

FEBRUARY 21, 2009

# Can He Save Rock 'n' Roll?

## Irving Azoff Wants to Concentrate Power in the Music World Like Never Before; Bruce Springsteen Objects

By [ETHAN SMITH](#)

(See Corrections & Amplifications [below](#).)

Irving Azoff, the most powerful man in the music industry, sat in an armchair in his spacious Beverly Hills bathroom, firing off emails. His proposal to upend the business of rock 'n' roll -- by merging mammoth concert promoter Live Nation with his own empire, Ticketmaster -- was hitting some snags.

But Mr. Azoff had other priorities. It was also Grammy Awards day, so Mr. Azoff, the legendary manager of musicians' careers, was emailing with Don Henley, the Eagles singer and a top client, about whether he'd won anything yet. Another executive tapped out emails of his own, sitting on the edge of Mr. Azoff's bathtub.

This kind of attentiveness to his rock-star clientele, combined with his skill at negotiating the contracts that make them rich, is the source of Mr. Azoff's influence. His aggressiveness on artists' behalf is legendary. "He may be Satan, but he's our Satan," Mr. Henley quipped during a 1998 speech at the Rock and Roll Hall of Fame.

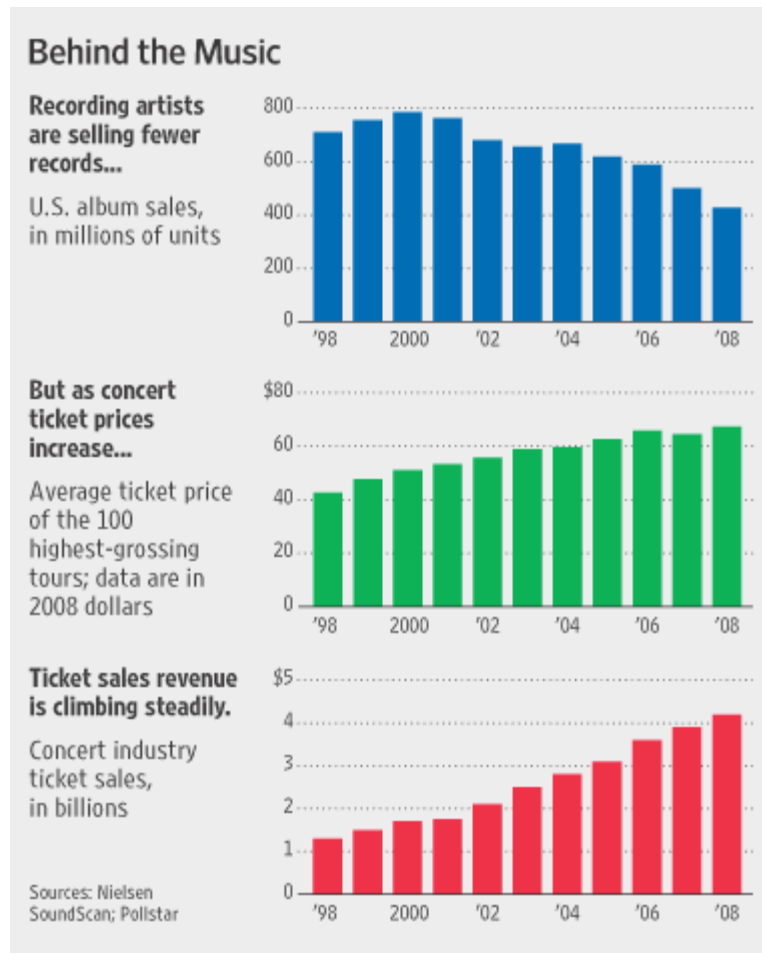
### A Talent for Working With Talent

Mr. Azoff's proposed merger would concentrate power in the music industry like never before. It could also occasionally put him in direct conflict across the negotiating table -- with himself.

If Live Nation merges with Ticketmaster, the new company will be both artist manager and concert promoter, two sides whose interests don't always align. A musician's manager wants to squeeze the most money possible out of a concert promoter, and this has been Mr. Azoff's role through his Front Line Management firm, which is part of Ticketmaster. A concert promoter such as Live Nation, which shoulders the risk of financing a tour, has the opposite motivation.

"You certainly have conflicts of interest," says Gregg Perloff, an independent concert promoter in Northern California.

Mr. Azoff, 61 years old, says his loyalties haven't changed. "The artist's interests always come first," he said in a recent interview.



Last week, the Justice Department's antitrust division opened an investigation amid concerns the deal could reduce competition. This week, Mr. Azoff and Live Nation CEO Michael Rapino are to testify before the antitrust subcommittees of the Senate and House.

The company he's trying to assemble would dominate three major businesses: artist management, ticket sales and the staging of live concerts. Mr. Azoff is chief executive of [Ticketmaster Entertainment Inc.](#), the largest ticket vendor in the world, which in turn owns Front Line, the world's biggest talent-management company, representing more than 200 stars including Christina Aguilera, Willie Nelson, Miley Cyrus and Neil Diamond. Merging with [Live Nation Inc.](#) would add the world's biggest concert promoter to the mix.

For decades, landing a fat record deal was a musician's path to riches. But today, with compact-disc sales falling off a cliff, touring is one of the few ways to reliably convert music into money.

Mr. Azoff says his deal will resurrect the flailing music business by reducing the number of middlemen between artists and fans, which he says will enable more efficient pricing and other opportunities.

Some investors appear skeptical he can pull it off. Shares in both companies have fallen by more than 30% since news of the merger emerged on Feb. 9. The chairman of Live Nation's largest

shareholder, Shapiro Capital Management Co., said he is likely to oppose the deal. A Ticketmaster shareholder has filed suit in Los Angeles Superior Court charging that the deal undervalues the company.

In a music career that spans four decades, Mr. Azoff has shown a knack for putting himself where the money is. In the early 1970s, he worked for David Geffen, who would later create Geffen Records and the DreamWorks film studios. In the 1980s and 1990s, when CD sales took off, Mr. Azoff ran record labels of his own. In 2001 he sold out, just as digital-music downloads began undermining record companies.

The music business has been in a funk ever since. Sales of albums in the U.S. are down 45% from their 2000 peak. But over that same period, concert-ticket sales have more than doubled, to \$4.2 billion last year, according to trade magazine Pollstar.

How much have things changed for artists? Today, Mr. Azoff estimates that his oldest and biggest clients derive just 6% of their revenue from recorded-music sales (including downloads), down from 50% a decade ago.

Mr. Azoff started young, booking bands in high school in Danville, Ill, a city 130 miles from Chicago. In 1970, he dropped out of the University of Illinois at Urbana-Champaign and moved to Los Angeles, where his roommate, and first serious client, was Dan Fogelberg, the soon-to-be king of '70s soft rock.

While at Mr. Geffen's company, he was sometimes dispatched to babysit touring stars. On one assignment, Mr. Azoff took a hazing from Neil Young's road crew, who surreptitiously threw his luggage off the bus in Queens, New York.

Soon afterward, Mr. Azoff struck out on his own.

He made his name managing the Eagles, after they broke with Mr. Geffen. The musicians and Mr. Azoff developed close ties. In the early '70s, Mr. Azoff gave the famously mischief-prone guitarist Joe Walsh a chain saw, which became a regular part of the musician's gear on the road.

Later, during a tour supporting Mr. Walsh's "The Smoker You Drink, the Player You Get" album, one hotel couldn't accommodate the two men's request for connecting rooms. So Mr. Walsh used the chain saw to "cut a hole in the wall about as tall as the desk," says Mr. Azoff. "And he said, 'I made it just your size.'" Mr. Azoff is 5 feet 3 inches tall.

He quickly started developing a reputation for driving a hard bargain. On behalf of the Eagles, he negotiated a record-setting royalty, amounting to \$1.50 a unit, for their 1976 "Hotel California" album. It went on to sell more than 16 million copies, ranking it among the top-selling albums of all time.

In 1983, he went to MCA Inc. to head its record label, MCA Records, which was struggling with a lack of hit albums. In part by combining MCA's concert-promotion unit and other divisions, he returned the unit to profitability.

Mr. Azoff took a brash approach to business, once buying an ad in Hits magazine with a photo of him and several executives displaying their middle fingers to the camera.

He had a brush with the law at MCA. Federal authorities spent years investigating why Salvatore Pisello, an alleged New York mobster, was working out of MCA Records' Los Angeles headquarters. He was buying large volumes of "cutouts," the industry term for presumably unsellable albums, and reselling them.

No charges were brought against Mr. Azoff or others at MCA. "It was like an episode of 'The Twilight Zone,' " Mr. Azoff says of the investigation. "Obviously, no one did anything wrong."

Mr. Pisello's former lawyer, Harland Braun, said through an assistant that he hadn't been in contact with him in some time, and had no contact information.

In 1989, Mr. Azoff left MCA to join Warner Music, which lured him with half ownership in a small label named Giant Records. He sold his share back to Warner for an undisclosed sum in 2001, just as CD sales began to tank.

Ticketmaster's Irving Azoff with the Eagles and rock music promoter Bill Graham (third from left) in the '70s.

"I guessed right," Mr. Azoff says of the sale's timing.

He spent the next four years managing the Eagles, Ms. Aguilera and just a few others. But it was tough to cut good touring deals for his artists because his business was still relatively small, and concert promotion was tightly controlled by the company that would later become Live Nation.

Looking to mount a comeback, Mr. Azoff says he concluded: "The only way to fight big is with big."

So in 2005, he re-launched his old management firm, Front Line, and set out to build a behemoth. He raised more than \$100 million from Thomas H. Lee Partners LP, the private-equity firm, and Warner Music Group Corp. Later, Cablevision Systems Corp. and Ticketmaster signed on as investors.

He quickly bought more than 60 smaller management firms.

Mr. Azoff isn't shy about using his gold-plated roster as leverage when negotiating with concert promoters. "It's done with a wink," he says. "There's never a conversation that says, 'If you don't extend this rent deal to Journey and the Eagles, I'm not going ... to let Jimmy Buffett play your building.' "

Mr. Azoff is willing to experiment with business strategies unthinkable just a few years ago. When the Eagles in 2007 made their first studio album in 28 years, "Long Road Out of Eden," he made a deal directly with Wal-Mart Stores Inc. to be the exclusive seller. In other words, he cut the traditional record labels out of the picture entirely.

The mega-retailer bought millions of copies directly from the band and agreed not to return any that didn't sell.

Mr. Azoff says the Eagles were persuaded to go with Wal-Mart by simple math. "Do you want to make pennies [per CD] from the labels, or do you want to make dollars from Wal-Mart?" he says he asked Mr. Henley.

People in the industry say the Eagles may have earned as much as \$50 million from the Wal-Mart arrangement, which sold 3.2 million copies. A traditional record-label deal might have yielded less than \$10 million, they say.

Moves like these turned Front Line into a hot property. In 2007, both Live Nation and Ticketmaster began trying to buy a controlling stake. Ticketmaster finally closed the deal last October, in the process naming Mr. Azoff CEO of the entire company.

That set off a chain of events that made a merger with Live Nation almost inevitable.

Ticketmaster had been getting hurt by Web sites that resell tickets, like eBay Inc.'s StubHub. Basically, scalpers and others were finding ways to sell tickets at much higher prices than Ticketmaster itself could.

Ticketmaster's attempts to fight back -- such as the acquisition, last year, of StubHub rival TicketsNow -- only stirred up trouble. Just this month, fans reacted with outrage when their attempts to buy \$95 Bruce Springsteen tickets from Ticketmaster led them to a TicketsNow page with resellers offering seats at up to five times face value.

The episode sparked an outcry from members of Congress, at least two state attorneys general and Mr. Springsteen himself, who posted an angry letter on his Web site accusing Ticketmaster of "scalping." The rocker went on to slam the proposed Live Nation merger as "the one thing that would make the current ticket situation even worse."

During a recent interview, Mr. Azoff said that even before the Springsteen debacle, he had told Ticketmaster personnel to begin separating TicketsNow from the main Ticketmaster site.

Mr. Azoff also faces lingering anger toward Ticketmaster for other reasons. Many fans resent its high service charges, which can amount to 50% of a ticket's face value.

Live Nation has its own set of headaches. The company has long operated on razor-thin profit margins, thanks to standard concert-booking deals that pay artists 90% or more of the box-office gross.

Unable to buy Front Line, but eager to find some way of aligning itself more closely with artists, Live Nation in 2007 and '08 invested hundreds of millions of dollars in unprecedented contracts with Madonna, Jay-Z, Nickelback and Shakira. The deals give the artists massive upfront payments -- \$120 million to Madonna; \$150 million for Jay-Z -- in exchange for giving Live

Nation a percentage of future revenue from virtually every corner of their business, from touring, to endorsement deals, to T-shirt sales.

The deals have paid off for the artists. But it's too soon to know whether they will work for Live Nation. Within a month of the Madonna deal, Live Nation's share price fell more than 30% and an internal fight ensued over the wisdom of pursuing more such contracts. Ultimately, the deals' chief architect, Chairman Michael Cohl, left the company.

By this year, the two companies were squarely on a collision course, headed either for a brutal war or a merger. Live Nation stopped doing business with Ticketmaster and instead launched a rival ticket-selling service. That hit Ticketmaster on the bottom line: As recently as 2007, Live Nation generated 17% of Ticketmaster's overall revenue.

Regulators are taking a hard look at the combination of the two giants. Last week the Justice Department dispatched 22 officials to the first antitrust hearing on the merger.

Considering how tough it will be to keep everyone happy -- from artists, to tour promoters, to politicians -- Mr. Azoff wondered aloud recently if the deal is too brazen even for him to pull off. Preparing for another night of meetings and phone calls with his lawyers, he asked, "Are we crazy to be trying this?"

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### **Corrections & Amplifications**

Danville, Ill., is approximately 130 miles from Chicago. A previous version of this article incorrectly said that Danville is a suburb of Chicago. Also, the University of Illinois at Urbana-Champaign is located in Champaign, Ill. This article misstated the campus as Champagne-Urbana. Also, in a previous version of this article, a photo caption didn't note the late concert promoter Bill Graham's presence in the photo.