing a lot on. There are so many interesting changes happening in this landscape right now. You and the audience may know that SoundCloud recently launched a distribution service and that they just acquired Repost Network. Stem announced some interesting changes in this and it seems they are taking a closer look at distribution now. There are a lot of interesting changes and acquisitions happening: major labels keep acquiring distributors, Spotify has its own thing going on. Where you do think this landscape is going, given that there are so many different changes? How might they be informing what you are doing at Q&A?

Troy Carter: The distribution space is definitely interesting. Actually, prior going to Spotify I had been looking at it, seeing where the white space was, and seeing there were a ton of gaps. A lot of the distribution companies were like black holes, where artists put their music into these pipes, and do not know what comes out the other end. At Spotify, a lot of music just shows up on the platform without context.

From working with artists over the years, one of the biggest problems is that the industry takes this monolithic approach to artists. Almost this equivalent of Nike using the word “athlete”... No, Nike is in business with runners, footballers, basketball players, golfers, and they make product that are specific to each one of those genres. In music right now, the way people describe artists is so generalised, and they’re making very generalised products and assumptions. A rapper might have a different approach than a country star... than a DJ... than a pop star. So it is really about distribution that understands the artist at their core, and building products for those artists to be able to reach their specific goals.

Cherie Hu: Do you see the experience, like an artist working with a distributor, being much more “hands-on”? Like a distributor also being involved in the strategy and marketing sides of things or is it more hands off? What do you see?



Troy Carter: It depends because that does not really scale in terms of a human hands on approach. We have Human Resources, our label services division, which is very highly curated. The artist that you choose to be a part of that is very hands-on, but we are also looking at long tail and are able to build tools that artists can use and self-serve. Because it cannot always be a human approach. Artists want feedback, community, to build relationships, etc. I think these are things you can do within a product as well, that can help solve that problem.

Cherie Hu: That was actually going to be my next question, in terms of what the opportunity is for innovation or “disruption”, if that seems like the right way to think about it given that the landscape is so fragmented. Is it just a matter of building better analytics? Because it seems every streaming service or distribution platform has its own analytic tools already. What is the white space there exactly?

Troy Carter: The white space is actually being useful to artists’ careers, believe it or not! It is simple as that. To be honest with you, we have given so many analytics at Spotify and the problem is that you have people on the other side who don’t know how to read the analytics most of the time, and don’t know how to make decisions based off the analytics they do know how to read... the data is useless at that point.

I think working with artists and being able to give them specific direction and feedback is very important. When you look at Adele, Ed Sheeran, Bruno Mars, Lady Gaga, Eminem or Drake, these are all artists who had a lot of feedback, hands-on approach, team, strategy, etc. That is why major labels have been able to be in the business that way. It is because they have been incredibly hands on in terms of their approach and it worked in conjunction with the managers, agents and those teams as well. But on the distribution side, you experience in the artist side of it. I saw a lot of companies that could build great technology products or I have seen people who know how to work on the artist side that are trying to get into distribution but don't understand technology. I think there's this space in the middle that can marry both of those really well and I think that is how you get the scale and how you help more artists.

Cherie Hu: There is such an interesting point about the Adeles and Ed Sheerans of the world, having that team and feedback around them. The logical next step that a lot of people are seeing is distributors becoming labels and their own right. Another one would be distributors providing all the services that maybe a major label would provide without the same contracts, as much more flexible deals. This is what Stem is moving towards, I think this is what AWAL has done for a long time.

How do you see that dynamic evolving in terms of distributors taking on label services in their own right and then competing with the majors? Do you see that it is like a pure displacement or are those two models complimentary?

Troy Carter: As long as you have the internal talent, and that they have the experience of being able to help build careers, then you can be competitive. You have to have fair deal structures and the ability to deploy a massive amount of capital to be able to compete with the labels and-or being able to pay



quicker. Because I think that is going to be a factor moving forward. If you get 100 million streams today, you get paid on 100 million streams today, just that sort of that model.

One of the things I did with Q&A was a partnership with Warner Music Group and because what I noticed with our human resources, our label services company, six of the acts had done deals with Atlantic Records, so they wanted to be on a major label. For human resources, who had done a lot of the groundwork on those acts, they were unable to tag along for the value that they helped create.

Cherie Hu: Sort of fantasizing about DIY.

Troy Carter: Tell us who does not want to be on TuneCore. They wanted to be on a major record label... There is a false narrative out there right now: 'Oh, every artist wants to be independent'. Taylor Swift does not want to be on TuneCore! No offence. Taylor Swift was out of her deal and decided to re-up with Universal. She did not do it for the money. She does not need the money. It is the experience there.

Beyoncé, Rihanna, all these bigger acts are still in business with major labels because of the support system that they have around them, and the global infrastructure. If distributors can add similar value, and have experience, services and capital, then that is when they become very competitive. But I do think that is where management companies are probably the biggest threat in the space because they have a lot of experience in terms of the value added, because you have to know touring, merge, brand partnerships, etc. You also have to have a of global experience.

Cherie Hu: Could you elaborate on that structure you mentioned, the partnership with Warner? How human resources work? Because this is a challenge that I think a lot of distributors are facing. We can give artists everything they want only to have them go on to major labels and then, as you said, they are not taking part in that growth in terms of a cut of revenue. So there may potentially be a lot of turned on the line in terms of how long artists are really staying with you. Could you share how you are thinking about that in the context of Q&A human resources? Because you also are aiming for the long term yourself, so you want it to be an open platform.

Troy Carter: I was not looking to be disruptive with Q&A. I am looking at how we add the most value to artists. Here who adds the most value is going to win.

Understanding that different artists are going to have different needs is really important as you are approaching it. So if you move into it with the assumption of building distribution so that every artist can be independent, you are going to have a lot of churn with success. Because either major labels are going to come and cherry pick or the artists intent was "I am using this as a means to an end to help build, get noticed and then move on to something bigger".

I sat down with Max Lousada, I think this was like January or February, at Warner Music Group, and we talked about those acts that have moved on to Atlantic and asked ourselves "Okay, is there a bigger relationship there?" So as these things do come through, we can continue to be involved, we can continue to add value. I think he saw the value and being able to capture things earlier than the



competitors did as well, because A&R costs are going up. Then we decided to figure out our partnership.

Cherie Hu: Speaking of A&R, that concept in today's music industry is really interesting to me because like major label still have A&R departments and I'm curious to hear that. My hunch is that it is a very different type of development at a very different stage, and so much of A&R happen before signing even happens.

Troy Carter: I like I think a lot of what we are seeing right now is that the industry is chasing. So it is like "Okay, this song is getting high. I am going to start chasing this song" versus "I want to find artists that are going to be here for 30-40 years". There are still a handful of great A&R people out there that are just masterful to watch. The fact that they know how to make a good song great, there is a nuance in there to be able to take a song that is good to make it great. Being able to develop artists, to help push them in ways that they did not know they could be pushed to.

Working with Jimmy Iovine, with Lady Gaga, it was like "Okay, Jimmy". He is like you got 30 years of experience. He told me she was opening for New Kids on the Block when she first started, and we took any gig right away. Anyway, she would have been performing on the stage right now [laughs]. But you know what, Jimmy came out to the first show. He said "I think she did great" and he pulled me to the side and he said, "The sound was terrible". But I am used to managing rappers who hold the mic like, so the sound sounded great to me. He said, "You know what call XYZ tomorrow. This is what you need to do to fix it." And then helped us fix the show. That is A&R... That is not data driven or anything like that.

I think, from a cost perspective for the industry, being able to go out and find talent that has not been discovered yet is going to be so much value because you are not overpaying for a deal that everybody is chasing. You are going to be in business with that person longer and so it is not going to be "Okay, I got a record deal that I'm paying \$8 million for" versus "This is somebody I am going to help develop throughout their career".

Cherie Hu: Do you see music distributors playing an important role in that kind of artist development as a result? How do you see the position of those?

Troy Carter: We are playing that role already, even with some of the artist that are going through our distribution. We are working with managers on live shows, on content, on getting people opening spots on certain tours, etc.

Feedback that we would have given a management client is the type of feedback that we are able to give to some of the distribution clients as well. Because of our relationship network, we are able to pick up the phone and get people out.



Cherie Hu: Going back to the relationship between Q&A and distributors in general and major labels, I just want to hone in on that a little bit because there is ongoing consolidation. I think every distributors are kind of forced to rethink their position in this landscape and think “how if my goal is to stay independent as a company, how do I continue to add unique value aside from just getting acquired by a major label”. How are you thinking about that?

Troy Carter: People have treated distribution as a commodity and they have gotten to a place where it is as if everybody is building same exact products. But it does not need to be a commodity. You and I thought were talking last night about commodity like water is a commodity, but people at my hotel pays ten bucks for a bottle of Evian. You cannot get more commodity than the water. It is all about value.

So I think as companies are looking at distribution it is about adding a unique value that actually helps artists. If your intent is to be as helpful as possible to that artist, then will build product specifically for that artist. If you are going after it as “one size fits all” and “every artist has the same exact needs”, then it is going to be a race to the bottom on pricing and it might as well just give it away for free. Everybody has their own sort of strategy around their model. But artists won't be price sensitive if they feel like somebody is actually adding value to their career, helping them to make more money, to reach bigger audiences, to engage with their audiences, to sell merchandise, etc.

However, artists should be more price sensitive. It is the reason why labels have been able to get away, taking 85%.

Cherie Hu: One theme that we talked about previously is artists as entrepreneurs, running their own start-ups, which I think is a trend that is coming up more and more in music. How to serve those artists? What does it really mean? How to build for that? You mentioned a lot of things about flexibility, timely payments so that they can run their businesses. Is there anything else that comes to mind in terms of how to build for that new paradigm that is coming out?

Troy Carter: Spotify wanted the biggest things for that. Daniel Ek and I connected on from the time I was consulting the company originally. Daniel was talking about the goal of helping artists to make a living of their career. For me it was something about my personal life and is something that I have cared about since I was 16 years old.

Right now, it is really tough. You have three companies that have controlled the entire business, you have publishing companies that are in business with those companies, etc. The structure of the business does not allow long tail artists to monetize in sustainable way. But I think there are ways where you can allow people to monetize. I do not want to give too much away, but that is what we are looking at.

Cherie Hu: With Q&A, are you going to be focusing just on recording and publishing? Because when I think of other more ways to monetize, a lot of the potential is looking beyond that. you are talking about management and the possibilities of looking at selling more merchandising. An artist who comes



to mind is Marshmallow, and what he did in the Fortnite concert. There are a lot more opportunities to innovate around that. How much are you looking to diversify versus just focusing on a few revenue streams?

Troy Carter: The services side of the business, like management, will probably be the smaller side of the business. I have always run a very small management company and went super deep on a few client, because it does not scale and even if you try to scale, it is just impossible to please all of the artists.

I think software solves that problem. I think there are ways where you can build the right products for your artists and where you can help their business get the scale. Up until this point, you have not had any technology companies building software that had been focused around artists building their businesses. No one has really focused on the music industry from an enterprise perspective with labels and publishers to artists as entrepreneurs. A lot of our focus is to know building products.

Cherie Hu: I know there is something that you did not want to talk about. Thinking about Midem, my first time was last year, and another veteran of the management space who I spoke with is Scooter Braun. I know that over the last year, there were some news around a dispute between the two of you and that Scooter's company had filed a lawsuit against you and your company. I did hear that the lawsuit was settled, but I don't think either you made a statement since then. I was wondering if you would be willing to speak on that.

Troy Carter: Scooter and I have been friends for a long time, and we had we had this dispute, which I think both of us thought this thing just totally different. Both of us said that we both regret. Over the Christmas holiday, he and I had breakfast together and set down. We thought it had gone too far and squashed it, decided to hug it out and we let that one get by us. My 16-year-old daughter Leila is the biggest Ariana Grande fan, so I figured she would take Scooter side, and she is much tougher than Scooter [laughs]. He and I speak and are back on good times.

Cherie Hu: Great. I think it is all the time that we have but thank you all for listening. This was a really interesting conversation.

Troy Carter: Thank you guys.