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Pop Singer Fails to Strike a Chord Despite the Millions Spent by MCA

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MARINA DEL REY, Calif. -- Eighteen-year-old recording artist Carly Hennessy is packing up her small apartment. Her promotional posters will go into storage, and the beige rental couch will be returned. A weight-control message that the slender teen scrawled in marker on the refrigerator -- "NO, U R FAT" -- will be wiped clean.

For two years, Vivendi Universal SA's MCA Records paid the rent here while Ms. Hennessy prepared for pop stardom. And that's not all: The label so far has spent about \$2.2 million to make and market her new album, an upbeat pop recording called "Ultimate High." "Some people just struggle," she says. "I was very, very lucky."

Not lucky enough. "Ultimate High" was released in stores nationwide three months ago. So far, it has sold only 378 copies -- amounting to about \$4,900 at its suggested retail price.

In many other industries, this would be considered an extraordinary bomb. But in today's troubled music business, it's routine. Of the thousands of albums released in the U.S. each year by the five major record companies, fewer than 5% become profitable, music executives say.

The high failure rate has become the focus of an escalating battle. On one side are big names such as Don Henley and Sheryl Crow, who are fighting the industry's practice of holding top performers to multiple-album contracts that can take decades to fulfill. They complain that labels unfairly enforce such deals because they need to offset their lavish spending on ill-conceived acts that never make it.

"We're expected to indefinitely fund the record company," says Mr. Henley, a solo artist and member of the Eagles, who calls the industry's high percentage of flops "shameful." He and other top performers are staging concerts Tuesday night -- on the eve of Wednesday's Grammy Awards -- in part to support an amendment before the California legislature that would limit recording contracts to seven years. That's the current cap on contracts for actors and other service workers, under a state law that originated from a 1940s legal case that helped break up the Hollywood "studio system," which tied movie stars to multiple-film contracts. In 1987, the music industry successfully pushed to exempt record contracts.

Record companies say they need to keep blockbuster acts on their rosters for as long as possible because they rarely see returns on the huge sums they must sink into virtually

all new performers, and because it's so hard to predict who will succeed. The companies warn they won't be able to support as much young talent if contracts are limited. They point out that some of the loudest critics of the current system were its beneficiaries -- before they were rock stars.

Music executives also say it has become harder to launch new acts. Among the reasons: Deregulation of the radio industry in 1996 has led station owners to consolidate into a few big companies, which are under pressure to maximize profits and pull songs off the air that aren't instant nationwide hits. Superstores such as Wal-Mart, which stock fewer titles than traditional music stores, are the fastest-growing segment of music retailing, making it costlier and more competitive for record companies to secure prime shelf space.

As a result, industry executives estimate that major-label releases must on average sell about 500,000 copies just to break even. Last year, of the 6,455 new albums distributed in the U.S. by major labels, only 112 have sold at least that many, according to SoundScan, which monitors music sales. Overall music sales were down 5% last year -- the steepest decline in a decade.

The story of MCA and Ms. Hennessy shows the dysfunctional economics of the music industry at work. MCA, one of Universal Music's major labels, initially hooked up with the spunky teenager three years ago because it was trying to get a piece of the great success competitors enjoyed with young pop artists like Britney Spears and 'N Sync. Ms. Hennessy, a native of Dublin, had released her debut musical effort, "Carly's Christmas Album," in Ireland at age 10, after performing all over Europe as Little Cosette in "Les Misérables." At 13, she was named the Irish national spokesmodel for the Denny sausage brand. Soon, she and her family began hoping for much more, and Ms. Hennessy dropped out of high school. "The most beautiful voice you'd ever heard -- and she would have ended up singing in the bath," says her father, Luke Hennessy, a real-estate investor.

Mr. Hennessy flew to Los Angeles in early 1999 and, after several months and a few intermediaries, got a disc of his daughter performing songs by various artists into the hands of established music producer Steve Dorff. He recorded a new demo of Ms. Hennessy singing some songs he had written, and it eventually crossed the desk of MCA's president, Jay Boberg, who says he found Ms. Hennessy's voice "extraordinary."

Although Ms. Hennessy didn't write her own music and hadn't ever performed solo in front of a big crowd, she had charisma, drive and pipes -- three things music executives say are most difficult to find in a single young performer. Mr. Boberg, 43, envisioned starting her off as a teen-oriented pop singer, in the hopes that she could one day develop into a more mature female vocalist along the lines of Celine Dion.

Over a long dinner at Spago with Ms. Hennessy and others in June 1999, Mr. Boberg and MCA's artist-development chief described their plan. Ms. Hennessy didn't object, even though she saw herself more as an edgy rock-and-roll performer. "This was my big chance," she says.

The executives offered her a six-album contract, under which Ms. Hennessy would get a \$100,000 advance for her first album, plus \$5,000 a month in living expenses while the album was being made. The label would own the recorded music and would front the cost of recording and promotion.

For Ms. Hennessy to make any more money, the label would first have to recoup its advance, its recording costs and half the cost of any music videos, as well as her living expenses -- meaning the album would have to sell between 500,000 and 700,000 copies, MCA says. At that point, Ms. Hennessy could collect royalties amounting to 15% of sales. But she would still owe a cut to a phalanx of producers and managers, as well as other record-company fees -- leaving her with at best about 80 cents to \$1 per album, MCA says.

Such contracts have drawbacks for both sides. Artists can be unceremoniously dropped if they don't live up to expectations. But if they blossom into superstars, they can use their new leverage to demand that their contracts be rewritten to pay them much more.

Ms. Hennessy says she let her managers, including her father, worry about the financial details. "Pretty much I was like, 'Is this a good contract, or a bad contract? OK, it's a good contract,'" she recalls. She was not even sure how many albums she owed MCA.

Back in Ireland, Ms. Hennessy signed the nearly 100-page document as her mother, Marie, captured the moment on videotape. Soon, she and her father moved to Los Angeles, eventually settling into a two-bedroom apartment in the beachside suburb of Marina del Rey. Ms. Hennessy and her producer, Mr. Dorff, spent about three months recording eight songs, including several he had written. The total tab, including studio time, musicians' salaries, producers' fees and Ms. Hennessy's living expenses, was about \$350,000 -- typical for a first pop record, MCA says.

Unfortunately, neither Ms. Hennessy nor MCA were happy with the results. Mr. Dorff, who had produced and written songs for Celine Dion and other artists, says he thought the album was "contemporary" and made the best use of Ms. Hennessy's vocal talents. But Ms. Hennessy thought the music was "old-sounding." Mr. Boberg deemed the album "too Barbra Streisand" -- meaning it was too serious for its target teen audience.

At that point, Mr. Boberg could have just shelved the project and sent Ms. Hennessy on her way. But like many label chiefs, he was under pressure to come up with a new star, and he had already invested time and money in someone he believed had talent. In the fickle and unpredictable music business, he says, a performer's success can only be tested in the marketplace. For example, Mr. Boberg took a chance on another unproven pop singer, Shaggy, whose album, "Hotshot," went on to sell 4.5 million copies in the U.S. in 2001, the second-biggest album of the year. "You don't even know for sure how something is going to do until you send artists into the studio, and you see whether the radio gatekeepers accept them," Mr. Boberg says.

MCA decided to rerecord Ms. Hennessy's album from scratch. In early 2000, the company retained London-based producer Gregg Alexander, who had produced hits in Europe for former Spice Girl Geri Halliwell and others, to produce four songs. For the rest of the album, MCA turned to Los Angeles songwriter Danielle Brisebois, who had been helping Mr. Alexander on Ms. Hennessy's album.

Ms. Brisebois had never produced an album before, but that didn't bother Ms. Hennessy, who says her producer became "like a sister." Both had been child actresses -- Ms. Brisebois, 32, had played Archie Bunker's niece Stephanie on "All In the Family" -- and both had appeared in productions of "Annie." The women experimented in the studio in search of Ms. Hennessy's sound and creative direction. They found that the teenager sang with more emotion when the lights were turned off. She also seemed to sing better when she wore high heels -- the angle helped her pitch. They taped some vocals at 2

a.m. so Ms. Hennessy's voice would be more raspy.

When she wasn't recording, Ms. Hennessy baby-sat around her apartment complex and enjoyed occasional major-label perks, like the surprise limousine MCA sent to take her and her friends to a Blink-182 rock concert to celebrate her 18th birthday. Ms. Hennessy also got to drive around in a blue convertible Volkswagen Golf, courtesy of MCA.

In April 2001, with the album still unfinished, MCA decided to try to get Ms. Hennessy some notice by releasing her first single, a bouncy tune called "I'm Gonna Blow Your Mind." Its opening lines:

"I really really, I really really, I really really, I really really, I really really want to kiss you/
But much more than that/
Boy, I'm gonna blow your mind."

It was a risky choice. MCA realized the song's subject matter -- oral sex -- made it unlikely to get much exposure on youth-oriented outlets deemed important in launching young artists, like the Radio Disney network of stations. But executives felt it was Ms. Hennessy's catchiest song. MCA spent \$250,000 on a video that showed Ms. Hennessy dancing in a disco and jumping around with pals in their sleepwear. On a call-in show, Nickelodeon asked viewers to rate 30 seconds of the video, but the audience was unresponsive. The video was quickly shelved.

The label also earmarked about \$200,000 to hire independent promoters -- middlemen who use their influence with radio program directors to secure airplay. In addition, MCA spent about \$100,000 on "imaging" for Ms. Hennessy, including photos, clothes and makeup artists. It sent Ms. Hennessy on a \$150,000, four-week promotional tour, where she sang at malls over recorded tapes, backed by two dancers, and at station-sponsored concerts. She bantered with DJs and participated in promotions. In Little Rock, Ark., a male listener won a dinner date with Ms. Hennessy. She recalls him as "the most annoying boy I have ever known in my life."

But the single wasn't catching on. In markets across the country, program directors who met with Ms. Hennessy professed to like the song, but then didn't play it much. "She was very nice," says Jon Zellner, a programmer for KMXV, a top-40 station in Kansas City, Mo., who met with Ms. Hennessy and her handlers for lunch when they visited the area last summer. "But Carly Hennessy simply didn't have that sound that seemed like it would kick in at that time." He never played the song.

Greg Marella, vice president of pop promotion at MCA, says the "I'm Gonna Blow Your Mind" single was in an awkward position: The music was a little too mature for regular top-40 radio and a little too pop-sounding for adult top-40 radio.

With the meter running and the album still unfinished, MCA and Mr. Hennessy last spring decided to bring in additional management. Miles Copeland, a close ally of Mr. Boberg's who had made a name managing the Police and Sting, signed on as co-manager. Mr. Copeland felt the recording process was "out of hand," and says he exerted pressure to wrap up the album as soon as possible. Ms. Brisebois says nobody asked her to work faster.

By the time the album was done, MCA had spent about \$640,000 rerecording it, including Ms. Hennessy's living expenses. That brought the total cost of making the album to about \$1 million -- high for a first album. But at least this time, Mr. Boberg

says, "Everybody thought this was going to be a hit."

Called "Ultimate High," it included a few songs from a disc Ms. Brisebois had made years before but had never released. The music had a pop sound, with slightly heavier guitars. The lyrics, mostly written by Ms. Brisebois and Mr. Alexander, dealt with unrequited young love and sexual themes.

The failure of the first single meant MCA was already behind schedule as the album's Nov. 13 release date approached. While albums in some genres, like rock, can build slowly in the marketplace, pop releases generally have to hit big fast. To try to build momentum somewhere, the label scored a Canadian modeling contract for Ms. Hennessy and sent her on a press tour there. MCA also prepared to release a second single, a feel-good tune called "Beautiful You," and spent another \$500,000 for independent promoters and promotional appearances by Ms. Hennessy -- bringing its total investment to nearly \$2.2 million.

But "Beautiful You" got even less airplay than the first single. With no radio play, MCA and Mr. Copeland decided against a concert tour. Retailers, meanwhile, were leery of investing much in an album by an artist who seemed to be going nowhere. Music stores had stocked 50,000 copies of Ms. Hennessy's first two singles, and sold about 17,000, according to SoundScan. So when it came time to order the "Ultimate High" album, retailers bought just 10,000 copies, MCA says. With virtually no radio play or press, there was little hope for the album as it hit stores. "It was not rejected by the public," Mr. Boberg says. "We just never made it to the public."

In a last-ditch effort to salvage its investment, MCA decided to release "Ultimate High" in Europe later this year. In January, the label instructed Ms. Hennessy to pack up her apartment and turn in her car, and moved her back to Ireland. MCA's European division plans to reshoot the album's cover and launch the single, "I'm Gonna Blow Your Mind," in Europe in March. If the album, due to be released in April, doesn't take off, MCA will re-evaluate. "If we can't find any market in the world that validates our view that she is a talent, then we have to question whether or not we move forward," Mr. Boberg says.

Mr. Copeland, the manager, is more sanguine. If MCA drops Ms. Hennessy, he says, "I can go to a new company and say, 'Hey, we've all learned a lot.' We can try a second time at a vastly reduced price." Indeed, artists often need more than one record before they take off.

In the meantime, Ms. Hennessy is dieting and working out to look good for her European press tour. She got a tattoo -- her first -- of an intricate cross on the small of her back that she hopes will impress her fans, and has started learning to play guitar. "This album is going to be huge," she says. "I won't stop until it is."

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