



As CEO of AVL Digital Group, the parent company of CD Baby and Disc Makers, Tony van Veen has spent 30 years helping independent artists release, distribute, and promote their own music globally.

In the mid-1980s Disc Makers pioneered the complete vinyl package for independent musicians, which started the company's growth as the undisputed disc manufacturing leader for DIY musicians.

CD Baby, the largest independent digital distributor in the world, representing nearly a million independent artists worldwide, distributes a catalog of almost 10 million tracks to Spotify, Apple Music, iTunes, Amazon, and other streaming service providers.

The company has representatives in Latin America, Europe, and Asia. AVL Digital Group companies also offer YouTube monetization (AdRev), web hosting (HostBaby), book publishing (BookBaby), and band merch (Merchly) services to artists, filmmakers, and authors.

Succession Planning: Promoting from Within



Tony van Veen

CEO | AVL Digital Group | CD Baby | Disc Makers

Deciding who should lead what you built.

Tony van Veen joined Audio and Video Labs, Inc., better known as Disc Makers, in 1987 as a 22 year-old recently minted Penn graduate. With an interest in pursuing a career in the music industry, he joined the then 41 year-old company as a marketing trainee. By 2006 when Corinthian acquired the company, he had risen to Executive Vice President of Sales and Marketing, and had been identified by Morris Ballen, the owner and President, as his heir apparent. Over the course of his tenure at Disc Makers, he helped develop and refine the company's direct marketing strategy offering a one-stop turnkey solution for independent artists.

Tony had a front row seat as he witnessed Morris Ballen, the son of the original founder, lead the family business through a generational transition. As he advanced in his career and helped develop the company's marketing strategy, he helped successfully position Disc Makers for sale as Mr. Ballen sought the right capital partner to help the company achieve its goals.

As Corinthian's first investment in 2006, Morris, Tony, and the entire Disc Makers management team have a special place within the firm's history, but as importantly, serve as a case study for successful generational transitions and the value of building a core leadership team with a developed succession plan.

Here, Tony shares with us his perspectives on what to consider when (formally or informally) considering a succession plan for both a family owned business and one that ultimately brings in outside capital.

What preparation took place prior to Corinthian's investment in discussions for you succeeding Morris as President/CEO of DiscMakers?

By the year 2005 when we had started prepping the company for a sale, I had worked at Disc Makers for almost 18 years. I was Morris' right-hand man – driving sales, marketing, and customer service for the company. Morris, being in his late 60s, realized he needed to solidify his succession. After all, no buyer would invest in a company run by a 68-year-old CEO. Therefore, we decided that I would lead the management presentations to prospective buyers, and that I would take over as company president within one year of the company's sale.

Principles for Promoting From Within:

Transitions are difficult and successions are hard. Founders and executive management should consider the following to implement a successful succession plan:

- Realize that finding a successor should be an active process for as long as you don't have a successor identified and groomed.
- Take personal responsibility for the process, and for growing your managers.
- To help your company grow, and to help find a successor, challenge your managers: give them juicy opportunities, and let them solve their own problems. Don't take their monkeys on your back.
- Hire quality talent, and look to fill promotion opportunities from the inside FIRST, before going outside.
- Be disciplined about managing manager performance: give regular feedback, set goals, and hold managers accountable



What is the best way for a founder-owned and operated business to manage succession?

We asked a former Corinthian portfolio CEO who has been a part of generational transitions and was promoted through the ranks.

Was there a transition period for you to take the reins – what did that involve?

Yes and no. When I became president of the company, my former peers on our executive committee now became my direct reports. We all kept doing our jobs, but I started working with my new direct reports on their priorities and needs. What really helped was that Morris Ballen stayed on for several years as company chairman and was able to offer support, advice, and mentorship in areas like operations where I did not have much experience prior to becoming president.

What is the role of the rest of the executive leadership leading up to and during a transition?

They need to own their areas of responsibility. Every company leader relies on his or her direct reports to lead their areas and drive them forward. I look for my execs to tell me what needs to be done, not for execs who need me to tell them what needs to be done. So long as my execs don't drop the ball, we'll do well as a company.

Looking back, what would you have done different as part of that process and why?

It worked beautifully. I was a senior, experienced exec, I had extremely capable peers who became my direct reports, the owner and I saw eye to eye on the future direction of the business, and he stuck around for several years to assist with anything I needed. I could not have wished for a smoother transition. I realize, however, that not every company has the luxury we had of such a stable transition to a key member of the exec team.

You now find yourself on the other side of the transition process, can you elaborate?

After being owned by two private equity firms, I just completed a transaction where our business was sold to a strategic acquirer and my exec team and I did a management buyout of a division of our company that the acquirer did not want. We had a great opportunity to buy an exciting part of our business for the right price, and took it.

What process have you undertaken as you consider your own succession?

I had my successor all set. However, he was the CEO of the divisions that were recently sold off to a strategic acquirer. Now I have to start anew identifying and grooming a successor. My direct reports are all my age or older, so I need to look further down in the organization. I have 5 to 8 years to have a successor ready, so the pressure is on!

You've now gone through three company transactions – what advice would you give management teams as they consider the right capital partner?

Ask lots of questions to figure out how well their vision of the future aligns with yours. What priorities do they want the company to pursue? How do they interact with management? How aggressive will they be in pursuing growth through M&A? During an average five-to-seven-year hold period, how aggressively will they seek to deploy capital, and how early? What reporting will they need? What resources can they bring to the table to help accelerate growth? Are they prepared to accept lower profits in exchange for faster growth? Will they be hands on and directive on company strategy and execution, or rely on the exec team to drive?

What role should the private equity sponsor play in managing through a succession plan?

It is the chief executive's responsibility to secure a successor and plan for an orderly transition. If the company does it right, the PE sponsor is a passive participant, signing off on the choice of successor and timing of succession. If, however, the CEO does not do his or her job in finding a successor early enough, then it is up to the private equity sponsor to put steps in place to ensure that the company is preparing appropriately for leadership succession.

AVL Digital Group – Transition through Seven Decades

In 1946, Ivin Ballen founded The Ballen Record company in Philadelphia, Pennsylvania for the purpose of recording local music talent for his new record company, 20th Century Records. In addition to a recording studio, Mr. Ballen built a manufacturing operation to press shellac records since there were no other manufacturers in the Philadelphia area. In 1959, the company changed its name to Disc Makers.

In its early years, Disc Makers was a commodity supplier to the music industry. In 1983, the company began to focus on clients requiring smaller runs and more service. The company's full-service business model was born at this time under the leadership of Ivin's son, Morris Ballen, who had succeeded his father as President. For early independent artists, the process of producing a record required as many as eight different vendors: a graphic designer, a color separator, a slick printer, a jacket fabricator, a label printer, a mastering house, a plater, and a pressing plant. By creating an in-house graphic-design department and coordinating all aspects of the manufacturing process, Disc Makers pioneered a new model for turnkey media manufacturing.

Two years following Corinthian's investment in the business, in 2008, with Tony van Veen at the helm as CEO, the company completed the transformative acquisition of CD Baby which positioned it as a leader in the digital music space. CD Baby was the leading distributor and aggregator of independent music online, enabling independent artists to sell their music on major digital distribution platforms like iTunes, Spotify, and Amazon. Under Corinthian, the combined company was rebranded AVL Digital Group as the leading a value-added direct marketer, manufacturer and distributor of physical and digital content as well as related products and services. Through its Disc Makers® and CD Baby® brands, the company became the dominant provider of a full suite of services targeted to the massive, underserved and growing independent artist community of over 13 million non-affiliated and semi-professional musicians, filmmakers, and corporate & institutional producers of content.

In 2012, Corinthian sold the business to Stephens Capital Partners and the company continued to thrive continuing its organic and acquisition growth strategy entering the royalty collection, artist merchandise, and YouTube monetizations markets, further solidifying its market leadership position.

Independent Music Industry

Enthusiast market is experiencing continued disruption as traditional channels crumble

- US Independent Label Music Production Industry has grown by 3.6% (2014-2019) to reach revenue of \$471 MM in 2019
- In the same timeframe, the number of businesses has grown by 2.7% to 1,944 and the number of employees has grown by 1.8% to 3,397
- Shifts from physical to digital media have had a marked effect on the operations of the industry
- The “Big Three” record labels, Warner Bros. Records, Universal Music Group, and Sony Music Entertainment, are slowly adapting, while independent labels are diversifying revenue streams to adjust to the evolving landscape



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