



BREAKING THE BUDGET

BY CH LOH

AS MOST CLASSICAL RECORD LABELS FOLLOW IN THE FOOTSTEPS OF THE DINOSAUR, HONG KONG-BASED NAXOS SHOWS HOW A GENUINE LOVE FOR MUSIC CAN BE TRANSLATED INTO PROFITS

IT'S PERHAPS THE single most remarkable success story in the history of the recording industry. From very humble beginnings as the poor cousin of more respected classical labels like Deutsche Grammophon and Decca, Hong Kong's Naxos label has turned into a giant in an industry largely said to be going the way of the T-Rex.

In the past, you turned to Naxos when you couldn't shell out the RM60 for a full-priced CD. These days, you turn to Naxos because you are guaranteed of finding that quartet by Bax that no-one else has, or the Ned Rorem songs or Walter Piston chamber music. And the price is just a bonus, a very good bonus.

Remarkably, from the start of Naxos till today its price plan has hardly wavered from its original proposition. And yet, the label rakes in a US\$65 million turnover (US\$4 million in Asia) and close to 30% of world market share in classical music. In Asia it is big in Japan, Hong Kong, Taiwan, China and Australia. Worldwide, the US, the UK, Scandinavia and Germany make up its largest markets.

What makes Naxos such a success is its courage in venturing into repertory that most major labels would not dare to touch. From complete cycles to less mainstream composers, Naxos is everything the music lover ever dreamt of. With high-quality performances that have garnered awards and numerous nominations, and an astounding 300 new issues and 100 to 150 recording projects a year, it is hardly surprising that Naxos is a market leader today. Naxos founder Klaus Heymann writes to OFF THE EDGE from Hong Kong where he resides with his wife, Japanese violinist Takako Nishizaki.

When you first started Naxos did you ever dream it would become this big?

No, I never expected Naxos to become the world's leading classical music label. For example, in the latest official UK charts, 25 of the top 50 titles are Naxos releases.

When did you start to realise that Naxos had a potential to go beyond just being a 'budget label'?

When the major record companies failed to respond to our challenge by launching a competing label – their budget efforts all focused on exploiting their back catalogues instead of creating a new label with its own A&R and marketing channels.

How did this transition take place?

Gradually, but the real transition started once we had our distribution subsidiaries in all the main markets and started to produce non-mainstream repertoire for these markets and the world.

Do you think the term 'budget label' still applies to Naxos today?

Not really – although we still sell at the budget price point in most markets, that's about the only thing "budget" left – in terms of repertoire and critical acclaim, we are now the market leader.

How has the industry, your competition, responded to your success? Are they content to let Naxos show them how it ought to be done?

All they did was come out with budget labels exploiting their back catalogues – if they had responded 10 years ago things might have been different but now it is almost impossible to compete with us. They are not content but what can they do?

That would also include the hideous crossover efforts, which has largely served to disgust the true music lover, hasn't it? Who else would put out a Villa Lobos quartet cycle or the complete piano music, for instance! Speaking of which, I noticed that the Villa Lobos cycle and the Mayaskovsky symphonic cycle, just to name two, which you produced under the sister label Marco Polo, have vanished. Are they being "migrated" to Naxos for wider exposure? Yes, all important repertoires will migrate to Naxos in due course, and what will not be re-released on Naxos will be available online through streaming or downloading.

Are there any plans to expose Chinese music to the main Naxos fold in a systematic and complete manner as you have done with Western music? There are so many fine Chinese symphonic works, and you have recorded some of them before, that ought to be on Naxos.

There will be a Chinese classics sub-label on Naxos before too long – we have to find an orchestra or orchestras willing to record this repertoire economically – many of our older recordings of Chinese classical music are not up to today's artistic and technical standards.

Naxos also broke new ground by commissioning new music, for example the Peter Maxwell Davies "Naxos Quartets" cycle... how did this come about, whose idea was it? Are there more plans for commissions?

The idea came up at a dinner party hosted by the composer's management team. I think they suggested the commission and we suggested the quartets. Yes, there will be more commissions – probably one every year. But remember that we used to commission a lot of works from Chinese composers such as Chen Gang, Du Mingxin and others, and that we continue to commission orchestrations. We also have our own publishing company, Artaria Editions in New Zealand, which publishes works of the late 18th and early 19th centuries.

What are your own musical tastes like? Who are your favourite composers?

My musical tastes keep changing and developing. We explore so many different repertoire directions, and that allows me to discover new and interesting composers every week.

How important is the website to Naxos' campaign?

The website is enormously important – we now have 180,000 subscribers, 4,000 of whom are paying subscribers.

The website has a far greater reach than all the specialist classical music magazines put together.

You are already providing subscription-based listening on the Naxos websites, where each and every track of your releases is available for listening online. This is groundbreaking, another one-up on any record company I know. Is this going to go further into full high-quality digital distribution?

That's the next step – to a certain extent it will depend on the availability and cost of true broadband Internet access.

A full fidelity surround sound recording takes up more than 600K of bandwidth.

But it seems you are inevitably moving in the direction of digital music provision?

This is already the most profitable part of our business – all our recordings are available from digital service providers such as iTunes, Napster, Rhapsody, MSN, etc, and they send us substantial checks every month. Then there is the Naxos music library with more than 6,000 simultaneous users. All major universities and music schools in the United States, the UK, Hong Kong and Taiwan subscribe to the service and more and more institutions in other countries also subscribe. Then there's the income from Naxos.com and Naxos radio.

Do you think the future of digital distribution will pose a threat to Naxos the CD?

I think CDs will be around for at least another 5 to 10 years, but sales will gradually decline. There may be another physical format – most likely a combination DVD/CD (not necessarily a hybrid) but I think the most important channel will be digital distribution. Not necessarily via downloads but by streaming from websites with a wide selection of music – already, on the Naxos music library you can listen to more than 10,000 CDs not just from all our own recordings but also from other independent labels such as BIS, Haenssler, Gimmell and others.



ABOVE

Part of the Naxos collection, soon to be liberated from CD. Pioneer Klaus Heymann reclines in his Hong Kong office (main picture).

The traditional record company would cower in fear over copyright! What then do you think of record companies who go through all this trouble – and probably great expense – to put copy protection on their CDs? At full prices, isn't this over-stepping on the customer's right to be able to archive or back up what he has bought, or to take advantage of the current rave in putting one's music collection into MP3 players?

I think that, eventually, these efforts will fail. People will either find ways to defeat copy protection or they will download what they want from P2P sites. Naxos CDs will never incorporate copy protection and if we ever go into downloading there will be no DRM (Digital Rights Management), unless we are forced to incorporate it by music publishers. In which case only recordings of "in copyright" works will have DRM.

Have you any last words for people who say that classical music or symphonic music is a dying industry?

Nothing could be further from the truth – 2004 was our most profitable year ever and we're on the way to having an even more successful year in 2005. The interest in classical music is still there and is even growing in some markets, but we must find new ways to bring our music to existing and to new listeners. Just producing recordings and hoping that they will sell is no longer enough. ■

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