

Steve Knopper. *Appetite for Self-Destruction: The Spectacular Crash of the Record Industry in the Digital Age*. New York: Free Press (A Division of Simon & Schuster), 2009.

Tyler Gray. *The Hit Charade: Lou Pearlman, Boy Bands, and the Biggest Ponzi Scheme in U.S. History*. New York: HarperCollins, 2008.

Although the subtitle of Steve Knopper's book telegraphs the author's intent to sensationalize the decline of the record business, *Appetite for Self-Destruction* merits consideration as a useful chronicle that details the end of the twentieth-century business model for merchandising records. Knopper's background as a news and features writer for popular periodicals such as *Rolling Stone*, *Wired*, and *Entertainment Weekly* is apparent in his choice for the prologue to his narrative. He chooses to recount Chicago DJ Steve Dahl's one-man crusade against disco that culminated in a mini-riot at a Chicago White Sox game one summer night in 1979, when Dahl orchestrated a midfield pyrotechnic display that included blowing up boxes of disco records with dynamite. Ten thousand disco-hating fans then stormed the field and literally kicked out the jams, making a mess of the field in the process. Throughout *Appetite for Self-Destruction* Knopper's feature-writing sensibilities draw him to portray the excesses inherent in the major label system and its larger-than-life personalities such as CBS president Walter Yetnikoff, Casablanca's Neil Bogart, and Napster co-founder John Fanning (Napster inventor Shawn Fanning's uncle). Although much of the history he recounts has been covered by others (notably Fredric Dannen's *Hit Men*, which Knopper acknowledges), *Appetite for Self-Destruction* does a credible job of detailing the unprecedented growth of the record business in the 1980s and 90s until its peak in 1999 and continues telling the story of the industry's steady decline through late 2008.

What makes this book a valuable resource to anyone interested in studying the record business is that it includes dozens of excerpts from interviews the author completed between 2006 and 2008 with key executives at every major record label, as well as principals from Napster, Kazaa, the RIAA, and a number of Apple executives. The rich first-person narrative told by the people who made many key decisions that shaped the direction of the pre- and post-Napster record business provides a balanced

perspective on the various parties who had a stake in the world of digital music distribution. (One complaint is that there is no mention in the text of the detailed end notes, which I didn't discover until nearly completing the book.) Not surprisingly, some of the executives interviewed have different recollections as to the facts. In one instance, principals involved in the behind-the-scenes negotiations between Napster and the majors tell varying stories of why the deal broke down. Universal's Edgar Bronfman, Jr. claims Napster told him it was entertaining a \$2 billion purchase offer, suggesting the majors would have to match it; while venture capitalist John Hummer, who had invested heavily in Napster and was part of the Napster negotiating team, stated he made no such claim in the negotiations. No matter such disagreements, the reader is still left with a palpable sense of the revolutionary threat that peer-to-peer file sharing represented to the hegemony of the record industry moguls, and the fact that an overwhelming majority of the top label executives believed their only recourse was to sue Napster into oblivion.

Knopper inserts a series of eight short analytical essays he dubs, "Big Music's Big Mistakes," throughout the narrative. They function to provide the reader with a better understanding of the decisions that were made by the industry at crucial times in the past twenty-five years. Three of these mini-essays help the reader see some of the reasons why the record industry's own successes helped to foster poor management decisions that left the sector bloated and vulnerable to disruptive technologies such as Napster. Knopper cites the excesses that grew in the field of independent radio promotion that had such firms earning as much as \$300 million a year from the majors for enticing radio execs to add a particular song. Not only did this prove to be an unsustainable model, it also dampened the majors' own ability to break records. Another of the "Big Mistakes" was the labels' move away from supporting independent record retailers towards an over-reliance on the big box merchants—firms that view music as a loss leader to pull customers into its stores (where they would buy other products with higher profit margins). Knopper lays responsibility for the decimation of the indie retailer firmly at the foot of the executives he profiles. He points out that by consolidating two-thirds of their retail sales with a few big box chains such as Wal-Mart and Best Buy, the majors left themselves vulnerable to the cuts in floor space and inventory made by these same retailers over the past two years in response to the bad economy, thereby further accelerating the decline in CD sales.

The third of the various blunders is the RIAA lawsuits against a reported 38,000 individual music consumers which drew the full attention of the national media. Although the strategy created a dialog about the fairness of unauthorized downloads, among the industry's plaintiffs were grandmothers, befuddled parents of teens who used peer-to-peer sites, and a twelve-year-old girl in New York City. Like most of the battles fought in and around the courts, Knopper explains that although the record labels may have won judgments or out of court settlements, in the court of public opinion they were pilloried for declaring war on their customers and maintaining a bunker mentality. Unfortunately, the lawsuits did nothing to reduce peer-to-peer sharing of music and left a bad taste in the mouth of many music consumers, a point clearly made by the author.

Knopper tellingly concludes the work with Universal Music CEO Doug Morris' assertion that, "It comes down to developing hits and artists. And it's still the same. Nothing has changed." The author argues that Morris is wrong. Knopper goes on to state that Morris and his ilk, who still maintain control of the majors, will become an anachronism unless they begin to think differently, stop fiercely protecting the old model of selling pieces of plastic, and begin to embrace the "long tail" economy of the internet. Perhaps that's the greatest irony of this very readable book is that the executives Knopper interviewed (and that still run the majors) likely haven't made time to read it, much less profit from its insights. Maybe they already are an anachronism.

After reading *The Hit Charade* I was left with an empty feeling due to the fact that the level of both dishonesty and gullibility portrayed throughout it is simply stunning. Lou Pearlman, the central figure, is a combination of legendary showman P.T. Barnum and Charles Ponzi, the man immortalized by cheating investors out of their savings. Hundreds of Pearlman's investors, as well as the dozens of young singers, dancers, and models shared an unshakable belief that Pearlman was a man who was able to beat the odds in both the investment and entertainment industry, spinning gold through his canny business acumen. The story depicted in Tyler Gray's cautionary tale is the exact opposite. Pearlman bilked investors out of nearly \$500 million over his more than twenty-year run and used a portion of these funds to build his pop music kingdom.

As with *Appetite for Self-Destruction*, the author and publisher of

The Hit Charade have aimed this work at a mainstream audience, touting Tyler Gray as “the only journalist to speak with Pearlman while he was in jail,” and that the book “explores persistent rumors about alleged inappropriate behavior by Pearlman toward members of the boy bands.” As a result, Gray focuses the first third of the work on Pearlman’s early years growing up in Queens, as a chubby, slightly nerdy middle-class teen. His studies at Queens College in accounting would give him the knowledge to foster a long-running scam on his investors, the State of Florida, and the U.S. Securities and Exchange Commission. These investors received statements that they were earning above-average returns while in reality their money provided the capital for Pearlman’s various forays into the airship business, helicopter and jet leasing firms, and eventually his Trans Continental music empire, which was headquartered in Orlando, Florida. While helpful in developing a better understanding of Pearlman, the con artist, it is only when Gray reveals Pearlman’s 1992 decision to get out of the airship business and into entertainment, that the story shifts to the music industry.

From here, the author ably reports how Pearlman literally bought his way into the music business, investing three million dollars to carry vocal coaches, stylists, and choreographers on salary, rent sound stages, and purchase an elaborate sound system, all of which helped him to bring his first successful group, Backstreet Boys, to pop superstardom. However, this road to riches, especially for his two largest acts, Backstreet Boys and *NSYNC, was littered with examples of Pearlman’s duplicity. For example, Pearlman hired industry veteran Jeanne “Tanzy” Williams to help him scout for members, and coach the group, that would become the Backstreet Boys, with the promise that she would be vested in the band’s corporation and receive a steady salary during its development. Although Gray states she was an industry veteran, Williams gave up her successful talent management firm to go to work full time for Pearlman, and gullibly accepted his suggestion she defer all but \$100 per week of her promised \$750 weekly salary. Williams would not be the first to be bamboozled by Pearlman’s extravagant lifestyle and seemingly endless supply of money. With respect to her ownership interest in the band’s corporation, Pearlman had no intention of giving Williams any stock, having already incorporated the band in the state of Delaware. Some years later, Williams agreed to an undisclosed settlement after suing Pearlman. In recalling her dismissal after investing thirteen months, day and night, honing the Backstreet Boys’

skills, Williams told the author, “[Pearlman] reminds me of the kid who tears the wings off of flies...just to watch them not be able to fly.”

Another case of Pearlman’s deceit is recounted when Gray explains how the con man fostered the notion that he knew nothing about newcomers *NSYNC, the group that was challenging Backstreet Boys’ supremacy in the teen pop market. Pearlman inferred to the Boys that *NSYNC’s origins were a mystery, when the fact was Pearlman had formed, backed, and managed Justin Timberlake & Co., something the Backstreet Boys didn’t learn until nearly two years after *NSYNC’s debut. Pearlman kept his bands in a non-stop bubble of constant touring, recording, and appearances, so that they had little knowledge of the outside world. Furthermore, the young performers’ industry naïveté is made clear when the author quotes Backstreet Boy Lance Bass who, like Jeanne Williams, was completely duped by the con man-manager. “I always liked Lou a lot...and thought he must be the wealthiest man who ever lived to be able to do the kinds of things he did and give us the support he insisted we needed...I trusted him and felt we were in the right hands... That blind trust would later come back to haunt us all.”

The truth was that Pearlman’s multimillion-dollar upfront investments in his various artists would all be recouped from the income Backstreet Boys would generate from multiplatinum sales success, lucrative endorsement deals, and nearly endless touring, which generated vast sums of money that the boys themselves did not share. Instead, these artists paid for their rock star lifestyle, which included non-stop limos, four-star hotels and restaurants, and jetting around the globe to various appearances out of their own pockets. Gray explains that the young performers Pearlman signed understood little if any of the contractual terms in their agreements with Pearlman or their record labels, resulting in nearly all artist royalties being funneled to Pearlman. When Backstreet Boys finally sued Pearlman in 1998, claiming that although they had enjoyed unprecedented success, each member had earned a paltry \$60,000 since their 1993 debut, while Pearlman had pocketed more than \$10 million, the con man dismissed the suit in the media as a “family disagreement.” The facts were that the members of the band had signed extremely restrictive contracts which guaranteed Pearlman’s recoupment and a huge chunk of the band’s earnings. The settlement terms were never disclosed, but Gray suggests that Pearlman’s contracts with the Boys largely held up in court.

Although much of the book is an indictment of Pearlman and the

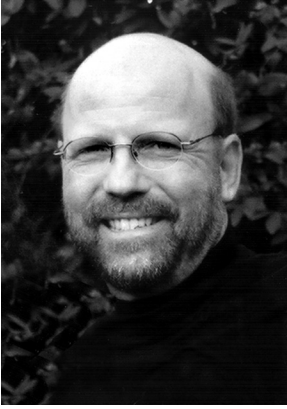
great frauds he perpetrated, there are some observations that can be pulled from the rubble of the boy band phenomenon that merit consideration by any student of the music industry. First, like Berry Gordy, Jr.'s Motown empire three decades before him, Pearlman created a set of vertically integrated media and merchandising companies, setting up fully staffed management, promotion, production, label, and distribution companies under his Trans Continental moniker. In this way, he profited from multiple ancillary revenue streams generated by the groups he controlled.

Next, Pearlman took both Backstreet Boys and *NSYNC to Europe for seasoning and to build a fan base. In Europe and Asia, Backstreet Boys were soon performing to sold out arenas of screaming teens, while selling 8.5 million albums in non-U.S. territories. Pearlman astutely realized that the squeaky clean image his bands projected would be a hard sell in a U.S. market still dominated at that time by the look and sound of grunge so he invested heavily to build his act's early success and cash flow outside the U.S., a lesson other managers might take note of. By the time they made their U.S. re-entry on the charts, at number one for the album *Everybody (Backstreet's Back)* in March 1998, the band's overseas experience had honed their sound and performance abilities to a fine edge, helping to insure the massive U.S. success they would soon enjoy.

The final lesson learned from this book is that no matter how intense one's dreams of success in the entertainment industry might be, there really is no "free lunch." Pearlman's flashy lifestyle and open wallet lulled young performers, their families, and some industry veterans into believing he really was a rich mogul looking to help them realize their dreams of profiting from pop stardom. At the moment of truth, when these artists and their families were presented contracts that would literally and legally pick their own pockets should they find fame, these people willingly and gullibly signed on the dotted line, perpetuating Pearlman's con while becoming a party to yet another saga of corruption and greed in our industry.

Unfortunately, *The Hit Charade* is far from a definitive assessment of the teen pop phenomenon of the late 1990s; we'll most likely have to wait a while longer for such a tome. Instead, this book provides a sad, lonely profile of Lou Pearlman, a man who built a multi-million dollar pop music empire through deceit, while preying on the dreams of the many young performers who believed in him.

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Professor Hatschek is the author of two books: *The Golden Moment: Recording Secrets of the Pros* (2006) and *How to Get a Job in the Music Industry* (2nd Edition, 2007), both of which are used by various music programs as reference works. He is currently involved in research into the life and work of Dave Brubeck and contributes a monthly column to the online recording and music technology magazine, *Pro Studio Edition*. He is a member of the AES, MEIEA, NARAS, and IASPM as well as other professional organizations.