



Report by Edina Hadzihafizbegovic

Entrepreneurship (MBO0123)

Date: 21st April 2022

Summary

It is undeniable that for decades the record label Def Jam recordings has endured a multitude of changes and major events that have defined Def Jam's legacy in music. Def Jam's pioneering streak of emerging artists helped shape Hip Hop and R&B music. However, the current financial situation of Def Jam, now a subsidiary private label under Universal Music Group, has room for improvement.

Universal Music Group N.V. Reports Financial Results for the Fourth Quarter and Full Year Ended 31 December 2022

Summary Q4 2022 Results¹

- Revenue of €2,942 million increased 16.7% year-over-year, or 8.8% in constant currency, driven by growth across all segments, and noteworthy strength in Music Publishing (UMG, 2022)
- Recorded Music subscription revenue grew 20.6% year-over-year, or 11.4% in constant currency and streaming revenue grew 13.3% year-over-year, or 1.8% in constant currency (UMG, 2022)

Def Jam recordings' data analysis states Def Jam's estimated annual revenue vary between \$25- \$100 million (Owler, 2023) In year 2020 the annual revenue for Def jam decreased and wasn't performing well in profit margins.

Nevertheless, updates according to data (Kona Equity, 2023) present a significant increase, with \$51.498 million in revenue for Def Jam by 2021 Q2. Previously affected by the consequences of covid 19, since the pandemic impacted physical sales, touring and merchandise, Def Jam is performing better than the recent couple of years.

This report will show data from the most recent and current revenue of Def Jam recordings. Due to consolidated information by their parent company UMG, some methods will show market share analyses with Universal Music Group. This report will include SWOT and PEST analysis on Def Jam and suggest recommendations for growth in revenue.



“Russell Simmons and Rick Rubin as new business partners, in a mid-'80s candid shot from *Def Jam Recordings: The First 25 Years of the Last Great Record Label*.”

Background

Def Jam recordings is an American record label owned by Universal Music Group and was founded by Rick Rubin and Russell Simmons. It started in 1984 as a maverick independent label based in New York.

“LL Cool J was just 17 when he became one of the first artists signed to the company. The men who founded the Def Jam label in 1984 weren't much older. There was Rick Rubin, a 21-year-old NYU art school student from Long Island making music in his dorm room; and Russell Simmons, a 27-year-old from Queens, who was already making a name for himself in the downtown scene with his brother's rap group Run DMC” (NPR staff, 2011)

In an interview (*The First 25 Years of the Last Great Record Label*) Simmons portrays Rick Rubin positively and expresses the previous member of the band ‘Beastie boys’ as a smart kid and great producer. Russell Simmons also describes the time when he first met Rubin.

“He had a drum machine full of hot joints. I mean his whole DMX machine was full of hit records, from what I could hear” (Simmons, NPR Staff, 2011)

“He had produced that record “It's Yours” by T La Rock and after he produced that record, he started receiving tapes, and one of the tapes was LL Cool J's “I Need A Beat.” He remixed it, or redid it, and **it became our first release for Def Jam records**” (Simmons, NPR Staff, 2011).

“I saw Rick wanted to start a record company as an independent company, as opposed to some distribution deal, and it made sense. I put the money in with him — it was only a few dollars — and the first record, "I Need A Beat" sold so well. And it was not the sales of the records; it was the sound of the records that inspired me to be his partner. He's a great producer and I thought, "We can do a lot together.” (Simmons, NPR, 2011)

It was evident from the beginning that the partnership between Russell and Simmons would build a foundation on authenticity and that it would be their selling point as a business. Rick and Russell both felt the same way about wanting to stand out and rebel with not sounding like what was already out on the radio at the time. The duo wanted to bring forward a new sound.

“All the records I produced, we made sure that none of the instrumentation that sounded commercial, or were part of the mainstream, were in it. It was kind of like, the producers would come, and musicians would come, and we'd just ask them, "let's create new sounds" or "let's not use anything but drums.” (Simmons, NPR, 2011)

“So up until the time of Def Jam, pretty much most of the rap records at the time were R&B records with people rapping on them. And then I think one of the things that separated our records from the ones that came prior was that they had more to do with what the actual hip hop culture was like, and that was only because we came as fans from this culture and, in making the records and producing the records, the goal was to capture the energy that you felt at a hip hop club — and they weren't really clubs then, they were more like a hip hop "night" at another club. So, if you went out and you saw DJs and MCs and the energy that would happen on that one night, that was really what we tried to get into the records.” (NPR, 2011)

Def Jam's approach to artist development was more honest to the artist and less about 'fitting in'. They would use the artists' existing charm and the artists' inner ideas. One of Def Jam's strategies at the time was always “keeping it real”. Sometimes this wouldn't sit well with the music business side, as their approach wasn't always understood, so they would leave rooms of people that didn't get their concept when listening to their records (NPR, 2011).

“A timeline of Major Events that helped define Def Jam's Legacy” (Saponara, 2018)

It would be difficult to pinpoint every single influence on the legacy of Def Jam recordings but there are certain major events that can be highlighted over the course of the past four decades. Let's look at a timeline presented by The Billboard (Saponara, 2018) where it references a few of the major events and the challenges that they think paved Def Jam's legacy in music.

1983- Rick Rubin founded Def Jam recordings in New York with the help of a loan from his parents. Rubin's first single release as a business was from his punk-rock band, Hose.

1984- Rick Rubin and Russell Simmons were allegedly introduced by DJ Jazzy Jay and the iconic label and partnership between them was launched with the help of Russell Simmons' already strong connections in the hip hop scene, managing acts such as RUN DMC.

1984- Def Jam releases their first track by LL Cool J 'I need a beat' under the partnership of Rick and Russell. This didn't cost the label much to make. According to Complex, it cost \$400. They also released another single by the Beastie Boys titled 'Rock Hard' the same year. Those two records eventually contributed to a distribution deal with Columbia Records.

1985- LL Cool J releases his debut album produced by Rick Rubin. Having Columbia Records under their wings and their first full length project put Def Jam Recordings officially on the map.

1987- Def Jam recordings decided to play the field creatively and take risks. They didn't want to be put into one category and so they signed acts such as the metal band Slayer and politically charged Public Enemy (amongst others) who all turned out to be well received and hugely successful.

1988- Simmons brings in Lyor Cohen as president of the operation whilst Russell was managing RUN DMC on the road. Lyor Cohen and Rick Rubin suffered power struggles and creative differences which led to Rubin leaving Def Jam recordings to start his own label.

1992- At the very beginning of the 90s the label experienced a financial crisis. Def Jam still had a few successful releases. However, Def Jam managed to overextend themselves which led to financial troubles plaguing the company. Polygram Records stepped in and bought 50 percent of Def Jam and took control of the distribution, saving the label from bankruptcy.

1999- According to The New York Post Seagram's Universal Music Group buys out Russell's share of Def Jam for \$100 million and renames itself as Island Def Jam, leaving Lyor Cohen as the president Universal's new Island-Def Jam group.

"The deal puts a value of some \$230 million on the company they built. Cohen would also move up the corporate ladder at Universal, which recently became the world's largest music company with the acquisition of PolyGram. In his new position, Cohen will be in charge of urban music at the group, while continuing to run Def Jam. Simmons would remain chairman of Def Jam".

During Cohen's time, Def Jam managed to create a branch R&B label called Def Soul Records. Well-known artists that signed to the label included Dru Hill, the Isey Brothers, Musiq Soulchild, Montell Jordan, 112 and Pati Labelle.

2003- Irv Gotti's label Murda Inc was caught in the investigation of a money laundering scheme, where they supposedly profited from drug trading. Murda Inc was supported by Russell Simmons under the Def Jam umbrella in return for contributing with artists such as DMX, Ja Rule and Ashanti. In 2005, Murda Inc was released from its distribution deal with Def Jam amid the allegations.

2004- Lyor Cohen left his role at Island Def Jam for Warner Music and the infamous music executive Antonio LA Reid took over.

2004-2007- Jay-Z, the artist, producer, and entrepreneur, negotiated himself a deal and got appointed as president of Def Jam from 2004-2007. At the time, Jay-Z had already built a

respectable reputation as a businessman with his own record label Roc-a-Fella, a brand of 10 years, and was encouraged by LA Reid to join as President/CEO.

Jay-Z was still running his Roc-a-Fella label with his business partners Damon Dash and Kareem Biggs Burke when Island Def Jam acquired a 50 percent stake in the label.

Under Jay-Z's leadership, Def Jam and Roc-a-Fella launched the successful career of top selling artist Kanye West with his debut album entitled 'The College Dropout'. It also discovered successful R&B and pop singers Rihanna and Ne-Yo. Jay-Z left after 3 years to pursue other business ventures with Live Nation (Roc Nation), leaving LA Reid to replace him.

2011- Kanye West brings the G.O.O.D. Music (Getting Out Our Dreams) label to the table and reaches a major distribution agreement with Def Jam. One of their first releases as a label under Def Jam was Big Sean's debut 'Finally Famous'.

2012- Joie Manda becomes president of Def Jam but didn't last for more than year as he expresses that he never really felt he was the president of the company.

2018- Paul Rosenberg who was Eminem's manager for a long time and co-founder of The Shady Records takes over as president and CEO.

STRENGTHS

There is no denying that one of Def Jam's advantages and powers today lies in the strong **partnerships and relationships** they have managed to form over decades in the music and entertainment industry. Furthermore, they are highly established and dominant in the market, with legendary acts Def Jam inherited such as Jay-Z, Kanye West, Rihanna, DMX, Teyana Taylor, Justin Bieber and Chris Brown etc.

Despite of having acts like Public Enemy and LL Cool J thriving, Def Jam would still land themselves in rough financial troubles which Def Jam managed to pull themselves out of and overcome with the help of **Universal Music Group's funding**. This shows the continuous support and well-rounded connections they have within the music industry. Def Jam continues to show strengths and strategies in partnerships.



(Arnold Shoots, Variety, accessed 2023)

In 2020, Snoop Dogg joined Def Jam as executive creative and strategic consultant. The legendary Snoop Dogg has proven himself time and again over the years for not just being a hip hop artist but also a successful entrepreneur. Amongst his achievements Snoop also made several investments in various industries and founded the Snoop Youth Football League. With his immense experience, knowledge in the industry and creativity he plans to help and guide the new artists (Aswad, 2021).

Def Jam expanding and becoming multinational.

Def Jam has further expanded itself and is now considered a multinational label. In 2020, Paul Rosenberg left his role as chairman and CEO at Def Jam and was replaced by Jeffrey Harleston, head of business affairs at Universal Music. Later that same year Jefferey decided to join forces with Alec Boateng to create another division in London called 0207 Def Jam under Universal Music UK's EMI Records. Furthermore, Def Jam expansion include labels in the UK, France, Africa, India and Southeast Asia.

Def Jam dominates social media.

Today, Def Jam and UMG as a major label have the most followers on social media platforms such as Instagram, Tik Tok, Facebook and YouTube. According to analytics found, Def Jam manages to outrun others like Atlantic, Interscope, Columbia and Warner, to name a few. One of Def Jam's main strategies on Tik Tok is to simply utilise their already impressive roster of artists at the label such as Nas, Teyana Taylor, Big Sean, Pusha T, 2 Chainz, Jhené Aiko, Logic, DaniLeigh etc. Def Jam simply edits artists' interviews, music videos and any existing content from their artists to fit the platforms trend, which is for example usually a shorter timed video on Tik Tok.

"Take, for example one of Def Jam's most viral TikTok videos, which is a behind-the-scenes look at DaniLeigh and Chris Brown rehearsing for the music video for "Easy", Brown's

remix of her song. The post encouraged fans on TikTok to learn the dance themselves, leading to its three million views and over 400,000 likes” (Shafer, Variety 2020).

Theda Stanford, senior VP of commerce and digital at Def Jam further elaborates, “We might edit pauses in a motivational message to make it funny and change the context of it or create an entirely new music video using existing video and fun content that fans may have made and cut that together. Small little changes can affect the narrative of the video and then have a really huge impact.” (Shafer, Variety 2020).

WEAKNESSES

Def Jam is constantly evolving and expanding, however some of the weaknesses within the company need to be considered. A lot of changes have taken place in the four decades within the company. For example, Def Jam now is global and owned by a major label, Universal Music Group. Def Jam’s opportunities in expansion can create both distance and resistance between the employers, artists, and their fans. In the past, this has resulted in poor performance and lack of structure within the company. As an example, recently in an article Lyor Cohen shares how he almost sunk Def Jam in a 19 million US dollars financial debt. Cohen explains that he didn’t manage his leadership role well for a long period of time at Def Jam recordings. This was at a time when the majors wanted to join in and Lyor Cohen said that his new partner Columbia records started to compete with him.

“I started signing every bad act after another,” he says. “I lost so much money [...] Think about it: Beasties leave, Rick Rubin the architect of Def Jam leaves, Russell goes to California, I start becoming responsible for the logo (of Def Jam) and this iconic brand, I start signing acts, one stuff after another. It couldn’t get worse.” (Cohen, The Music Network, 2018)

Lyor Cohen said he was in the process of damaging the iconic brand by signing “one bad act after another” (Cohen, The Music Network, 2018), when his luck changed. In 1994 PolyGram purchased Sony’s 50% stake in Def Jam and Cohen when on to sign Redman and Warren G. In fact, his first release under the new structure was Warren G’s *Regulate*, which went on to sell 4 million copies (Cohen, The Music Network, 2018)

It is important for Def Jam’s operational structure to remember the damage and financial setback that happened under Cohen’s management, especially while Def Jam is expanding globally. What is equally important to contemplate is that Def Jam’s original audience favoured mainly the hip hop community and culture but has over the years it has managed to stray further and further from its crowd (the millennials), as well as the ethos of the label. With each new Def Jam member, the company and brand has become increasingly diluted and less focused overall (Rys, 2018). As this was recognised, a new agenda was put in place to move forward in a more “hip hop direction”.

In the past 15 years physical sales have decreased massively and transitioned into music being distributed mostly through digital platforms. Today more than 80 percent of people listen to music on digital platforms such as Spotify, YouTube, and Apple music (Richter F 2021) For example, for the millennial fans, this shift has led to fewer opportunities to interact with the artists directly. However, this gap in the music industry has been a challenge for most record labels to address. Moreover, Def Jam is a label which caters to an audience who largely existed before the digital transformation, making it even more crucial to apply an

easier way for fan to artist connection and communication. The lack of engagement with their fans' desires has led to both fans feeling alienated from Def Jam and the company being affected by loss of market share and revenue.

Consumers:

Def Jams artists appeal mostly to the millennials and hip-hop listener where its target audience mostly contain both male and female ages 18-34 and generation x ages 35-50. One of the differences between Gen- Xs born between 1965 -1980 – came in a time at the very beginning of cell phones, the internet and social media, while millennials grew up when this was already apart of their day-to-day basis and life. A report which was released by Nielsen Music showcased that there was a growing interest in hip hop and R&B music.” (Nielsen 2017)

“Hip-hop/R&B is responsible for just over 29% of all on-demand streams across the country (US), and that is the only field that is growing noticeably. In fact, R&B/hip-hop is almost as popular on streaming services like Spotify and Apple Music than the next two genres (rock and pop) combined. “((McIntyre, 2017)

“Millennials approach digital content consumption differently from the rest of the population. More specifically, Millennials are an unfocused audience, not particularly loyal to just one digital music or communication service. But this doesn't mean Millennials are consuming less content. They're engaged with digital services throughout the day. And while there are plenty of digital services for consumers to choose from, Millennials aren't opting for one or the other. They're choosing many”(Nielsen, 2017)

OPPORTUNITIES

Def Jam can continue to utilise and join forces with their already strong and iconic relationships in the music industry. For example, Def Jam will enter an exclusive partnership with DJ Khaled. He will also unite with UMG in an executive role serving as Global Creative Consultant to Def Jam and “UMG's family of artists worldwide". Together as a team, DJ Khaled and Def Jam/UMG plan to achieve greater heights. (Stassen, 2023)

There is also opportunity for Def Jam to use their huge following on social media platforms such as Tik Tok and Instagram to create an easier route for artists to communicate with their fans. They could for example offer exclusive content to their fans or invest in campaigns that focuses on direct communication between fans and artist.

As a suggestion Def Jam could possibly team up with NFT based platforms such as Royal (Royal, 2023). Royal has been able to reinvent how music can be consumed in way that allows direct communication between fans and artists and shared ownership.

For example, you can buy a token through their website. This token represents your share of streaming rights in the artist, song, or album, where the artist is in control of what percentage

of the song they hold. The artist has control and can add extras that include fan experiences, merchandise, and exclusive tracks, etc.

Besides these opportunities, Def Jam has the chance to team up with other more fan friendly streaming services such as Tidal to develop new ways of fighting the challenges and issues faced with digital streaming services.

"New York, January 31, 2023 – TIDAL, the global music and entertainment platform, and Universal Music Group (UMG), announced that the two companies will work together to explore an innovative new economic model for music streaming that might better reward the value provided by artists and more closely reflect the engagement of TIDAL subscribers with those artists and music they love"(UMG, 2023)

THREATS

Over the past 15 years, the digital revolution has led to more opportunities for the artists. Today, artists can more likely sustain a career in music without a record label's support. This has further resulted in a 'no record label' trend and a rise in independent artists such as Chance the Rapper ((Daniels, 2019). Additionally, this means that artists today won't necessarily need to share their royalties and revenue streams, enter into any bad deals with record labels and can have more control over their content. This is a threat to Def Jam because they need their clients, the artists to be able to sell or distribute music. New technology is also allowing artists to record at a better quality on their own.

Competitors

Def Jam's direct competitors are other record labels operating under a parent company (major label). Indirect competitors would include digital platforms services such as Spotify, YouTube, and Apple music where a record label isn't necessarily needed to promote or distribute music.

Direct

Roc Nation – Founded by Jay-Z in 2008 and owned by Live Nation. The company is based in Manhattan, New York, but has additional offices in both Los Angeles and London. Jay-Z started the company with the intention of signing pop acts and rap artists based on the success of his previous label Roc-a-Fella Records.

Atlantic Records – A record label with its headquarters in New York City and founded in 1947 by Ahmet Ertegun and Herb Abrahamson. Atlantic's parent company is Warner Music Group. The label owns popular artists such as Burna Boy and Jack Harlow today but is also known for being one of America's important labels with icons like Aretha Franklin, Ray Charles and rock acts such as Led Zeppelin on their roster.

RCA Records – Based in New York City and owned by Sony Music Entertainment. RCA records covers various genres from pop and classical to afrobeat's, blues, jazz, and electronic music.

Indirect

Digital platform services such as **Spotify, YouTube, Apple Music** etc.

Financial reports

Universal Music Groups N.V reports and financial results for the fourth quarter and full year ending 31 December 2022 (UMG, 2023).

Q4 2022 Results (UMG, 2023)

Revenue of €2,942 million increased 16.7% year-over-year, or 8.8% in constant currency. UMG's recorded music, music publishing, merchandising and other segments show strong revenue growth.

-Recorded Music subscription revenue grew 20.6% year-over-year, or 11.4% in constant currency and streaming revenue grew 13.3% year-over-year, or 1.8% in constant currency

-Adjusted EBITDA of €620 million increased 23.3% year-over-year, or 15.5% in constant currency, and Adjusted EBITDA margin expanded 1.1 percentage points to 21.1%

Full year 2022 Results (UMG, 2023)

-**Revenue** of €10,340 million increased 21.6% year-over-year, or 13.6% in constant currency, driven by strong growth across all segments

-**Recorded Music subscription revenue** grew 18.4% year-over-year, or 10.0% in constant currency and streaming revenue grew 19.7% year-over-year, or 9.3% in constant currency

-Adjusted EBITDA of €2,135 million increased 19.4% year-over-year, or 11.7% in constant currency, and Adjusted EBITDA margin declined 0.4 percentage points to 20.6%

-Net cash provided by operating activities before income tax paid of €1,987 million increased 42.4% compared to €1,395 million in 2021

-Free cash flow of €1,086 million increased 70.2% compared to €638 million in 2021

-Subject to shareholder approval, final dividend proposal of €491 million, or €0.27 per share, which would bring total dividend for 2022 to €926 million, or €0.51 per share

(in millions of euros)	Three Months Ended December 31,				Year ended December 31,			
	2022	2021	YoY	const.	2022	2021	YoY	const.
	<i>(unaudited)</i>	<i>(unaudited)</i>			<i>(unaudited)</i>	<i>(unaudited)</i>		
Revenue	2,942	2,520	16.7%	8.8%	10,340	8,504	21.6%	13.6%
EBITDA	529	438	20.8%	12.6%	2,028	1,686	20.3%	12.5%
<i>EBITDA margin</i>	<i>18.0%</i>	<i>17.4%</i>	<i>0.6pp</i>		<i>19.6%</i>	<i>19.8%</i>	<i>(0.2pp)</i>	
Adjusted EBITDA	620	503	23.3%	15.5%	2,135	1,788	19.4%	11.7%
<i>Adjusted EBITDA margin</i>	<i>21.1%</i>	<i>20.0%</i>	<i>1.1pp</i>		<i>20.6%</i>	<i>21.0%</i>	<i>(0.4pp)</i>	
Operating Profit					1,600	1,394	14.8%	7.9%
Net profit attributable to equity holders of the parent					782	886	(11.7%)	
Adjusted Net Profit					1,454	1,271	14.4%	
Net Debt					1,810	2,010	(10.0%)	
Net cash provided by operating activities before income tax paid					1,987	1,395	42.4%	
Free Cash Flow					1,086	638	70.2%	
Weighted Average Number of Shares Outstanding					1,813	1,813		
EPS					0.43	0.49		
Adjusted EPS					0.80	0.70		

(UMG, 2023)

Merchandising:

Merchandising grew to €618 million in 2022, up 70.2% year-over-year. Merchandising revenue related to touring promotion following the return of live touring post-COVID.

Merchandising and Other

(in millions of euros)	Three Months Ended December 31,				Year ended December 31,			
	2022	2021	YoY	const.	2022	2021	YoY	const.
	<i>(unaudited)</i>	<i>(unaudited)</i>			<i>(unaudited)</i>	<i>(unaudited)</i>		
Merchandising and Other Revenues	181	141	28.4%	14.6%	618	363	70.2%	54.1%
EBITDA					36	16	125.0%	111.8%
<i>EBITDA margin</i>					<i>5.8%</i>	<i>4.4%</i>	<i>1.4pp</i>	
Adjusted EBITDA					36	16	125.0%	111.8%
<i>Adjusted EBITDA margin</i>					<i>5.8%</i>	<i>4.4%</i>	<i>1.4pp</i>	

(UMG, 2023)

Cost of revenues:

(in millions of euros)	Year ended December 31,	
	2022	2021
	<i>(unaudited)</i>	<i>(unaudited)</i>
Artist costs	4,704	3,800
Product costs	1,049	808
Cost of Revenues	5,753	4,608

(UMG, 2023)

Def Jam recordings financing.

Data analysis and research found (Owler, 2023) show growth in revenue for Def Jam since the recent previous years. The pandemic impacted physical sales, merchandising and touring resulting into decrease in revenue. However, Def Jam is currently performing better, having a better market share and the number of employees is growing.

Def Jam's estimated annual revenue vary between \$25- \$100 million.

Def Jam's estimated employees, 250- 500.

UMG, Def Jams parent company are mostly generating revenue from streaming music by subscription and along with ads and has a more stable and stronger.

SOCIAL RESPONSIBILITIES

The impact of the Covid 19 – pandemic

The consequences of any decisions long term and in response to covid – 19, Def Jam/UMG is providing support globally in several ways to employees, artists, music community to work towards meaningful positive change and social responsibilities.

- UMG has provided direct financial support to organizations such as MusicCares Covid Relief Fund and Help Musicians UK to help the affected music workers.
- Contributions to charities such as US. Employee donations
- Launched the UMG “All Together Foundation” to partner with other organizations in the world and work towards positive change for employees as well as artists to fans.
- Additional UMG's artist and songwriters offer their time, resources, and financial support to help those impacted by Covid – 19.
- Support to U.S music venues, workers, and major economic relief plans for those affected the most by the pandemic. For example, ‘Save Our Stages Act’ provided a 15 billion grant program to small venues and ‘ENCORES Act’ providing tax credits for venues.

POLITICAL

Def Jam is a global record label, and its operation is affected by any global political influences and legislations. It can be traced online that UMG, Def Jams parent company have contributed to few federal candidates, national parties and committees.

Open Secrets is an organization that tracks money in politics its effect on elections is based in Washington DC (Open Secrets, 2022).

Expenditure details 2021-2022	Total Expenditure
Contributions to federal candidates	\$130,000
Contributions to committees	\$43,500
Contributions to national parties	\$2,000

ECONOMICS

Def Jam/UMG announced launching a new subsidiary label called ‘Def Jam Africa’, where it will primarily be reporting from Nigeria and South Africa by a dedicated team. The newly founded label is searching to represent talent from all over the continent and saying it will act for “the best hip-hop, Afrobeat’s and trap talent in Africa, and will follow the blueprint of the iconic Def Jam Recordings label, one of the most important hip-hop/R&B companies in history” (Aswad, Variety 2020).

“Def Jam Africa poised to take over the \$80 Billion music sector with Afro-Beats” (Forbes, 2020), which would make Africa widely fragmented one of the last true music growth opportunities in the world (Forbes, 2020)



Courtesy of Def Jam Recordings Africa

TECHNOLOGY

With new advanced technologies available such as blockchain technology, Def Jam decided to explore other options to increase revenue by promoting their artists and new music, through branded NFTs or live concerts in the metaverse.

Def Jam recordings signs a digital avatar music group, The Whales with web3 entertainment and technology studio WAGMI Beach.

WAGMI

“We’re living in a time where the line separating creator from consumer is being blurred. We’re excited to bring together mavericks from music, art and technology to experiment and innovate while creating a music group unlike anything before it”, says Carlo Fox, The Wales co-creator (Goncharenko, 2023).

“At the core of NFT and Web3 attention is a fundamental technology change that will alter how music and art is consumed by generations to come, and this is our initial dive into what we believe to be an incredible new wave for artists and fans alike” says Alec Lykken, co-founder of WAGMI Beach ((Goncharenko, 2023).

RECOMMENDATIONS

Keep going back to Def Jam's roots and focus on their hip hop customer base audience, the millennials and what differentiates Def Jam. This will create a closer relationship to their fans

.
Explore new technology and NFT's, social media channels and partnerships to increase options for both revenue and options for their fans.

With merchandising increasing in revenue since Covid- 19, Def Jam can focus on selling merchandise after concerts and offer exclusive intimate shows from their artists. Def Jam can continue to aid artists in artistry and self-expression with UMG and help support social responsibilities.

Bibliography

- Aswad, J. (2023) *Snoop Dogg joins Def Jam as executive consultant - watch his announcement video*, *Variety*. Variety. Available at: <https://variety.com/2021/music/news/snoop-dogg-def-jam-consultant-watch-video-1234989838/> (Accessed: April 20, 2023).
- Daniels, M. (2019) *Why independent musicians are becoming the future of the music industry*, *Forbes*. Forbes Magazine. Available at: <https://www.forbes.com/sites/melissamdaniels/2019/07/10/for-independent-musicians-going-your-own-way-is-finally-starting-to-pay-off/> (Accessed: April 20, 2023).
- Def jam recordings - 18468000 revenue* (no date) *Kona Equity*. Available at: <https://www.konaequity.com/company/def-jam-recordings-4869659188/> (Accessed: April 21, 2023).
- Def jam recordings revenue: Annual, Quarterly, and historic* (2023) *Zippia*. Available at: <https://www.zippia.com/def-jam-recordings-careers-2207985/revenue/> (Accessed: April 20, 2023).
- Def Jam's competitors, revenue, number of employees, funding ...* - *owler* (no date). Available at: <https://www.owler.com/company/defjam> (Accessed: April 20, 2023).
- Elsen, J. (1999) *Universal buys out Def Jam*, *New York Post*. New York Post. Available at: <https://nypost.com/1999/02/26/universal-buys-out-def-jam/> (Accessed: April 20, 2023).
- Fixmer, A. (2022) *Universal Music Group's Digital Strategy Team Expands Innovation focus*, *UMG*. Available at: <https://www.universalmusic.com/universal-music-groups-digital-strategy-team-expands-innovation-focus/> (Accessed: April 21, 2023).
- Goncharenko, V. (2023) *Def jam recordings launches a Virtual Avatar Music Group, the whales*, *Metaverse Post*. Available at: <https://mpost.io/def-jam-recordings-launches-a-virtual-avatar-music-group-the-whales/> (Accessed: April 20, 2023).
- Invest in music* (no date) *Royal*. Available at: <https://royal.io/> (Accessed: April 20, 2023).
- Lyor Cohen details the time he almost sunk Def Jam with a debt of US\$19m* (2018) *The Music Network*. Available at: <https://themusicnetwork.com/lyor-cohen-details-the-time-he-almost-sunk-his-label-with-russell-simmons/> (Accessed: April 20, 2023).
- McIntyre, H. (2017) *Report: Hip-hop/R&B is the dominant genre in the U.S. for the first time*, *Forbes*. Forbes Magazine. Available at: <https://www.forbes.com/sites/hughmcintyre/2017/07/17/hip-hoprb-has-now-become-the-dominant-genre-in-the-u-s-for-the-first-time/?sh=113931505383> (Accessed: April 21, 2023).

- Millennials on millennials* - nielsen.com (no date). Available at: <https://www.nielsen.com/wp-content/uploads/sites/2/2019/04/millennials-on-millennials-news-consumption-report.pdf> (Accessed: April 21, 2023).
- Murtagh-Hopkins, J. (2023) *Universal Music Group N.V. Reports financial results for the fourth quarter and full year ended December 31, 2022*, UMG. Available at: <https://www.universalmusic.com/universal-music-group-n-v-reports-financial-results-for-the-fourth-quarter-and-full-year-ended-december-31-2022/> (Accessed: April 20, 2023).
- Music Gateway (2019) *Best hip hop record labels of all time*, Music Gateway. Available at: <https://www.musicgateway.com/blog/record-label/best-hip-hop-record-labels-of-all-time> (Accessed: April 20, 2023).
- Richter, F. (2021) *Infographic: The streaming takeover*, Statista Infographics. Available at: <https://www.statista.com/chart/8836/streaming-proportion-of-us-music-revenue/> (Accessed: April 20, 2023).
- Saponara, M. (2023) *A timeline of the major events that defined Def Jam's legacy in hip-hop*, Billboard. Available at: <https://www.billboard.com/music/rb-hip-hop/def-jam-history-timeline-paul-rosenberg-8096177/> (Accessed: April 20, 2023).
- Shafer, E. (2020) *How Def Jam came to dominate major labels on social media*, Variety. Available at: <https://variety.com/2020/music/news/def-jam-dominates-social-media-1234706547/> (Accessed: April 20, 2023).
- Staff, N.P.R. (2011) *Rick Rubin, Russell Simmons: Def Jam's first 25 years*, NPR. NPR. Available at: <https://www.npr.org/2011/10/09/141181876/rick-rubin-russell-simmons-def-jams-first-25-years> (Accessed: April 20, 2023).
- Stassen, M. (2023) *DJ Khaled inks exclusive deal with Def Jam; joins Universal Music as Global Creative Consultant*, Music Business Worldwide. Available at: <https://www.musicbusinessworldwide.com/dj-khaled-inks-exclusive-deal-with-def-jam-joins-universal-music-as-global-creative-consultant/> (Accessed: April 20, 2023).
- Universal Music Group PAC Expenditures* (no date) OpenSecrets. Available at: <https://www.opensecrets.org/political-action-committees-pacs/universal-music-group/C00392464/expenditures/2022> (Accessed: April 21, 2023).