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Disco—Birth of a New Marketing System

Case study describing the response of the record industry to a unique situation, involving a product whose life span is only 3-4 months.

In the early 1970’s, a new musical form, geared to a glittering social minority, began in the metropolitan East Coast. On the whole, reaction by the general public to this new music, a synthesis of jazz and soul, was hostile. They termed it vulgar, bland, and unnaturally loud—its supporters called it disco.

A DJ, records, and a sound system were the only initial requirements for a social and musical phenomenon that glued the younger generation from rapt, spellbinding hard-rock and introduced them to the “hustle” and the platform shoe.

Despite predictions of sudden death, disco grew in popularity, becoming nationwide in appeal. Even the large hotel chains, Hilton, Holiday Inn, Hyatt-Regency, and the Marriott, opened discos on their premises, and disco franchises continue to expand. In 1976 there were an estimated 10,000 discos in existence in the U.S., with an additional 5,000 slated for opening in 1977. Discos have become big business—an estimated $4 billion dollar annual industry.

The Network

This national network of discos implied a marketing strategy not unusual in the music industry: One product produced and distributed for two distinct but interconnected markets. Regardless of discos, radio and its vast contemporary music market remains the goal of the disco product. An independent industry study found 62% of customers are influenced by radio air-play in their purchase. Album sales can increase by as much as 200% nationally if the product receives air-play on major stations in the country. The network of discos is utilized by the record industry for that end by:

Generation of local sales. Through disco exposure, consumers are introduced to new records, and stimulated to purchase at local record outlets. Significant local sales of any contemporary music is one of the prime criteria in a radio station’s decision to air a record.

Immediate nation-wide coverage. The speed with which a record “breaks” in the discos is almost immediate—a record can spread nationally within weeks of its release. Singer Vicki Sue Robinson’s first album for RCA, which contained “Turn the Beat Around,” was originally a disco success, and received national exposure via the discos before it ever received major radio air-play.

A new test market. A record’s reception in the discos can help formulate marketing strategies for the product, segmented on a regional and national level.

Introduction of new acts. Exposure for an unknown artist in the music industry is difficult. Because of its relative youth, the disco market is open to new acts. Several current contemporary music stars had their beginnings in the disco field: Vicki Sue Robinson, Natalie Cole, and Thelma Houston.

Inexpensive promotion. Costs for promotion of rock and other contemporary albums can exceed $50,000. Costs for disco promotion are “miniscule in comparison.”

Through discos, record companies now have the means to bring their product to the attention of...
extensive numbers of consumers for the price of a promotional album (which is approximately $1.00).

The Record Company

Large Labels

Large record companies, wary of grooming artists for a possible short-lived trend, will identify few of their releases or artists as “disco.” Yet 95% of all record companies have released albums with at least one disco-formated song. There are 375 record labels that are currently engaged in producing disco product.

The market share of disco in the record industry is difficult to ascertain. As yet, there have been no data published on its impact on the industry, or available industry statistics. Drawing on various sources, I have allotted it a conservative 10% portion of the industry’s $2.6 billion dollar annual gross volume of record product sales in the U.S.

One of the problems is definition. David Todd, national disco co-ordinator for RCA Records, named only one group in his company’s stable of artists as “disco.” Yet he added that RCA does test market albums that contain a disco cut through the discos for reaction and exposure. To avoid permanently labeling an artist and retarding their rise to broad pop music acceptance, many records are termed “up-beat” rather than disco by industry executives, although sent through the national network of discos for the necessary exposure.

Small Labels

In the early days of disco few record companies were involved in producing product for that market; all of these were small labels. These labels grew rapidly, as competition from larger companies was minimal in that market, and only after small labels achieved success in national radio air-play did large labels begin to seriously consider disco as a viable medium for promotion and test marketing.

Five years ago Midland International was a non-entity in the record business. However, its estimated retail sales for 1976 were $10 million.

Miniature Labels

One-man disco record companies have sprung up because of the easily accessible disco market, with headquarters literally in apartments. A common practice for such entrepreneurs is to secure rights to a song, hire studio musicians, and press a record. Patrick Adams of P&P Records, New York, personally delivered his product to record retailers in Boston; he took the bus from New York City carrying the records on his lap.

Such small venture companies generally lack the funds for extensive distribution of their product on a national level. Their hope, rather, is that a larger record company, aware of their product through weekly regional disco charts in industry publications, will purchase the rights to the product, or even acquire the company itself.

The Retail Outlet

In metropolitan areas, disco comprises an increasingly important segment of record stores’ marketing mix. Strawberries, a chain of three record stores in the Boston area, opened in February 1976. Its emphasis was on disco because, said the operations manager, “No one else was doing it.” The chain, owned by Cambridge One-Stop, Inc., did an estimated $5.5 million in retail business in 1976, with disco comprising 35% of total sales. New England Music City, a chain of seven record outlets in Connecticut, Rhode Island, and Massachusetts, cited their disco business at 10-15% of total sales. Their disco sales were worth approximately $1 million dollars in 1976.

The pattern and extent of contemporary music record sales are of vital interest to record companies and radio stations, as marketing decisions and strategies are based on these compilations. Each week record stores compile a list, by sales, for the top albums and singles, and the top sellers according to specific music categories (see Exhibit 1). Record stores are contacted for this information by:

- Music directors of local radio stations.
- Record company promotion representatives.
- Music industry publications (for weekly charts).

There has also been a corresponding lack of published research to profile disco record purchasers. Because the death of disco has been anticipated on a yearly basis, such information is not considered essential to market growth. Various sources, however, indicate that he/she is generally between 21-30 years of age, urban and semi-professional, with an income of $10-15,000 a year, and appears to purchase a larger quantity of records than similar demographic counterparts.

The Disco DJ

The link between the record companies and the discos is the disco DJ. (See Exhibit 1.) It is the DJ who provides and selects the record product for disco play. Each disco DJ carries with him his own
"record library." The professional reputation of a disco DJ is built on technical ability with the elaborate sound systems, and on his record collection of disco material. Disco DJ "personalities" are non-existent, as most do not speak throughout an entire evening, not even to announce the records. Awareness of label and artist is spread by word-of-mouth. (In perhaps no other area of music are new releases anticipated and judged as quickly as in disco.)

Five years ago the disco DJ had no easy access to disco product. Like the consumer he had to wait for its appearance in the record stores (or special order it) and pay the list price. Some record company promotion representatives in major radio markets, aware of the potential impact of their company products' appearance in the discos, began supplying DJs with promotional copies of records with disco appeal.  

When the importance of discos became evident to record companies on the corporate level, a new position was created for disco DJ contact: that of national disco co-ordinator. The major function of the co-ordinator is to ensure that disco DJs in the primary radio markets (see Exhibit 2) are supplied with promotional records.

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**EXHIBIT 1**
**Data Flow: From Disco to Top-40**

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The Mailing List

Mailing lists of disco DJs on a national level were compiled, and the DJs began receiving promotional records directly from the record companies. In return, the DJs were required to return a rating sheet to the disco co-ordinator indicating audience response. However, such mailing lists of working disco DJs were difficult to maintain on a national level, and as a result many contacts became haphazard. Some record companies continue to use mailing lists for DJ contact, but the level of communication was judged unsatisfactory by many companies and DJs, who sought other avenues of contact.

The Record Pool

In an attempt to establish their unique position in the record industry, many metropolitan DJs grouped together and formed record pools to facilitate their quick and regular receipt of promotional records.

There are approximately 28 record pools across the U.S. (see Exhibit 2) with an estimated 3,000-plus member disco DJs. The DJ record pool head
works directly with record company national disco co-ordinators, supplying the co-ordinators with a list of member DJs, receiving promotional records for distribution to the DJs.

These DJs receive the bulk of their promotional records through record companies that work directly with the record pool. Many DJs, however, also receive product from mailing lists of non-participating record companies, and from national disco promoters.

The first record pool in the U.S. was formed in New York City in December of 1975. (Since then a 2nd NYC pool has formed.) The size of the 300-member pool's weekly disco audience is estimated at over 100,000.

Motown Records channels roughly 50% of all new releases through record pools. Of Atlantic Record's releases, 20% are disco-oriented, and all are channeled to DJs through a combination of record pools and mailing lists. Columbia Records sends its disco product (8-10% of total releases) through record pools, as does RCA.

**Independent Disco Promoters**

Independent disco promoters have evolved with the disco DJ as their target. Such promoters, hired by record labels to handle disco promotion on an individual album basis, are supplied with promotional product by the record companies. These promoters reach the DJs through a combination of record pools and selective mailing lists. Provocative Promotions employs a mailing list of the 400 DJs who play the nation's largest clubs. Through these DJs, whose clubs have a weekly audience size of 5,000 per week, Provocative Promotions is able to reach a weekly audience of 2 million.

**Feedback to the Record Companies**

Regardless of which method is used by the record company to distribute promotional records, one condition is made: the DJ must complete a rating sheet for each record received. These rating sheets indicate (on a 1-5 scale) audience response and personal reaction to the record. On the basis of this feedback rests record company decisions such as:
• Commercial release of a 12-inch version.
• Intensified sales and promotion efforts in a given region.
• Release of another single from the same LP.
• Switching album emphasis from disco to another market segment.

What assurance does the record company have that, once received by the DJ, its product will receive disco play? None. Payola, the bogeyman of the record industry, does not appear to be widespread in discos. Disco audiences are selective about their dance material, and if they dislike what is being played, the dance floor clears and the audience sits down. Part of a DJ's professional status depends on his selection of disco material: if he plays unpopular records with alarming frequency, he's out of a job.

The 12-Inch Disk

The 12-inch single, a new marketing tool originally designed for the disco DJ, was first issued in July 1975 by Atlantic Records as a promotional item solely for disco play. From 7-9 minutes in length, the oversized 12-inch was intended as a dancing stimulus, and specially sound-engineered for that purpose. However, the appearance in the discos of the 12-inch single created a specific commercial demand, and in May 1976 Salsoul was the first record company to release a 12-inch for the commercial market, with a suggested list price of $2.98.

In New York City at The Record Shack, 12-inch singles comprise 15% of total sales. The buyer for the outlet attributes almost all of these sales to disco exposure: "The discos are the only places they (the customers) hear about the 12-inch. It is not advertised or promoted anywhere else." A 12-inch single was released commercially from singer Vicki Sue Robinson's second album. The album was not a success, never having received national radio air-play; nonetheless, sales for the 12-inch single exceeded 70,000 copies.

What It's All About—National Top-40 Radio

Few albums are released solely for the disco market because of its limited size. The industry views disco strictly as a means of album exposure. To penetrate the market of the vast contemporary music audience there is only one method: Radio. However, radio stations with a Top-40 format are the ultimate goal. Once added to a Top-40 station playlist, a record can be aired up to 15 times a day. When a radio station adds a record to its playlist, sales increase by 20-30%. When an influential Top-40 station adds the same record, sales will increase by 200%-300%.

The Programmer

The decision to add a record to the playlist is made by the radio station's programmer and music director (see Exhibit 1). The decision is based on:

• Weekly reports of buying trends in local record stores.
• The pattern of the station's own "listener line" requests.
• The national action of the record as indicated by music industry publication charts. (Such weekly charts also indicate the programming of stations nationwide, and have a decided impact on individual station decisions to add or drop a record.)
• A record's potential mass appeal.
• A station's ratings (Arbitron, Pulse, etc.).

Radio stations cannot ignore a record in their area which has generated interest, as evidenced by heavy local sales and phone requests. Dr. Buzzard's Original Savannah Band, which had its initial impetus from the discos, went (literally overnight) from non-appearance on the playlist of WABC, New York City's largest radio station, to #6 on the Top-40 on November 22, 1976 because of massive record sales stimulated by the discos. This band represents an example of a unique characteristic of disco consumers: minimal interest in live performance. By Spring 1977 the album had sold 750,000 copies, and the group had yet to make a live appearance—anywhere. In New York City, disco capital of the U.S., the album sold 300,000 copies, and was the largest selling LP in New York City's history.

The Cream of Top-40

RKO General is a chain of radio and TV stations, formerly owned by General Tire and Rubber Co. Of their 13 wholly-owned radio stations, five are contemporary Top-40 stations. Former Vice President of Programming for RKO, Paul Drew, is the consultant programmer for the Top-40 stations: WRKOBoston, WXLO-New York City, WHBQ-Memphis, KFRC-San Francisco, and KHJ-Los Angeles. He is considered the master of Top-40 programming.

Because of the location of the five RKO Top-40 stations, the reputation of Paul Drew, and the station's dominance in their individual markets (see
Exhibit 2) this network of stations (termed the "Drew Chain" in the industry) is considered the most influential block of Top-40 stations in the country.

From the Discos to RKO Top-40

Release

An album entitled "Anyway You Like It," by Thelma Houston, a virtual unknown in the music industry, was released by a division of Motown Records on October 28, 1976.

Radio. Copies of the album were taken to music directors of local Boston radio stations including the music director of WRKO, in early November by Motown's promotion rep.

Record Stores. Albums were distributed by Motown's sales reps to the buyers of local record outlets in early November.

Boston Record Pool. On November 15, the Boston Record Pool received promotional copies of the album for distribution among disco DJ members. A cut from the album, "Don't Leave Me This Way," was determined by the Pool to have the best disco potential. The DJs were given audience response sheets to complete concerning the album. On November 18, the cut "Anyway You Like It," was released as a single, and also distributed to the Boston Record Pool by Motown Records.

Feedback

The cut was a smash hit in the discos; all of the member disco DJs, on the rating scale of 1-5, rated the record as a #5 on their feedback sheets.

To the Record Company. The administrator of the Boston Record Pool, Roxy Myzal, relayed the cumulative audience reaction on the Thelma Houston record to the promotion rep, who relayed it to Motown executives.

To the Record Stores. Because of the disco exposure, Boston record consumers were motivated to request and purchase the record at local outlets.

To Radio Stations. As another result of the disco exposure, the record was requested through the "listener lines" of local radio stations.

Results

When a record "breaks" in the discos, it does so quickly, and spreads nationally in a matter of weeks.

For example:

- Thelma Houston's single, "Don't Leave Me This Way," appears on the Disco Chart of Record World on November 20th. By December 11th it is listed as the #2 disco record in the nation.30
- Because of the intensity of the disco action, Motown releases the single on a commercial 12-inch disk on December 14th.
- "Don't Leave Me This Way," appears on Boston record store reports to local music directors on December 22nd, listed as #32 in the pop category.31
- National sales of the album at this time are approximately 150,000.32
- The record is added to the playlist of RKO Top-40 station in San Francisco, KFRC, Christmas week, 1976. It is dropped and subsequently re-added.
- Added to the playlist of WRKO in Boston, January 12, 1977.
- Added to the playlists of the remaining RKO Top-40 stations: WXLO-February 4th; KHJ-February 19th; and WHBQ-March 5th.
- National sales of the album increase over 200%. As of mid-April, sales for the album are 500,000; sales for the single are 1 million.33 Precise sales figures for the 12-inch were not available, but it was termed "the most successful 12-inch ever released."34

Conclusion

The longevity of disco is of course questionable. As a phenomenon it has been remarkably long-lived. Some predictions have the entire disco industry crumbling rather epically into the sea tomorrow, others foresee disco as expanding even further and becoming a permanent contemporary music form.

The critical issue to the record industry, however, is that disco releases continue to make Top-40 playlists. If disco fails to completely "cross-over" into the contemporary music market, regardless of the continuing success of disco clubs, Top-40 airplay would sharply decline, and record industry interest in disco would disappear.

The importance of disco to marketers is not its ultimate success or failure. Disco not only provided the record industry with an alternative method of product exposure; it presented the industry with a network of 15,000 outlets for such exposure in a matter of a few years.
ENDNOTES
1. Don DeLacy, RCA Promotion Representative, Boston, Personal Interview, March 15, 1977.
2. "Neighborhood Clubs Down as Big Business Moves In," Billboard, October 2, 1976, pg. 33.
6. Don DeLacy, same as reference 1 above.
8. Harry Safter, same as reference 5 above.
11. David Todd, Ibid.
13. Harry Safter, same as reference 5 above.
15. Oscar Fields, Product Manager, RCA Records, New York City, Personal Interview, February 28, 1977; Tom Moulton, same as reference 10 above; Roxy Myzal, Co-ordinator, Boston Record Pool, Boston, Personal Interview, December 2, 1976, February 3, 1977; Carol Singer, same as reference 10 above; Steve Stephens, Buyer, Record Shack, New York City, Personal interview, February 15, 1977.
16. Don DeLacy, same as reference 1 above.
17. Roxy Myzal, same as reference 15 above.
18. Marc Simon, same as reference 7 above.
21. Israel Sanchez, same as reference 10 above.
23. Marc Simon, same as reference 7 above.
25. Oscar Fields, same as reference 15 above.
26. Harry Safter, same as reference 5 above.
27. Carol Singer, same as reference 10 above.
28. Oscar Fields, same as reference 15 above.
31. Carol Singer, same as reference 10 above.
32. Tony Chalmers, same as reference 20 above.
33. Ibid.
34. Record World, April 16, 1977, pg. 16.

Take care of your respondents . . .

A . . . consequence of unethical market research practices is the cost that likely will be incurred to obtain respondents in the future. If the day arrives when the general public is no longer willing to cooperate either on an unpaid basis or for nominal gratuities, researchers will pay dearly for subjects and respondents. In fact, if consumers lose interest in the activities of market researchers, this may be the only available avenue left for those wishing to secure high quality data.

. . . If market researchers must continually spend more and more to achieve less and less, their own continued existence is dubious. As the disparity in the cost-benefit structure of research based decision-making increases, management will be increasingly reluctant to request or use such research.
