

P(£)ΔΥΒΑΣΚ

Acknowledgements

A special mention to Alexandre Perrin, teacher, supervisor and colleague in this endeavor, without whom we would not have been able to tackle the challenges and doubts this project has brought up. We would like to thank him for tremendous help he has been all year long through this project as well as in classes; his contribution has been invaluable in the completion of this project and degree.

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EXECUTIVE SUMMARY

In today's digital world, music has become widely accessible with the potential to reach a global audience. With the emergence of music discovery sites like YouTube, Spotify, etc., artists no longer need to be signed to a major record label in order to have a sustainable career. The unheard voices of independent and unsigned music genres now have a digital landscape to develop their careers—all they need now is vehicle to be that driving force. More specifically, current platforms do not offer the sufficient financial support that independent artists require to jumpstart their careers. P(£)ayback seeks to be that driving force providing a platform where all aspects of an unsigned artist's content can be streamed, sold, or downloaded in one place.

The UK digital music industry became an evident choice in placing the company on the map.. In 2013 along IFPI reported "3.5 Billion dollars in revenues".¹ In addition 39% of UK music industry revenues have come from digital channels.² That combined with a huge number of working independent and unsigned artists we feel that the United Kingdom is the best location to launch our service. 87% of users also still prefer owning their music that merely streaming.³ P(£)ayback allows for the purchase and streaming of music thus appealing to this population and their biases on consuming musical content. Our analysis of these figures suggest low barriers to entry in the UK Digital music market and thus a perfect environment for P(£)ayback to thrive.

As such, P(£)ayBack will act as a limited liability company in the city of London in the United Kingdom and the team and the formalities that will enable the platform to exist must be taken into account. We will register with an executive agency of the Department for Business, Innovation and Skills called Companies House. In the development of the company over time, shares will be publicly traded on a market and P(£)ayBack will transition into a public limited company. The actualization process is fairly simple due to the low costs associated with establishing a company in the United Kingdom. For £20, a company can be set up in about 10 to 14 days by the Companies House. As a Limited Liability company however, a Corporation Tax must be considered. In the years focusing on the altering and creation of the platform, five members will act as directors for the company. This group would include Jad El Alam, Mikaela

¹ "IFPI Digital Music Report." IFPI. <http://www.ifpi.org/downloads/Digital-Music-Report-2014.pdf> (accessed April 27, 2014).

² IFPI Digital Music Report." IFPI. <http://www.ifpi.org/downloads/Digital-Music-Report-2014.pdf> (accessed April 27, 2014).

³ "Is Streaming the Next Big Thing? - What Consumers Want." Music Business Research. http://musicbusinessresearch.wordpress.com/2013/10/18/is-streaming-the-next-big-thing-what-consumers-want/#_ftn2 (accessed May 1, 2014).

Allen, Jeremy Carrion, Jane Kim, and Neda Shahram whose relevant personal and professional backgrounds can only contribute to the creation of the company.

With major players already being solidly established, one can assume that the streaming market we are analysing is in a state of oligopoly. Indeed, Spotify, Youtube, Soundcloud, and Groovespark are established as household names for online and mobile streaming platforms for music and video content. However, a company like P(£)ayback is in a more direct competition with young start-ups by the likes of Bluefrog, Lizzar and other players hereto and less so with the major players. The existence of strong customer - brand loyalty ties represents a barrier to entry. However, this relationship does not exist yet because of the novelty of the type of service we offer. Therefore, the barriers are lowered. If we penetrate this market and gradually capture a significant market share, we can leverage the network effect to our advantage and subsequently raise the barriers to entry. Therefore, we could be seriously limiting further competition once we have started running our activities. Once P(£)ayback launches we believe that with the services being provided along with our structure will give us the advantage of being pioneers and thus giving us a competitive advantage against our competitors. We believe that entering the industry at a low rivalry point only works to our benefit as we will attempt to be the ones raising the barriers of entry.

We are confident that music aficionados will use P(£)ayback because it's an all-in-one platform that provides a unique experience where one can discover new artists and music and connect with their content through a faster and easier interface. However, because there are various platforms and services that provide some of our services, users still can easily get distracted to use other products instead of our platform. High threat of substitute products could make it our product less attractive and decrease profit potential for P(£)ayback. Contextualized with results from our external analysis, it can be seen that as advertisers and subscribers' low levels of concentration in their respective fields can lead to more attractiveness; that advertisers would experience low switching costs, and though subscribers experience high switching costs, the partitioned dependence on both types of customers neither decrease or increase attractiveness; that the majority of the total cost will depend upon advertisers whose bargaining power increases; and that overarching all of the five forces is the substantial increase of attractiveness when the capacity to coordinate is considered. The main suppliers of our content are the unsigned artists that would be utilizing our platform. While there are some elements that provide these artists with more weight in terms of bargaining power, but overall, P(£)ayback holds a majority reign which is illustrated in a five forces diagram.

In our market analysis, the level of exposure and the number of revenue streams that can be benefited from were chosen as units of measurement for segmenting our future clients. The level of engagement with digital content and whether the consumer is passive or active in music

discovery were chosen as units of measurement for mapping our future consumers. In essence, P(£)aybackers can be described as active music listeners, or music aficionados, who are the most social and invested type of fan. They are the target audience for P(£)ayback as they will be the ones most likely to use our service and engage with an artists online community. The Next Big Thing and Kickstarters are up and coming unsigned artist with varied sources of revenue (i.e. youtube, spotify, bandcamp, distribution channels, merchandise, etc.) This artist is looking to consolidate their content in one place and to engage with their fan base in new ways, making them the ideal candidate as a P(£)ayback artist. Lending itself to the same, qualitative and quantitative research methodology was employed to illustrate that there exists a niche market for our service.

In our financial analysis we have defined scenarios for P(£)ayback to break even and we firmly believe that with these figures we can at least break even on the first year out. We believe that the new, innovative nature of the service we intend on offering allows the platform to fall into the category of small entrepreneurial companies. Therefore, P(£)ayback falls into the Introduction stage of the industry's life cycle and it is deduced through research and analysis that the future is bright. The vision behind the P(£)ayback idea is to build a catalog of unsigned artists that we feel have the potential to reach a wider audience and facilitate their exposure. Our platform will foster an online community where fans will be able to engage with their favorite artists and all their musical content.

P(£)ayback differentiates itself from its competition by focusing on the quality of the catalog rather than on its volume. It will be a careful blend of Artist & Repertoire with unsigned and music discovery, made available on a digital platform. Not only are we providing fans with the ability to get all the content in one place, but also providing the gateway for the fan to be a part of the creative process of an artist.

COMPANY DESCRIPTION & MISSION

In today's digital world, music has become widely accessible with the potential to reach a global audience. With the emergence of music discovery sites like YouTube, Spotify, etc., artists no longer need to be signed to a major record label in order to have a sustainable career. The unheard voices of independent and unsigned music genres now have a digital landscape to develop their careers—all they need now is vehicle to be that driving force. More specifically, current platforms do not offer the sufficient financial support that independent artists require to jumpstart their careers. P(£)ayback seeks to be that driving force providing a platform where all aspects of an unsigned artist's content can be streamed, sold, or downloaded in one place.

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This way, the fan feels as though they have an integral part in the creation of the music they like and the artists they want to support. In the beginning stages of an artists career, a solid support system is key. P(£)ayback is the platform that allows the artist and fan to create their own communities.

From a consumer's point of view, P(£)ayback represents a hassle-free music discovery experience. It aggregates all of the dimensions mentioned above onto one platform. People appreciate it when they don't have to go through a lot of trouble to get what they want. With P(£)ayback, you take out the effort the fan has to put forth to discover an artist in every way available.

COMPANY STRUCTURE

Legal Status

P(£)ayBack will act as a limited liability company in the city of London in the United Kingdom. In the years focusing on the altering and creation of the platform, five members will act as directors for the company. This group would include Jad El Alam, Mikaela Allen, Jeremy Carrion, Jane Kim, and Neda Shahram. To anticipate the launch of our platform, we will register with an executive agency of the Department for Business, Innovation and Skills called Companies House⁴. Although all five members will serve as directors on the board, Jad El Alam, the founder of P(£)ayBack, is the nominated director for the registration with Companies House.

Ownership

While it is not compulsory that directors own shares, the owners of Team P(£)ayBack will each own 20% of the available shares. With the uncertainty of starting any business, the choice to categorize P(£)ayBack as an LLC will guarantee a higher level of protection should issues arise. In the primary stages of advancement for P(£)ayBack, it would associate with private limited

⁴"Setting up a Business in the UK ." Enterprise Europe Network London. <http://www.londonchamber.co.uk/DocImages/7706.pdf> (accessed May 1, 2014).

companies in the limited liability sector only offering shares to the five directors. P(£)ayBack will be limited by shares in that the financial responsibilities of the company are limited to the value of shares each director owns but hasn't paid for⁵. In the development of the company over time, shares will be publicly traded on a market and P(£)ayBack will transition into a public limited company⁶.

Tax and Financial Duties

The cost associated with establishing a company in the United Kingdom is very minimal for Limited Liability companies. For £20 a company can be set up in about 10 to 14 days by the Companies House⁷. As a Limited Liability company however, a Corporation Tax must be considered. The directors would pay income tax on their salaries in addition to any future employees. For any profits under £300,000 or less, a tax rate of 20% must be paid. In addition to this tax, Income Tax and National Insurance are also necessary.

The amount of income tax varies depending on the amount of profit made by P(£)ayBack. Once the company evolves to a point where employees are necessary, this tax is required to be deducted from their wages and salaries and paid to HM Revenue and Customs⁸. National Insurance is also needed when adding new members to the P(£)ayBack team in order to account for retirement pensions, unemployment, and incapacity benefits.

TEAM

Jad El Alam

Former independent musician with a background in DIY music, bedroom studio production, self-managed band, self-published music etc. With prior education in International Business & Economics, he is responsible of overseeing all of the financial operations that **P(£)ayback** undergoes. With prior work in Bar/Restaurant management, he has some of the experience and skills to lead a team of people as well as manage them towards the same goal.

Mikaela Allen

Mikaela has studied the ins and outs of the music business for the past four years. Focusing in the sector of Marketing, she has used this information to heighten her experience in the field interning at the Legendary Harvard Square venue, Club Passim in their marketing and promotions

⁵"Tell us what you think of GOV.UK." Choose a legal structure for a new business. <https://www.gov.uk/business-legal-structures/limited-company> (accessed May 1, 2014).

⁶ *This can only happen after P(£)ayBack is sustainable enough to issue shares with a value of at least £50,000 or the prescribed equivalent in euros before the company can start trading* <Setting up a Business in the UK .> Enterprise Europe Network London.

<http://www.londonchamber.co.uk/DocImages/7706.pdf> (accessed May 1, 2014).

⁷ "Companies House Prices." Companies House Gov. <http://www.companieshouse.gov.uk/toolsToHelp/ourPrices.shtml#LLPs> (accessed May 1, 2014).

⁸ "Setting up a Business in the UK ." Enterprise Europe Network London. <http://www.londonchamber.co.uk/DocImages/7706.pdf> (accessed May 1, 2014).

department. Her interest in digital platforms began with her internship at Spotify as a brand ambassador. This sparked her interest in new and innovative music discovery platforms and led to wanting to create one that encompasses all the needs of an artist and a fan. At P(£)ayback, her primary activities concern the creation and functionality of both online and mobile versions of the platform.

Jeremy Carrion

Jeremy Carrion began his music industry career working as a Social Media/marketing intern for San Diego based talent and booking agency, Sleeping Giant Music. There he managed social media pages for artists in the Sleeping Giant Music roster as well as assisting in developing and executing new marketing strategies. He later went on to work as a College Marketing Representative for Red Bull Records, collaborating with events, programs, stores, and more to enhance the reach of Red Bull Records and its array of artists.

His experience combined with his academic background at both the University of California San Diego and Berklee College of Music Communication make him an ideal candidate to help guide the marketing direction of P(£)ayback.

Jane Kim

Jane was an artist manager and an online marketing director at a Korean major label for numerous years. The main act she managed was the most viewed K-Pop artist on Youtube in 2011, an opening act for the Jonas Brothers World Tour in 2009 and Justin Bieber's concerts in 2010. Also the group was the first Asian group to break Billboard 100 in 30 years. As an Online marketing director, she managed artists' facebook, twitter and other social networking sites, generating more than 1.5 million likes on facebook and raising over 400,000 followers on Twitter by interacting with the artists' fans.

From her background communicating and dealing with numerous artists, Jane is in charge of reaching out to the chosen artists regarding their content for P(£)ayback and also to assist the artists to collaborate with other artists as well.

Neda Shahram

Former independent musician and current independent contractor for attorney Martin Frascogna. She specializes in artist visas and Middle Eastern Expansion. Her involvement began in the Iranian music industry with her father, Saeed Shahram, who is an award-winning film composer while remaining an active musician herself, touring China as a member of the Beijing Olympic Orchestra. After working at One, LLP and Steve Gordon Law, Neda's global experience grew quickly in North America while attending Berklee College of Music and Berklee Valencia. Now advocating for transparent music globalization, Shahram helps a signature roster of clients navigate immigration law and serves as the legal representative for P(£)ayback.

Jad El Alam and Mikaela Allen are the founders of the company P(l)ayback, however, the remaining three contributors aforementioned have supplied valuable time to the development of this project. Within their fields of expertise, whether it being Legal, Marketing or Industry Analysis, the additional value that these members have brought to the project makes them the first candidates to be considered in the eventuality that this enterprise comes to fruition.

EXTERNAL ANALYSIS

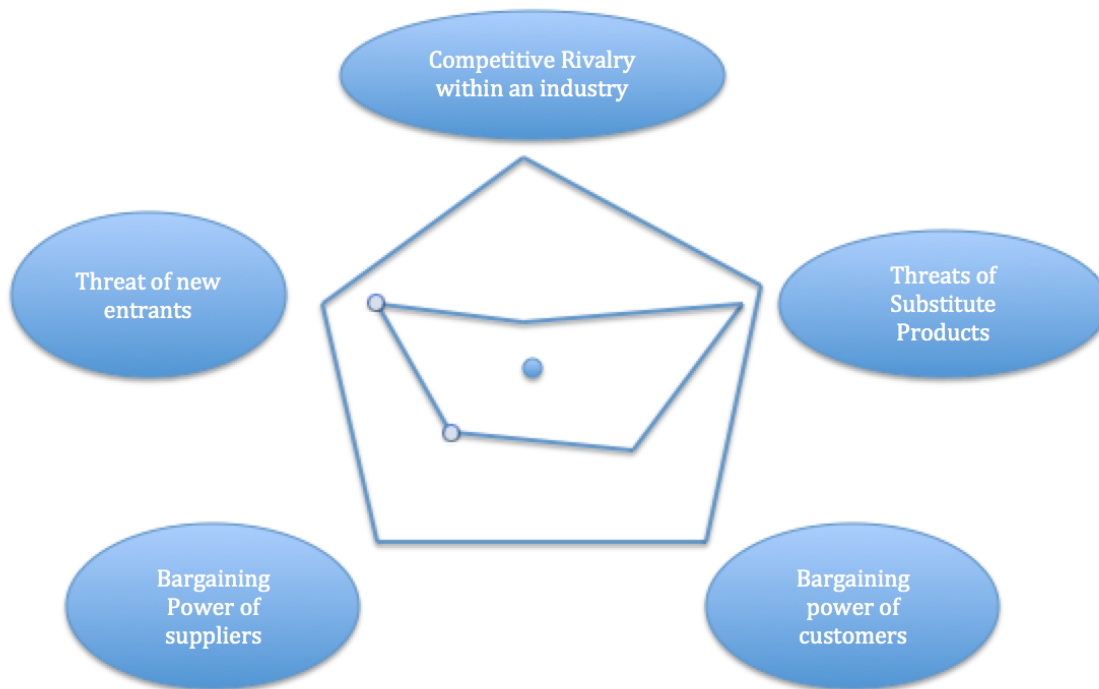
Porter's Five Forces Model



Competitors	Substitutes
blueFrog	Indie Music Blogs
Lizzar	Indie Internet Radio
Loopplay	Spotify
The Atmosphere	Soundcloud

Lyynks	Grooveshark
Emerging Ibiza	Youtube

PLAYBACK



Barriers to entry:

With major players already being solidly established, one can assume that the streaming market we are analysing is in a state of **oligopoly**. Indeed, Spotify, Youtube, Soundcloud, and Grooveshark are established as household names for online and mobile streaming platforms for music and video content. However, a company like P(£)ayback is in a more direct competition with young start-ups by the likes of Bluefrog, Lizzar and other players aforementioned and less so with the major players. Therefore the young nature of the market we are setting-up in, we cannot qualify it as **either a monopoly or an oligopoly**.

According to Moffatt's theory of **market power of advertising** (2008), the established image and brands of these important competitors represent a challenge for a new player's image to shine through and get noticed. Because our competitors' images aren't yet established, it makes

it easier for a new entrant like us to represent a potential substitute with the help of a consequent advertising/marketing campaign. This lowers the level of barriers to entry.

This previous point ties in with the matter of **existing customer loyalty** towards the players that are established. Again, the question of perfect substitution of an existing product or service for a new one like ours presents a realistic situation that has potential to occur. The existence of strong customer - brand loyalty ties represents a barrier to entry. However, this relationship does not exist yet because of the novelty of the type of service we offer. Therefore, the barriers are lowered.

Shapiro (1999, Information Rules) mentions the **network effect** to have an important impact on a specific market's threat of new entrants. He describes the challenge as lying in a situation where existing players have captured a significant customer base. However, none of the players are fully established or even launched. Therefore, none of them have indeed captured a significant customer base. Or at least not yet. This argument lowers the barriers to entry to this market. Furthermore, if we manage to penetrate this market and gradually capture a significant market share, we can leverage the network effect to our advantage and subsequently raise the barriers to entry. Therefore, we could be seriously limiting further competition once we have started running our activities.

Competitive Rivalry

At the moment the competitive rivalry for P(£)ayback is low, standing at a 3. We realize that when entering a market we want that number to be low enough to enter the market but also high enough to keep unwanted competitors out. As it stands that market is considered to be very fragmented where there is no one company exerting any influence of dominance. New companies that are attempting to provide similar services to that of P(£)ayback are either in their berts testing phase or still waiting until to be launched. The only competitor to have fully launched is blueFrog and they focus on a niche market. Regardless none of these platforms provide the same array of services still do not hold enough clout to be considered as dominating this particular market.

Once P(£)ayback launches we believe that with the services being provided along with our structure will give us the advantage of being pioneers and thus giving us a competitive advantage against our competitors. We believe that entering the industry at a low rivalry point only works to our benefit as we will attempt to be the ones raising the barriers of entry.

P(£)ayback sustainability will depend on the value we create from providing our service to unsigned/independent talent, music aficionados and fans alike. We seek to develop a unique

experience for the artists and the fans. We are very transparent in our focus to provide a service to consolidate an artists overall content in one place to better reach new fans and engage with the one they already have. This is evident in the way we acquire revenue from subscriptions, advertising, and sponsorships.

Threats of Substitute Products

P(£)ayback's threat of substitute products is very high as it stands at 8. This is because there are multiple music platforms such as Spotify, Grooveshark, SoundCloud and Youtube. In addition there are independent blogs, Internet radio, music sites, social media, and other sources of artists discovery that can introduce new artists and music to our potential consumers

We are confident that music aficionados will use P(£)ayback because it's an all-in-one platform that provides a unique experience where one can discover new artists and music and connect with their content through a faster and easier interface. However, because there are various platforms and services that provide some of our services, users still can easily get distracted to use other products instead of our platform. High threat of substitute products could make it our product less attractive and decrease profit potential for P(£)ayback.

To prevent P(£)ayback users from switching over to different platforms, our focus is to maintain the perception of our service as being beneficial for the unsigned artists and present customers with satisfying content. Also the product quality will be superior by paying back the artists what they deserve and providing quality service to the consumers.

Consumers Bargaining Power

In the fourth force, the clout of (a) our advertisers and (b) subscribers are assessed in order to illustrate that because both types of consumers are in fragmented industries where there is a high level of competition, P(£)ayback can effectively set the prices and negotiate with the upper-hand for the music discovery platform business. The following will evaluate both types of consumers with each of the four corresponding criterion.

1. Concentration of Customer's Industry

- *Both experience LOW levels of concentration in their industries
- *Less clout
- *Attractiveness increases

(a) Advertisers - In any fragmented industry, competition is high as there are many

players and low barriers to entry. For the purpose of this analysis, this becomes favorable to P(£)ayback's benefit because the platform has a plethora of partners to choose from when deciding who to allot screen real estate. For example, Future Music Magazine⁹ based in UK contains various upcoming softwares and tools for musicians that are useful during the creation process. Since this industry is also fragmented, the bargaining power of the developers would be lower than P(£)ayback's as our clientele's metadata is valuable information for

the

sustainability of their up and coming devices.

- (b) Subscribers - As there are multiple music discovery platforms, the subscribers clout as music discoverers matches a many-to-many model furthering the fragmentation of the industry for both types of our consumers. It is due to the fact that there are many potential customers that P(£)ayback is not bargaining with a limited pool of future clients.

2. Switching Costs for Consumer

- *Advertisers experience low switching costs
- *Subscribers experience high switching costs
- *Moderate clout
- *Attractiveness neither increased nor decreased

- (a) Advertisers - Despite the fact that advertisers prioritize reputation, the advertisers that are targeted as mentioned supra will have no substantial switching costs and considering the additional exposure that they would be earning is adequate enough to decrease their clout during negotiations for screen real estate.

- (b) Subscribers - Though there is little to no clout from the advertisers in terms of switching costs, the subscribers high switching costs balance the attractiveness of the situation to 0 regarding this criteria. The time it takes to get used to any new interface and availability of piracy for the retail aspect of P(£)ayback are the logic behind the consumers' clout here.

3. Proportion of subscription income and advertising income in the total cost

- *Advertisers account for an obtuse amount of the total cost
- *Subscribers account for a moderate amount of the total cost

⁹ "MusicRadar.com." Computer Music Magazine. <http://www.musicradar.com/computermusic/> (accessed May 1, 2014).

- *More clout
- *Attractiveness decreases

- (a) Advertisers - The clout of the advertisers is more than that of P(£)ayback here as the transactions between the two parties create a majority of the total income for the platform.
- (b) Subscribers - The attractiveness based on this criteria continues to decrease in this instance as the subscribers also account for a moderate amount of the total cost in the beginning—but, in the future, P(£)ayback counts on the A&R of the subscribers to reduce its costs as will be discussed in the most important criteria before.

4. Capacity to Coordinate

- *Advertisers experience no capacity to coordinate
- *Subscribers experience an enormous capacity to coordinate
- *Less clout
- *Attractiveness increases substantially

- (a) Advertisers - By nature, advertisers cannot experience any capacity to coordinate as they are in direct competition with the other advertisers who compete for the screen real estate. From this stance, the attractiveness remains unchanged, however;
- (b) Subscribers - The main slant in the Porter's Five Forces diagram for P(£)ayback rests in this criteria. This is due to the co-creative nature of the platform and delegation of respected opinion granted to subscribers whose voice is amplified through artist recommendations and ability to coordinate with other artists and fans to the fullest extent through the new music discovery experience.

Bargaining Power of Suppliers

The main suppliers of our content are the unsigned artists that would be utilizing our platform. While there are some elements that provide these artists with more weight in terms of bargaining power, overall P(£)ayback holds a majority reign which results in a lower level of 2 on the five forces diagram. When considering the differentiation of inputs made by our suppliers, they have a higher bargaining power. This is due to the fact that when we select our catalog from the pool of talent we are provided with our goal is to not discriminate against any certain genre or restrict artistic creations. We encourage our artists to explore the various realms of

expression and express their work in a way that represents them as unique and individuals.

That being said, the level of differentiation between our suppliers and the wide range of styles collected by P(£)ayback our ability to produce a variety of substitute inputs. Considering we are focusing our efforts on the unsigned artists, our market of suppliers is one that will never run out of content. With the creation of various programs, equipment, and software that allows an artist to create their work from the comfort of their own homes on their computer, more and more artists are able to provide musical content quickly, easily, and cheaper than before. This allows us to have a never ending pool of music to add to our catalog even if other suppliers transition to alternative platforms.

Since P(£)ayback is in a fragmented market, our suppliers are also quite fragmented. Seeing that we are dealing not only with unsigned artists who would usually conduct their business on their own, but also with artists who are in the premiere stages of their career, they have less weight than an already established artist would have. Because of this, we are able to have more control over the fees we charge and the prices we set for our catalog and platform. Another key point to mention is our 80/20 monetary distribution term. Considering we are already providing these artists with a better deal than they would get going through other platforms, they have a higher likelihood of seeing the value in P(£)ayback and the reasoning behind our fees.

Lastly, the artists on our platform are able to upload 20 minutes of content for three and are then able to purchase additional space if needed. P(£)ayback does provide them with 80% of their generated revenue, but we do not spend any money for the artist to supply the content. If anything, the artist ends up paying us to utilize the platform so the cost relative to the other expenses we will incur being in this industry will be a negative number.

MARKET ANALYSIS

Segmentation

#1.CRITERIA

(a) Clients:

- **Varied Income** measured by the number of revenue streams
- **Volume of following** measured by fans compiled on corresponding sources of income online

The level of exposure and the number of revenue streams that can be benefited from were chosen as units of measurement for mapping our future clients. This way we are able to have a

clear vision on which artist we are featuring on the catalogue and choose less known artists (for example) in order to increase the element of music discovery. The number of revenue streams that can be benefited from is a measure that allows us to gauge how much media the client has to offer to a potential consumer base. Additionally, it lets us see how well we will be able to contribute to a specific client's exposure campaign, and how much material will be at our disposition to work with in doing so.

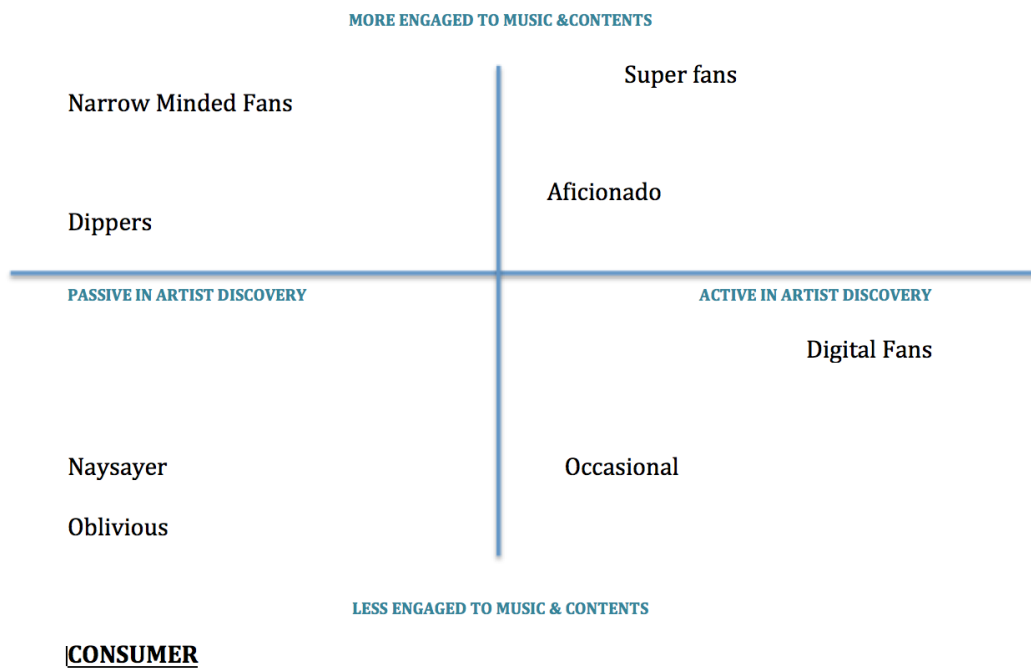
This will help us in trying to predict how profitable a client is. It is also a dimension that allows us to forecast potential revenue and profit generated from separate streams like the purchase of additional content space. These factors considerably help in determining the exposure of our artist clientele by computing an average following with the varied revenue streams. This correlation can help determine if a conglomerate space on our screen estate can be the best option for the artist to join P(£)ayback because an independent artist with many followers spanned across many platforms that generate revenue will be a more efficient use of the service compared to an artist who has a few number of fans on an acute number of platforms and has ultimately, no following. In essence, these fan-to-platform calculation can help the fan exchange take place on our platform and increase exposure for independent artists.

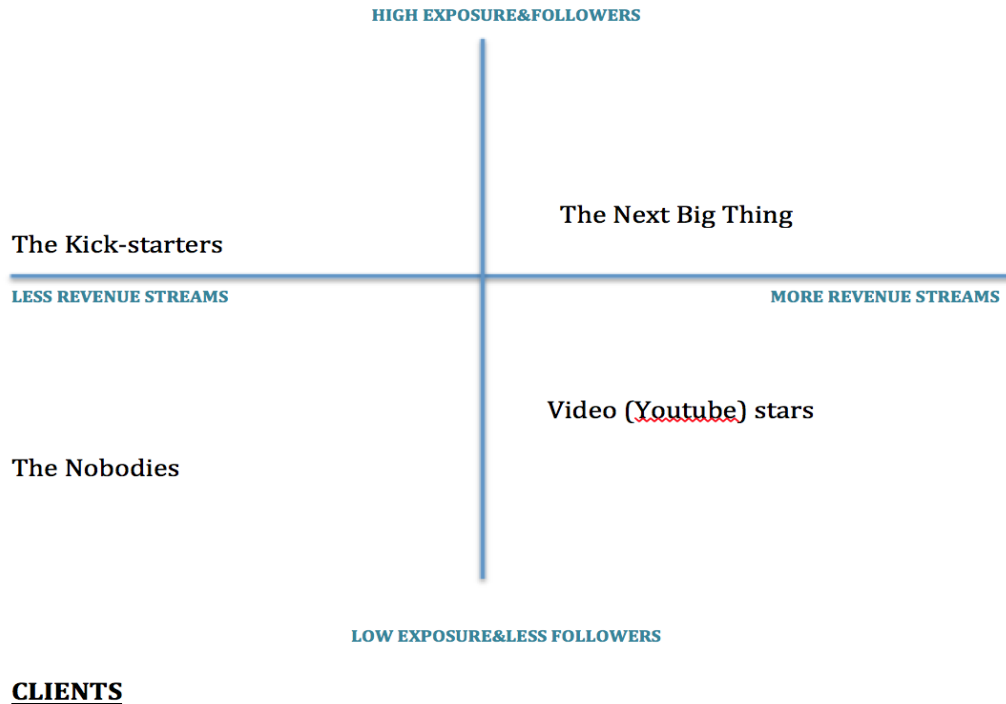
(b) Consumers:

- **Level of Engagement** with artist-related content measured by hours of interaction/day and money spent on said activities/day
- **Passive or Active** method of music discovery measured by prioritization of internet radio, referrals from word of mouth (passive), plus similar music discovery methods and attendance of live concerts, online research, etc (active)

The level of engagement with digital content and whether the consumer is passive or active in music discovery were chosen as units of measurement for mapping our future consumers. The first criterion allows us to focus on specific market segments that respond positively to the type of media we intend on distributing. It also allows us to analyse the consumption habits of the given segments, as well as their spending habits. The more responsive and engaged they are with the content provided by artists, the more our service answers to their needs. The second criterion was chosen to determine whether a consumer takes part in the process of music discovery, or if new music is introduced to him through his social circle. This way we will be able to carefully develop our service based on demographic research and thus deliver efficiently.

#2. MAP





#3.FOCUS

Segments

Consumer

Active Music listeners (Music Aficionados): The most social and invested type of fan. The Superfan, the active music listeners engage in all aspects of an artists music, social media, and content. This fan is active in discovering new music and regularly engages with it. This is the target audience for P(£)ayback as they will be the ones most likely to use our service and engage with an artists online community.

Client

The Next Big Thing / Kickstarter: An up and coming unsigned artist with varied sources of revenue (i.e. youtube, spotify, bandcamp, distribution channels, merchandise, etc.) This artist is looking to consolidate their content in one place and to engage with their fan base in new ways.

Marketing Research

#4.TYPE

Qualitative (Artists) & Quantitative (Fans)

#5. RESEARCH STRATEGY

Qualitative (Artists)

· **Delivery method(s)**

- (a) Interviews
- (b) Focus groups

· **Sampling method(s)**

(a) A relevant sample will include artists whose personality aligns with our target segment of clients, Next Big Things and Kickstarters, who are defined by their accumulated following and varied revenue streams in order for their responses to pertain as much as possible toward the likelihood of joining P(£)ayback.

(b) A representative sample will include a median age of 27, a proportional balance of males and females, and a ranging income range from 25k and under to 40k and above.

(c) A significant sample for the purposes of a qualitative approach will be sufficed by a size of 10 artists maximum in a focus group and up to 6 individual in-person interviews.

· **Channel(s)**

- (a) These samples will be conducted in Berklee classrooms.

Quantitative (Fans)

· **Delivery method(s)**

- (a) Survey

· **Sampling method(s)**

(a) A relevant sample will include fans whose personality aligns with our target segment of consumers, Super Fans and Aficionados, who are defined by their high levels of engagement with content and active music discovery in order for their responses to pertain as much as possible toward the likelihood of using P(£)ayback.

(b) A representative sample will include a median age of 22, a proportional balance of males and females, and a disposable income range from 1k and under to 10k and above.

(c) A significant sample for the purposes of a quantitative approach will be sufficed by a size of 75 fans minimum who will be given a 5-10 response questionnaire.

· **Channel(s)**

- (a) An online survey website

P(£)ayBack Market Research Result

Clients : Unsigned Artists

Average age: 24

Gender: 50% Male, 50% Female

Location: 50% Europe, 40% United States, 10% Asia

60% of unsigned artists who took our survey made less than 2000 euros per year with music. About 70% of them spent less than 100 euros on discovering music physically per year and 90% said they spend less than 100 euros on discovering music digitally. 58% of them look for a new connection to collaborate less than once a month. Artists thought it would help them to engage with their fans when they send out newsletters, create community forums, share their calendar, communicate with the fans on their social networking sites like facebook and twitter. 58% of them said it's extremely important to develop fan community. Most of them are interacting with their fans on their own social networking services sites. For an all in one music platform service, they mentioned that struggling musicians don't want to pay but 70% of them did say they would pay about 5 euros a month. 66% said they would definitely or probably pay for the service.

Customers : Active Music Listeners, Music Aficionados

Age: 19-31

Gender: 50% Male, 50% Female

Location: 37% Europe (5 UK), 52% United States, 11% Asia

38% of our customers had less than 2000euros for their annual income. 50% of them spend less than 100 euros on discovering music physically per year, and 88 % of them spend less than 100 euros on discovering music digitally. Most of our potential customers discovered new music and artists through online, friends. A lot of them had mentioned twitter, billboard, youtube, Spotify, itunes as their to-go platforms to discover music, there were also answers like soundcloud, blogs, radio and shazam. Only 5% of them said these platforms are very effective. And 40% of them said they are somewhat effective. Only 5% of the survey takers marked discovering new music was very easy. 62% of them use internet for more than 15 hours a week, and 43% of them listen to music more than 15 hours a week. 36% said it's somewhat important to discover new music and artist and 14% said it's extremely important. They look for talent, unique voice, content, quality of music, good lyrics, differentiation, and originality. These customers want to the artists to provide exclusive content and free downloads, communicate with them more often, have web-chat sessions and give them information how they write music. They said they would more likely to purchase music content from an artist after being approached with good content, live shows, giveaways and meet and greet. 40% said they would be interested to access exclusive artist content. The price most of them preferred were of

course for free (45%) but 36% of them said they are willing to pay 5 to 10 euros for the all in one platform.

*Note: All supporting graphs and datas are included in the appendices section.
(Figure 1-Figure 16)

Clients

In order to ensure P(£)ayback's functionality, ease, and beneficiary relationship with companies and artists, it will be important to assess our client's needs. Our clientele would include artists as well as representatives from independent record labels. When gathering the necessary data of our future or potential clients, we decided to go with a qualitative research strategy. This will entail the organization of focus groups and one on one interviews to gauge the values of our clients with specific attention to the topics of functionality, aesthetics, and rapport between their brands and their audience. Through this investigative research, we will be able to make more sound and informed decisions with our client segment.

Functionality

In order to get a clear idea of what is desired in the functionality of the platform, we will be conducting focus groups and user testing for the platform. In the initial stages of development focus groups will be utilized to get basic analytics behind favorable as well as unsatisfactory conditions behind general platform performance. This would include the exchange of experiences using alternative platforms as well as suggestions in what was missing from them.

To get a broad group of people involved in this investigation, we will be conducting these focus groups both online and in person. Virtually we will get more responses, but to have this conversation in person there would be a greater chance of conversational development. In the later stages of platform development when our prototypes will be in their testing stage, we would call on our clients to analyze and inspect our platform and provide their feedback.

Aesthetics

Artists tend to place high importance on their personal brand aesthetic whether it be in a physical or digital space. It is necessary that the overall look of our platform is one that can represent the artists in the correct light. With the assistance of focus groups we will be able to get a clear idea of what is favorable through the eyes of the artists. Additionally, through assessment of existing artists websites and pages we can identify the similarities behind what works and has been successful.

Rapport

There are wide ranges of methods used by both industry professionals and musicians alike to engage their consumers. One of the main values behind P(£)ayback is providing a space where fans and artists can come together and communicate so the analysis of how people do so currently is integral research for us to assess. Artists that are familiar with doing their own marketing and promotional activities usually possess a variety of innovative approaches to community engagement that are looked over at times and we believe that pool of people will provide a great source of information for P(£)ayback.

To collect this information we will be conducting in person and Skype interviews to get the insight of a variety of artists that is provided to us through the Berklee community, but also to converse with independent record labels that do business in our target market, the UK.

Consumers

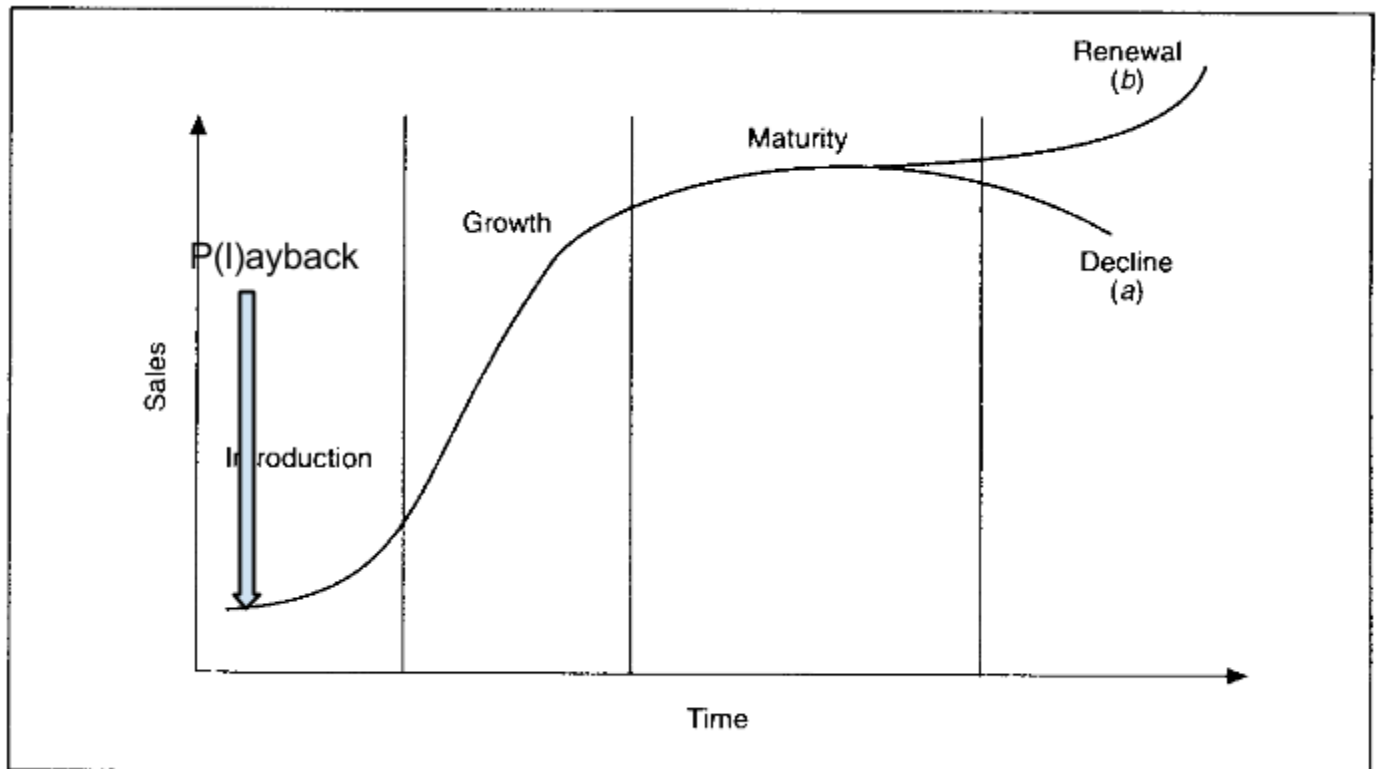
When assessing the consumers in our target market, a quantitative approach would prove more beneficial. Through the use of an online survey, we will be able to analyse the overall consensus of our target market. With our existing data we will receive from our independent research, we will be able to formulate questions to get the necessary data from our prospective users. By targeting the specific areas where we feel as though our platform can thrive, we can investigate the wants and needs of our consumers. Getting a good read of what our potential users would want will assist us in deciding final courses of action regarding P(£)ayback.

B2C	The Fans
Consumer Types	<ul style="list-style-type: none"> · Ages (15 - 30) · Disposable Income (TBD) · Location (U.K.) · Life-style (time spent with computer)
Consumer behavior	<ul style="list-style-type: none"> · Consumption Volume (hours and money/week) · Type of mobile device
Needs	<ul style="list-style-type: none"> · Price Sense: (cite Business Wire article) · Quality Sense (level of taste development)

	<ul style="list-style-type: none"> · Innovative Positioning (since when have you been using each social media platform)
B2B	The Artists
Client Types	<ul style="list-style-type: none"> · Ages (20 - 35) · Gender neutral · Annual revenue · Location (U.K.) · Unsigned/Signed · Following
Client behavior	<ul style="list-style-type: none"> · Volume of Distribution · Current distribution channels
Needs	<ul style="list-style-type: none"> · Satisfaction levels with current platforms

INTERNAL ANALYSIS

Industry Life Cycle of the Digital Music Discovery



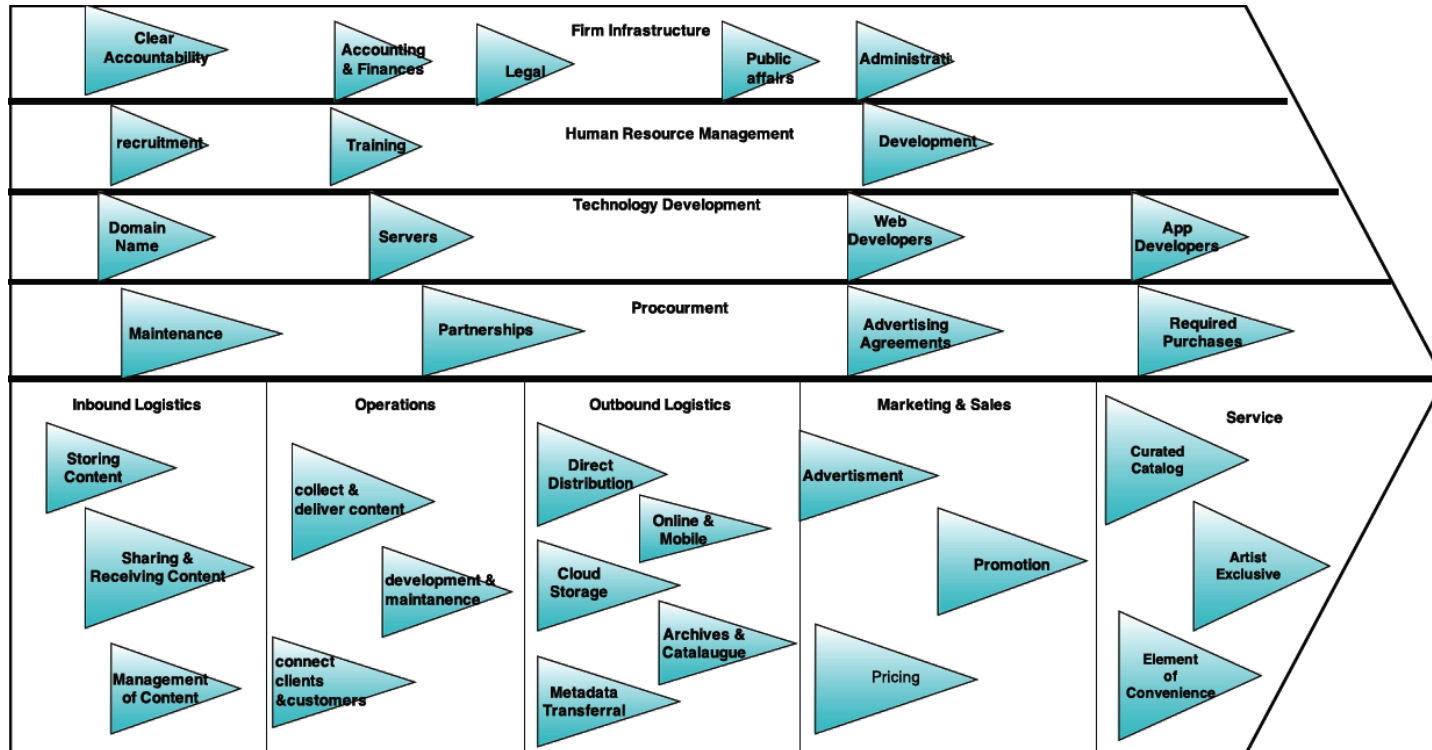
We believe that the new, innovative nature of the service we intend on offering allows the platform to fall into the category of small entrepreneurial companies. Therefore, P(L)ayback falls into the Introduction stage of the industry's life cycle. We could even go further and say that P(L)ayback falls into the Embryonic stage of the life cycle. Indeed, this would offer a more accurate placement of the company since it is still considered as a 'question mark' because its success is still to be determined as we have not started running operations.

This therefore implies that our first efforts will be to focus on early adopters and innovators. As far as Marketing is concerned, being placed in this stage would imply that we ought to explain what the product is about to potential customers. We would aim to create and then raise awareness for the product and service we offer. This also means that we need to convince our partners and music suppliers of the advantages of being in business with us.

We can consider P(L)ayback to be even younger than its competitors because none of them offer the same concept, experience, service, or product. One of our more direct competitors, Bluefrog, would be considered in the introduction stage to demonstrate the young nature of the industry we are entering. Other direct competitors that haven't launched their services yet such as Llynks Music, Lizzar, or Enter the Atmosphere could be plotted on the diagram above in the introduction stage as well. However, they focus solely on providing streaming and/or downloading services for music content. Therefore we are able to dismiss them as being within

our industry because of the different nature of our activities.

Value Chain



Primary Activities

- Inbound Logistics
 - Storing Content
 - Sharing and Receiving Content
 - Managing Artist Content

Music and all related **content is received** directly from the artist onto the platform through a user-friendly interface. The **content is stored** on standardised artist pages, making the experience homogeneous all throughout for both the artists and the customers. The artists and the **content will be managed internally**. Since we function on the premise of a curated catalogue, we need to be able to renew the catalogue with the help of our customers (A&R privileges through subscription) and let go of some of the content on a regular basis.

- Operations:
 - Delivering Artist Content
 - Technological Development and Maintenance

- Maintaining Relationships
- Packaging and Presenting Artist

One of the main operating activities will be **delivering artists' content** to the customers. This will be initiated by A&R team who will search for unsigned and independent artists to be presented on the website and provide various services to fans and music aficionados.

Operational activities include the **website development activities**, maintenance, and **maintaining the relationship** with the clients and customers. Our primary activity is to contact artists, collect artists' content to supply the customer with. **Packaging and presenting** the artists on P(£)ayback's catalogue with consistent new updates will be the key activity. This will raise the P(£)ayback brand's awareness, and gather traffic to the website.

- **Outbound Logistics**

- Direct distribution
- Cloud storage system
- Metadata
- Online
- Mobile
- Order fulfillment, database, archives and catalogues

The ebb and flow of the the final service and product delivery to the consumer functions under a **direct distribution** channel without the use of third parties or intermediaries in order to maintain as much of the revenue for the artist. The distribution management system consists of a **cloud storage system** where all of the archives and recorded music is protected and made available for acquisition or different subscription options between the consumers and P(£)ayback. The content that is intangible will be accounted for in the cloud system and users' content will also be stored in personal cloud storage systems with varying sizes corresponding to the dynamic premium options. The **metadata** from each transaction will also be stored using the cloud for internal usage as well as third party solicitation in selling the marketing information and publishing catalogues. All of the services offered will be transferred digitally, via the **online platform** and **mobile** capabilities. The aforementioned effectively ensures the fulfillment of delivering the service to the consumers. As for the physical distribution of merchandise, concert tickets and other tangible goods, a warehouse will be kept for the independent artists that wish to engage our physical storage services.

- **Marketing and Sales**

- What is creates the value for the consumer/customer
 - 80/20 Splits
 - Direct Contact

- Consolidation of Content

These 3 factors are our key primary activities that generate value for our clients (the artists). The **80/20 split** is a differentiating factor between P(£)ayback and our competitors offering our clients a greater share of the revenue they generate. Our service will also provide our clients with **direct contact** with fan community allowing them to communicate and interact with them in a more immersive experience. P(£)ayback will also serve as a platform where an artist can **consolidate all its content** to better involve their fans in their work and to acquire new fans.

- Advertising
- Promotion

All advertising and promotion will be handled with and for brands and companies that we develop partnerships. This will be essential because these companies will be chosen on the basis of relevancy to our customers and their interests.

- Pricing
 - Subscription
 - Freemium Model
 - Percentage
 - Incentives for subscriptions

Pricing will be based on subscription and freemium models for artists and fans. This will allow the services to be accessible to people with lower incomes and incentives for fans to upgrade to paid subscriptions.

- Service
 - Curated Catalog
 - Element of Convenience
 - Artist Exclusives

One of the most unique elements of P(£)ayback that isn't available on other music discovery platforms is the **curated catalog**. By allowing our users to upload the content they want to experience directly on the platform they are not creating a customized catalog of everything they want, but they also have the ability to assist others in their music discovery process. Additionally, the fact that we are offering all of this content on one main platform facilitates the **element of convenience** for the customer. Having access to the entirety of an artist's content in one place eases the process of music discovery for a fan. With the time they save finding the content of one artist, they can maximize the value of their experience by discovering the multitude of artists and incentives offered. One major aspect of the platform that draws report is our offering of **artist related exclusives**. This would include anything from hand-written lyric sheets by the songwriters, private concerts, as well as live streamed studio sessions. This ability to look behind the finished product of what an artist has to offer allows the fan to feel like less of a consumer and more like a partner in the growth and development of an artist's creative

process.

Support Activities

- Partnerships
 - International and College Radio
- Maintenance/Updates for Website
- Purchasing

In making sure P(£)ayback operated effectively will be partnerships, advertising agreements and making sure the site runs efficiently. **Partnerships with international and college radio stations** will be vital supporting activities to make sure that P(£)ayback brand image is established as successful and valuable. **Advertisement agreements** will also need to be a focus of P(£)ayback in order to fund the various services provided and will need to be established before hand to generate revenue and run the service. It will also be a differentiating factor for the clients and artists as advertisements will be related to music and artist discovery. Maintenance for the website will also be necessary to make sure it runs efficiently to meet the needs of the artists and subscribers. Probably the most important would be the purchasing of all needed material to execute the P(£)ayback website and service. This would include purchases for technology, distribution rights, logo, artist agreements, etc.

- Human Resource Management

P(£)ayback will manage to recruit, train, and develop applicable candidate to generate one successful team. The goal is to have a group of well (ear) trained A&R team for them to discover new talents, and tech savvy employees who love music and have passion for music. Also P(£)ayback will be looking for a group of people who appreciates the non- mainstream, independent artists' music. P(£)ayback requires hiring music or technology experts who can be great assets to the team and create a good working environment.

- Technological Development
 - Domain Name
 - Servers
 - Application Developers
 - Website Developers

While the securing of a **domain name** for the website as well as acquiring the necessary **servers** to ensure functionality, the areas where assistance and support from third parties would be in the **development of the application and website**. Especially in the beta testing stage of P(£)ayback's development, it will be essential to have people on the team that not only

understand the process of application technology and website development, but also can adapt to the changes and modifications that come with doing business with technology that is always evolving. Along with creating these sectors of our platform, they will also be collecting the data stored on it by our artists and fans. This information will assist us in understanding how our platform is received by our audience as well as doing what we can to verify the experience for both parties is pleasurable.

- **Firm Infrastructure**

- Clear accountability
- Accounting and finances
- Legal structure
- Administrative
- General planning management
- Public affairs
- Training

The infrastructure of Payback must be constantly monitored and assessed in order to maintain a sustainable business. The support system consists of legal and general planning management activities that are tailored to improve the functionality of administrative tasks, public affairs tasks, training exercises as well as financial management, all within the correct legal boundaries. This way, all of the operations within the system will remain up to par with British standards for the accounting and finances, copyright provisions, public relations and collectively, this will lend to building a reputable business and legitimate practices within the company. For example, training sessions and other value added activities will be implemented for quality assurance of the company's integrity in consideration of the necessary infrastructure factors within the legal and general planning guidelines. The outreach department and marketing department are in direct correspondence with both founders and overseen by the legal department. The former two departments control the public affairs and general management facilitation. The latter two will grapple with the administrative regulation. In turn, accountability will be created and any future disputes will be addressed accordingly.

COST ANALYSIS

Break-even Point

2014 - 2015	
Fixed Costs	
Accountant	£ 15,000.00
Attorney	£ 3,500.00
Cloud Storage System	£ 1,600.00
Salary	£ 300,000.00
Insurance	£ 250.00
Marketing (Fixed)	£ 10,000.00
Website Maintenance	£ 150.00
Domain Registry	£ 120.00
Physical Server	£ 2,200.00
Application Development (Feature Costs)	£ 7,500.00
Office Supplies	£ 500.00
Meetings/travel	£ 2,000.00
Marketing	£ 10,000.00
Website Maintenance	£ 200.00
Application Development (Labor)	£ 17,500.00
Website Development (Labor)	£ 2,400.00
Total	£ 372,920.00
Variable Costs	
N/A	
Total	£ 0.00
Total Costs	£ 372,920.00
Breakeven point (subscribers at 8,99£/month)	17,284

Return on Investment & the P(l)ayback period

Revenue for n subscribers (£)	539400
Initial Investment (£)	372920
Number of Monthly Subscribers	25000
Revenue per Subscriber (£)	21.576
Return on Investment (£)	44.64228253
P(£)ayback period in months	8.296329255

Primary Activities

- Inbound Logistics
 - Storing Content
 - Variable costs of storing data - cloud server/physical server
\$XXX per additional unit of content uploaded. (cost varies per capacity of storage used up)
 - Sharing and Receiving Content
 - Delivering the content through an app + website
 - Receiving content through interface enabling automated upload to the platform
 - Managing Artist Content
 - Cost of reviewing subscriber suggestions, repeating step 1 etc...
- Operations:
 - Delivering Artist Content -fixed cost
 - Technological Development and Maintenance -fixed cost
 - Maintaining Relationships -variable cost
 - Packaging and Presenting Artist -Variable cost

Delivering artist content and technological development and maintenance can be done

by P(£)ayback's hired employee therefore these two will be fixed cost. Maintaining and presenting artist, packaging and presenting artist could be variable cost because there might be occasions that employees need to travel or attend shows to meet artist. (approximately £2000 per year)

Other Operation costs

Insurance costs-fixed cost

Legal business insurance in UK: £250 per year

Resource: http://www.simetric.co.uk/insurance/business_insurance/

Stationery/business cards/office supplies-variable cost
£500

- **£1,600 Outbound Logistics: adjusted according to (discounted costs)**

- **£1,600¹⁰ Cloud storage system, 10 TB (fixed)¹¹**

One of the most important aspects of the business' logistical set up comprises of the cloud based storage system, which will be bought and sold by clients, but more important, it will store the entire catalogue, archives, transaction histories and additional documentation pertinent to the company's historical accountability and reliability. For this, we invest in the most recent and reviewed source, Zoolz. The ten-terabyte cloud will cost an annual fee, but the beauty of the service is that if we need more space, there is an option to expand the limit.

- *Online Platform (See Technological Development)*
- £0 Direct distribution (accounted for in employee salaries)
- £0 Metadata (stored in cloud)
- £0 Mobile (included in app development option of device synchronization capability)
- £0 Order fulfillment, database, archives and catalogues

- **Marketing and Sales**

- Value
 - 80/20 Splits
 - Direct Contact
 - Consolidation of Content

¹⁰"Revolutionizing business cloud backup." Zoolz. <https://www.zoolz.com/pricing> (accessed May 1, 2014).

¹¹"Business Cloud Storage Services Review 2014 | Best Business Backup Solutions | Business Cloud Backup - TopTenREVIEWS." TopTenREVIEWS. <http://business-cloud-storage-services.toptenreviews.com/> (accessed May 1, 2014).

- Marketing/Advertising
 - Fixed Costs
 - 1,000£ per month avg.
 - Variable Costs
 - 500£ Per month avg.
 - Total
 - 15,000£
 - Logic
 - In order to establish the P(£)ayback brand we will need to have an aggressive marketing and advertising campaign during our start up year. Fixed costs will include sales promotion material, distribution costs, etc. While variable costs sales commissions, sales bonuses, social media marketing and management.
- Pricing
 - Subscription/ Freemium Based Model
 - Fixed Costs
 - £0
 - Variable Costs
 - £0
 - Logic
 - Our revenue model is based on a subscription/freemium based model where the fans will pay or not for the service with most of our revenue will come from our advertising and partnership agreements.

Service

Curated Catalog

- Fixed Costs
 - £0
- Variable Costs
 - £0
- Logic
 - The process of collecting the data for our curated catalog of artists as well as their content will not be of any cost to us. In actuality, we will actually receive funds by providing the premium service option to our users.

Element of Convenience

- Fixed Costs
 - £0

- Variable Costs
 - £0
- Logic
 - One of the core intentions of experiences that P(£)ayback provides is the attention to the aspects of convenience for the artist and the fan. While we are offering the platform for this to occur, there are no direct costs related to the act of giving this experience.

Artist Exclusives

- Fixed Costs
 - £0
- Variable Costs
 - £0
- Logic
 - Considering that the exclusive content offered by the artists to the fans is provided by the creator of the particular content, we have no costs associated with this feature. Similar to the artist curation process, the users that opt for the premium subscription will pay for this opportunity.

Support Activities

- Procurement
 - Partnerships
 - Fixed Costs
 - £0 per year est.
 - Variable Costs
 - £0
 - Logic
 - Accounted for in our attorney fees due to partnerships being contractually and legally based.
 - Website Maintenance
 - Fixed Costs
 - £125 per year est.
 - Variable Costs
 - £50
 - Logic
 - To make sure the P(£)ayback site is working and always up to date it will be important to pay for its maintenance throughout the years. We accounted for some variable costs for unforeseen

glitches and issues that may arise outside the yearly maintenance.

- **Human Resource Management**

RECRUITMENT

Salary: fixed cost

13 Employees

JOB	Salary
CEO	£55,278
CFO	£55,278
Legal	£52,069
Publishing Affairs	£39,464
Accounting	£41,480
Marketing	£39,791
Sales	£21,555
A&R	£39,464
Web Development/ Designer	£22,000
App Developer / Designer	£25,000
Moderators	£29,104
Outreach	£39,791

These prices above are the UK's average salaries for each occupations in 2012. Because we are a start-up company, P(£)ayback's employees salaries will be lower than what are stated above.

If we would pay 20,000 a year, (260,000 exactly) to all 13 employees, the cost would be about £300,000.¹²

Technological Development

Domain Names (*godaddy.com*)

- Fixed Costs
 - Domain Name Rental
 - Playbck.com
 - £0.00 a year
 - 100% off free domain names
 - Hosting Fee
 - £59.88 a year
 - 4.99 a month
 - Adding an email address (Business Essentials Package)
 - £59.88 a year
 - 4.99 a month
- Variable Costs
 - Future Renewal Costs (*assuming there is an increase in the rental price*)
- Logic
 - We decided to go with the UK division of godaddy.com for the domain registration. They offer many bundled features that help keep our cost down. Since the domain playbck.com was available when I did a search, we were able to get the first year of rental free¹³. We will however have to pay ancillary fees to give the online version of our platform the stability it needs. We chose to go with the hosting package built for designers, that way we are able to keep the majority of the backend information as far as coding goes within the company. Also, to assist with our users identifying the P(£)ayback brand, we will purchase the business essentials package which allows us to add an email address to the site with the associated domain. The only variable cost connected to this is the fee of renewing the domain in the future.

Servers

- Fixed Costs
 - Physical Server
 - HP 646901-421 ProLiant PS Base Server

¹² "Compare your pay to the national average in your job: League table of official UK salaries across 400 trades and professions." This Is Money. <http://www.thisismoney.co.uk/money/article-2269520/Best-paid-jobs-2012-Official-figures-national-average-UK-salaries-400-occupations.html> (accessed April 19, 2014).

¹³ "GoDaddy Domain Name Search Tool." GoDaddy Domain Name Search Tool. <http://uk.godaddy.com/domains/searchresults-new3.aspx?ci=54814> (accessed May 1, 2014).

- £2,200.00¹⁴
- Variable Costs
 - Cloud Server Space
 - *See Outbound Logistics*
- Logic
 - There are a few reasons why we decided to go with a physical server as well as using cloud space. In order to ensure the security of the data we collect through our platform, we wanted to have a physical epicenter for all the data in house. Having that information on a cloud based storage system could result in the hacking of our database and theft of this personal information. By having a medium sized physical server, we are able to reduce this likelihood. For the other data hosted on the site, we will be utilizing cloud server space. The efficiency of cloud computing will result in the cutting of our costs. For example, on a cloud we are able to provide faster server provisioning. This enables elastic capacity to provide system provisioning and deployment at a moment's notice¹⁵ from anywhere. Additionally, we would reduce our energy costs that would result from physical servers.

Application Developers

- Fixed Costs
 - £7,500.00
- Variable Costs
 - £17,500.00
- Logic
 - Considering the majority of the costs associated with application development are labor based, the expenses for this sector could vary depending on the options we choose. Our application will host a range of features such as being universally applicable to all iOS devices, having a custom interface to match the partnered webpage, allowing social media as well as email login, in-app payments, device syncing, user profiles, ratings and reviews, website integration, as well as a custom icon to promote brand awareness. The total cost of creating an application with all these features would amount to around £25,000.00¹⁶. To get an idea of both the fixed and variable costs I divided the total as 70% variable costs and 30% fixed costs. This is to estimate the necessary funds in accordance

¹⁴ "HP 646901-421 ProLiant PS Base Server (1 Intel Xeon E5-2630 2.3GHz Processor, 16GB RAM)." Amazon. http://www.amazon.co.uk/HP-646901-421-ProLiant-E5-2630-Processor/dp/B007KTI42A/ref=sr_1_5?s=computers&ie=UTF8&qid=1396858022&sr=1-5&keywords=server (accessed May 1, 2014).

¹⁵ "Top 10 benefits of server virtualization." InfoWorld. <http://www.infoworld.com/d/virtualization/top-10-benefits-server-virtualization-177828?page=0.1> (accessed May 1, 2014).

¹⁶ "How much does it cost to make an app?." Howmuchtomakeanapp.com. <http://howmuchtomakeanapp.com> (accessed May 1, 2014).

to the amount of features being developed for the release¹⁷.

Website Developers

- Fixed Costs
 - *See Domain Name Section*
- Variable Costs
 - 60 Hours of Labor
 - £40/hour
 - £2,400
 - Maintenance
 - Twice a year
 - £200
- Logic
 - The fixed costs associated with the development of the website lie within the registration of the domain name. Everything else, similar to the application development, is labor based. It is significantly less to do the website development for our platform because we have an understanding knowledge of website coding and are able to provide our professional developers with a standard layout of what we would like they don't have to go through the extra time of creating it from scratch. We also cut costs with the maintenance of the website because that would also be able to be done in house without providing an outside developer.
- **£18,500 Firm Infrastructure: adjusted according to (discounted costs)**
 - **£48,067¹⁸ (£15,000) Accounting and finances (fixed/variable)**
 - Bookkeeper and tax work
 - **£16,940¹⁹ (£3,500) Legal work (fixed/variable)**
 - Attorney
 - Trademark Registration
 - Licenses
 - LLP Business/Company Registration
 - Insurance
 - Income (WorkSafe)
 - Legal documents

¹⁷ "How To Measure Costs When Calculating ROI." How To Measure Costs When Calculating ROI. <http://tynerblain.com/blog/2007/02/05/calculating-roi-and-measuring-costs/> (accessed May 1, 2014).

¹⁸ "Accountancy (Qualified) Average Salary â UK." Accountancy (Qualified) Average Salaries in UK. <http://www.reed.co.uk/average-salary/accountancy-qualified> (accessed May 1, 2014).

¹⁹ "Solicitor: Salary and conditions." | Prospects.ac.uk. http://www.prospects.ac.uk/solicitor_salary.htm (accessed May 1, 2014).

- Terms & Conditions
- Privacy Policy

In order to fit compliance needs with UK business policy, an attorney and an accountant will serve as the backbone to meeting these requirements. Protocol calls for licenses, income policies, and official terms and conditions and privacy policies for customers that must be drafted by an attorney and posted on the platform. In terms of the accountant's duties, official bookkeeping and tax work that must be completed every year will ensure that P(£)ayback meets industry requirements. In due time, a professional lawyer and accountant will be paid salaries according to our findings, but in the meantime, the costs for the said services can be discounted as the term of the agreement will last only for the first start-up year or two and many inexperienced, yet knowledgeable professionals can be recruited.²⁰

- *Administrative Salaries (See HR)*
- *Public affairs (See HR)*
 - Marketing
- £0 Clear accountability (Not a cost)
- £0 General planning management (Not a cost)
- £0 Training (Future cost)

OPERATIONAL & MARKETING STRATEGY

Pricing strategy

Our Pricing strategy for our subscription structure is as follows:

0,89p per song

7,99£ per album

8,99£/month for subscription

89,99£ / year

²⁰ "Common costs when starting a business." Work out your start up costs.

<http://www.business.vic.gov.au/setting-up-a-business/how-to-start-a-business/common-costs-when-starting-a-business> (accessed May 1, 2014).

Our pricing has taken to account customer sensitivity to price based on data from our surveys and we think we have developed a smart pricing structure that will appeal to many. In addition we believe that the perceived value of the platform can also sway potential customers that may not want to pay as much. The prices reflect the perceived value we have of our service and the perceived value will be established by our marketing plan.

For the artists the service is free is chosen after the application process but will be charged if content exceeds 20 minutes. Prices will be established an individual artists basis and will result after a careful mix that takes into account what the artists is looking to post as content and their relationship with the P(£)ayback service.

In our financial analysis we have defined scenarios for P(£)ayback to break even and we firmly believe that with these figures we can at least break even on the first year out.

Service strategy

1. The Service

P(£)ayback represents the ideal online music platform for unsigned artists to not only promote their music to their audience but also make the money they deserve from their work. The product itself appeals to two type of people consumers and clients. Our clientele will be made up of independent and unsigned music artists of all genres and levels while our customers will be be the fans and avid music discoverers aficionados.

a. Core Product

The core product for the for the music aficionado/avid music discoverers the access to a curated discovery platform to find new music from independent artists, but also give them access to all of the artist's related creative content.

For the artist the P(£)ayback service is providing a platform where an artist can sell, distribute, promote, and make money from their music with fair percentage rates while also having a space to effectively engage with fan communities on a deeper level.

b. Formal Product

The formal P(£)ayback product would be the platform itself, with the help of graphic and web designers our aim is to create a platform that is both appealing to the eye but easy to use as well. In addition the curated content will ensure our fan customer base will always find new music that they actually enjoy.

For the artists the formal product would also be the platform which will be created specifically so the artists can easily integrate all of their creative products (music, merchandise, extras) and be able to consolidate all their social networks/other media.

c. Augmented Product

The eventual goal of P(£)ayback is to eventually have our fan community be the ones curating the catalog of artists available on the platform. This will augment their experience, their value, and the type of product they're receiving.

For the artists their augmented product is the experience being created for their content. With the advent of digital platforms people have to go to various sites to view an artist's presence online (facebook, youtube, spotify, etc.). P(£)ayback will consolidate all their aspects of an artist's work and presence into one engaging experience where you can listen to that artists music while reading personal blogs and buying their merchandise and more.

2. Characteristics

a. Attributes

i. Quality

The quality of the P(£)ayback service will also be dependent on the user experience for both the artists and the fans, so appealing to them and their interest will be our main focus especially for the first year. Providing a curated catalog of engaging and entertaining artists will be how we define and preserve our sense of quality for the fans. For the artists it will be making sure that the platform does what it says and assists them in developing sustainable careers.

ii. Design

As mentioned earlier the design of the platform will be an important part of the development phase to make sure it is easy to use and not too convoluted especially when being a site that hosts a lot of content.

b. Branding

Establishing the P(£)ayback brand will probably be one of the most essential and important aspects of the marketing plan during our first year. The value of the brand will be developed through our alliances and partnerships with local UK radio stations and music related products. In addition our advertisement will be strategically chosen to be relevant to our customer and client bases.

3. Product Positioning

Our competitive advantage over up and coming competitors and established competitors is the various services that we are bringing together as part of what is provided to clients and customers. P(£)ayback differentiates itself by creating a more valuable experience overall and establish an equilibrium across consumption methods and more profitable revenue streams for the artist.

Place strategy

In terms of our place strategy we believe P(£)ayback is at a good place in terms of the UK digital industry. In 2013 alone IFPI reported "3.5 Billion dollars in revenues".²¹ In addition 39% of UK

²¹ "IFPI Digital Music Report." IFPI. <http://www.ifpi.org/downloads/Digital-Music-Report-2014.pdf> (accessed April 27, 2014).

music industry revenues have come from digital channels.²² That combined with a huge number of working independent and unsigned artists we feel that the United Kingdom is the best location to launch our service. 87% of users also still prefer owning their music that merely streaming.²³ P(£)ayback allows for the purchase and streaming of music thus appealing to this population and their biases on consuming musical content. Our analysis of these figures suggest low barriers to entry in the UK Digital music market and thus a perfect environment for P(£)ayback to thrive.

Promotion strategy

1. Advertising

Our initial strategy is to advertise to college and independent/unsigned communities in order to reach both our potential clients and consumers. From there we hope to generate a brand presence and loyalties with these communities that will result in an expansion of reach to other potential clients and customers .

a. Radio

Promotion on radio will be done via Independent/Unsigned radio and College Radio to effectively reach our audience. One of the company structures involved partnerships with these types of radio stations so suing those alliances will be important in this phase to establish good rapport with the radio stations to further promote our service in the future.

b. Press

For press marketing again we will target newspapers, magazines, and journals that appeal to the our target age range of 15-30 in the sectors of independent and unsigned music. As we are starting small this will be an affordable and cost effective decision.

c. Outdoor

Outdoor advertising will be limited to areas specific to our target audiences so targeting bar/nightlife areas, college areas, city areas, etc.

d. Ambient

We want to develop a creative way of using ambien advertising to garner some underground buzz for P(£)ayback. Again we will strategically choose college campuses, pubs, bars, and other similar location to run ambient advertising to reach our target audience. Some potential ideas are street art, secret launch parties. Also for the first year having P(£)ayback invitation that we scatter in strategic areas that ask the finder to deliver this invitation to an music artist they know that they believe could make use of our service and another option for fans.

e. Online/Mobile

Online/Mobile will be a huge part of advertisement campaign as the age range for our target market are very active on these type of platforms. So again what's important here is to establish

²² IFPI Digital Music Report." IFPI. <http://www.ifpi.org/downloads/Digital-Music-Report-2014.pdf> (accessed April 27, 2014).

²³ "Is Streaming the Next Big Thing? - What Consumers Want." Music Business Research. http://musicbusinessresearch.wordpress.com/2013/10/18/is-streaming-the-next-big-thing-what-consumers-want/#_ftn2 (accessed May 1, 2014).

potential alliances and connections with online sites and mobile apps that are relevant to our client and consumer bases. Social Media campaigns will also play a large role in the promotion of P(£)ayback. So using sites like Twitter, Facebook, Youtube, Instagram, etc will be allow us to target online communities that fit our target audience and engage with them to hopefully generate interest in our platform.

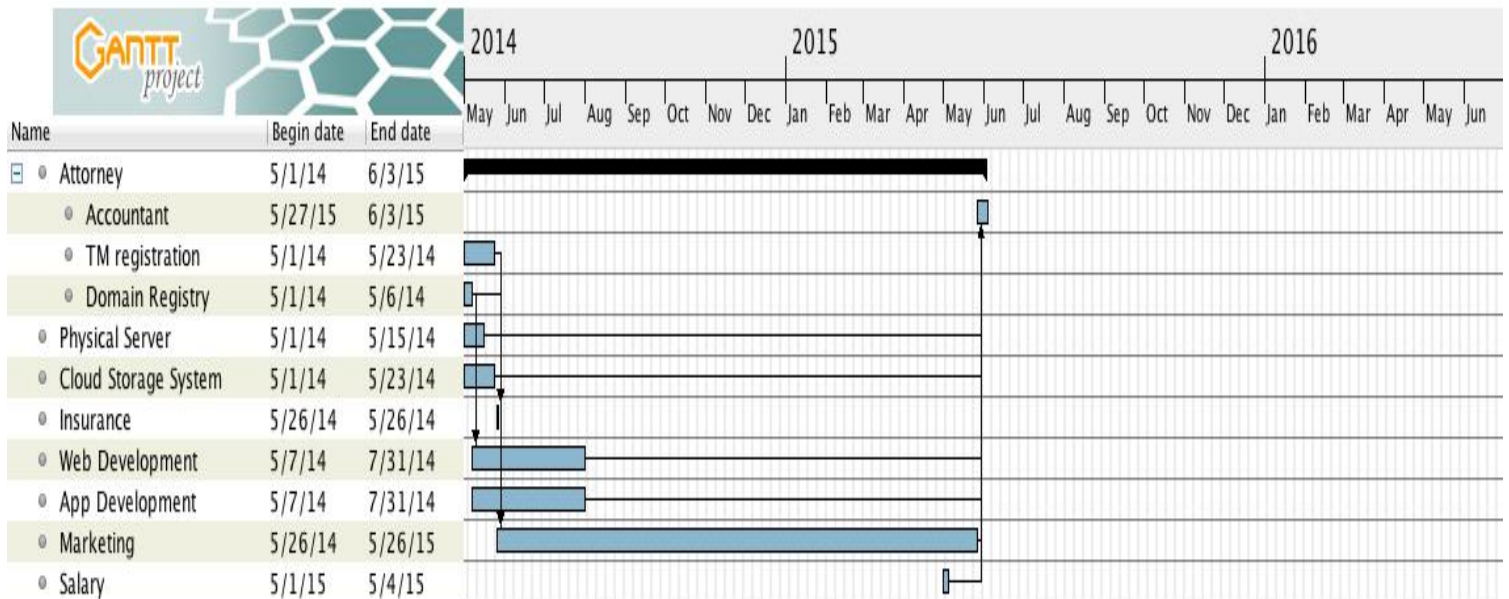
2. Sales Promotions

This would include both Consumer promotions and Trade Promotions that would give incentives for people to subscribe to the service. Some of the ideas include promotions on yearly subscriptions, student discounts, etc. Also the platform itself provides incentives for the fans in the unlockable content that can be accessed through the service.

3. Public Relations

Building a well perceived company image is vital especially in our beginning stages of launching the platform. Reaching out to our stakeholders will be vital so planning concerts for some potential talent that could be features on our site or creating partnerships with radio stations at particular colleges plays into our public relations strategies. Also thinking of reaching out to booking agencies and promoters can be a strategic tool to enhance our brand awareness and the platform as a whole.

Gantt Diagram



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Appendices

Market Research ²⁴

Clients

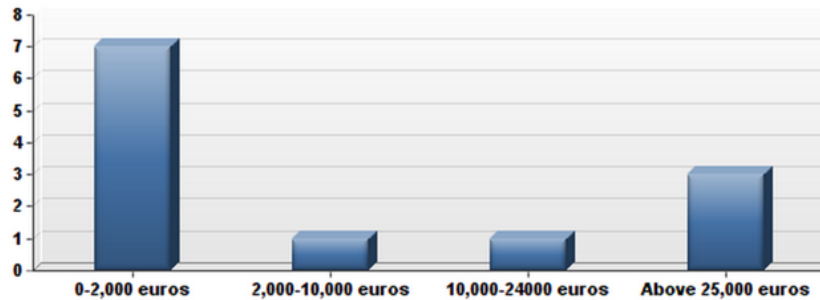


Figure 1: Annual income of unsigned artists participants

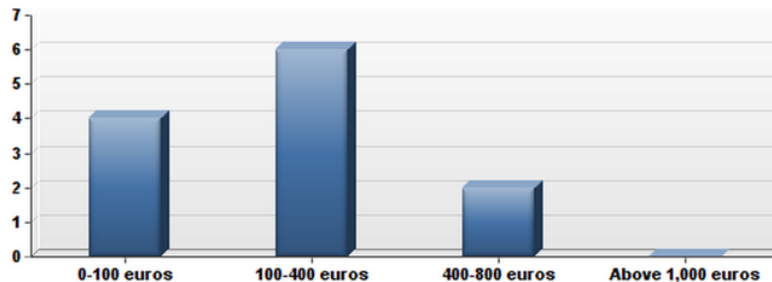


Figure 2: Disposable Income Per Month

²⁴ All clients are unsigned artists, producers or songwriters. Customers are active music listeners. Please note that left side of the chart (vertical) always represents the number of survey participants.

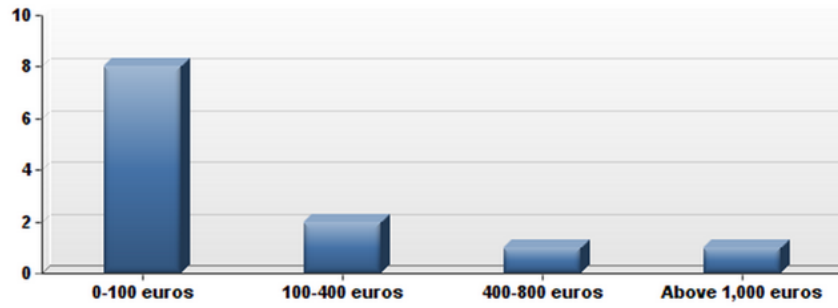


Figure 3: Disposable Income Spent on Discovering Music Physically Per Year

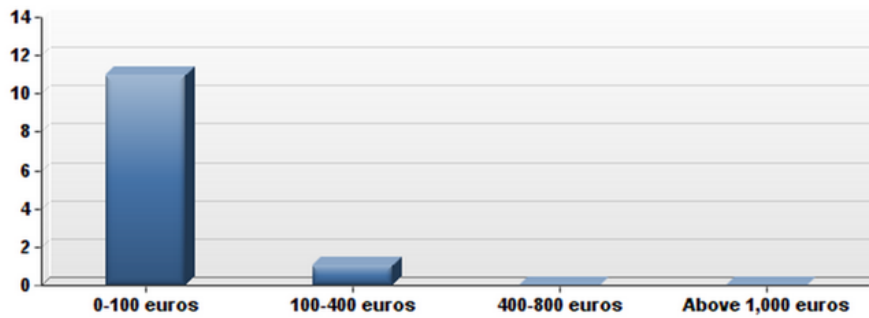


Figure 4: Disposable Income Spent on Discovering Music Digitally Per Year



Figure 5: Collaborating with other Artists, Producers or Songwriters

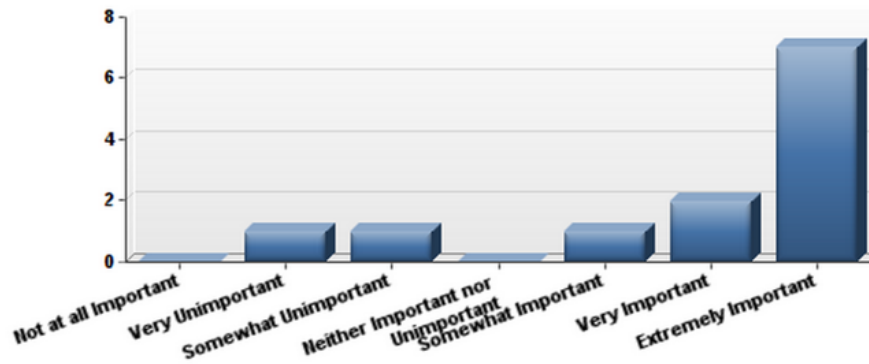


Figure 6: Importance of Developing a Fan Community

Customers

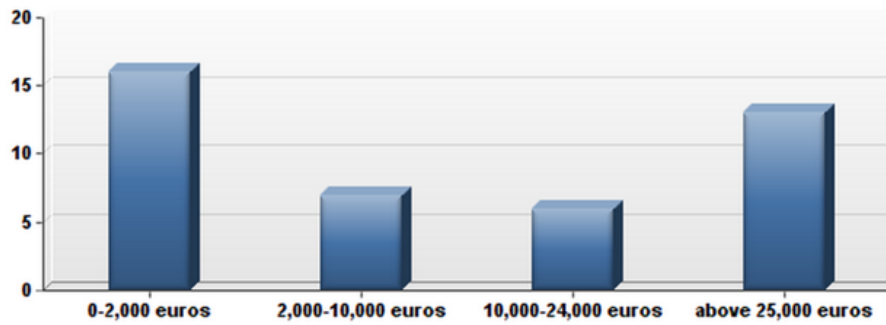


Figure 7: Annual Income of the Survey Participants

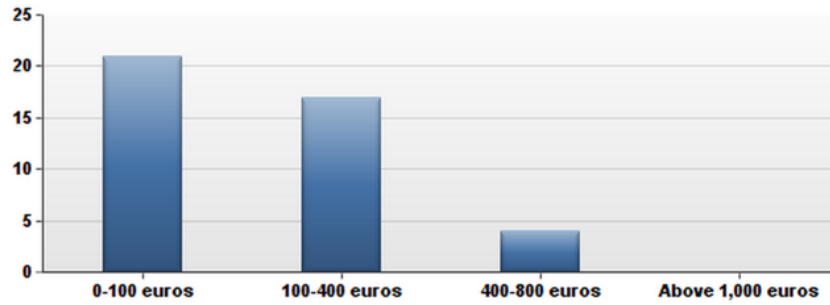


Figure 8: Amount Spent on Discovering Music Physically Per Year

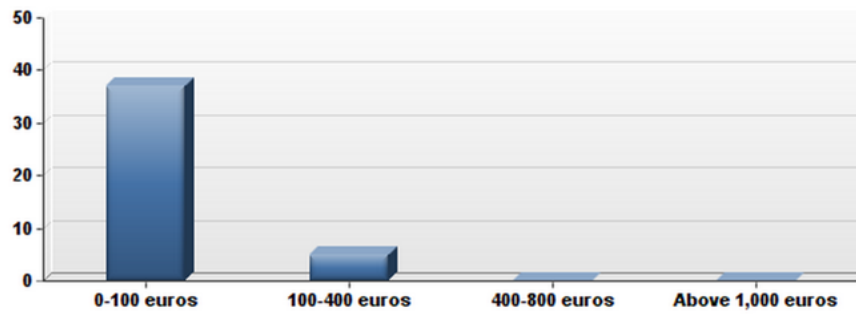


Figure 9: Amount Spent on Discovering Music Digitally

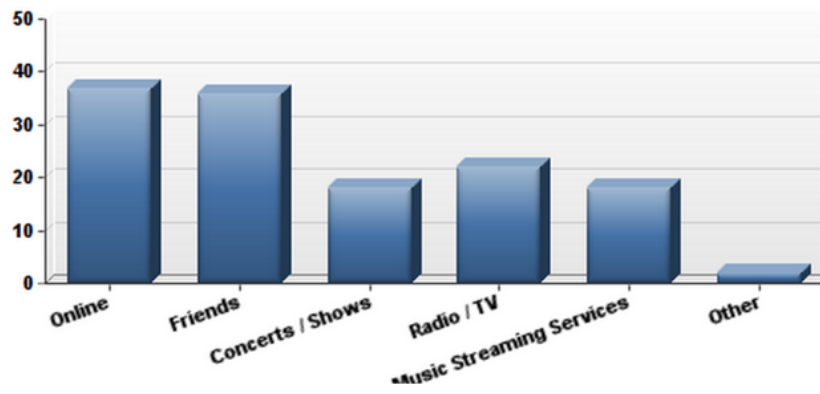


Figure 10: How People Discover New Artists and Music

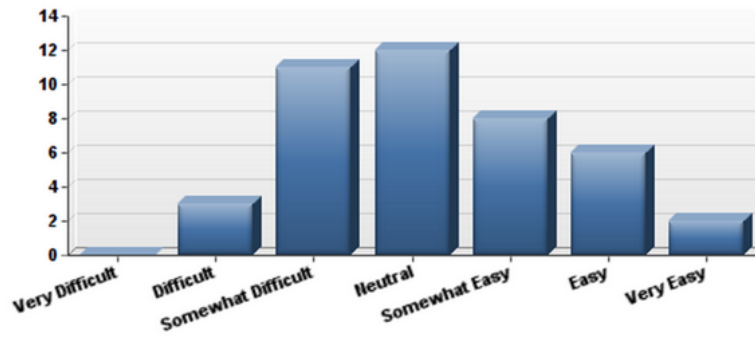


Figure 11: Is Discovering New Content Difficult?

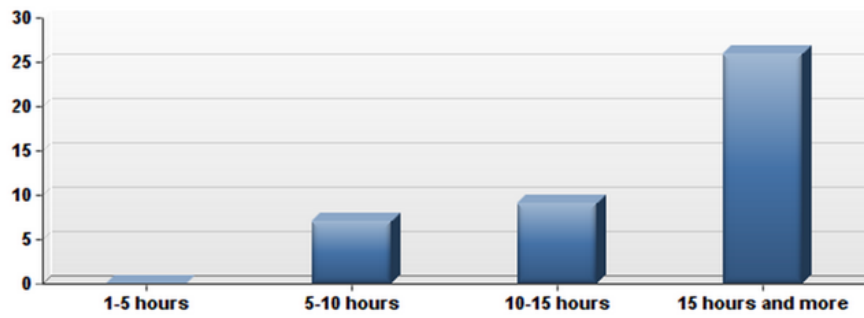


Figure 12: Hours Spent on Internet

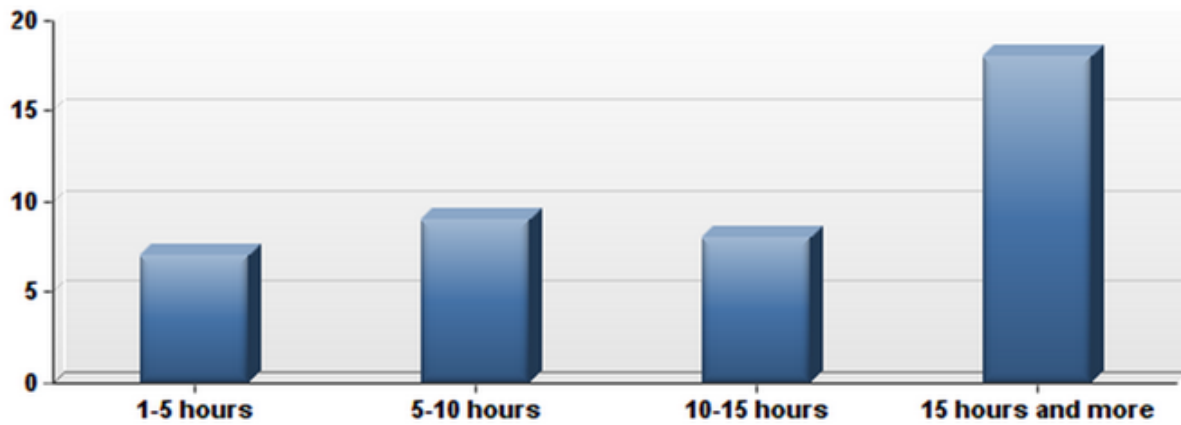


Figure 13: Time Spent Listening to Music Per Week

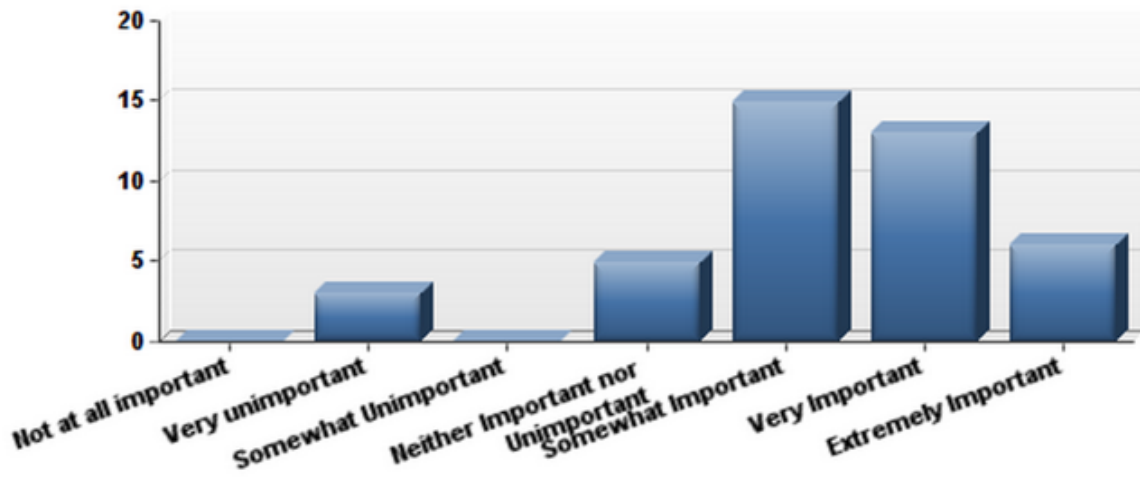


Figure 14: Level of Importance of Discovering New Music and Artists

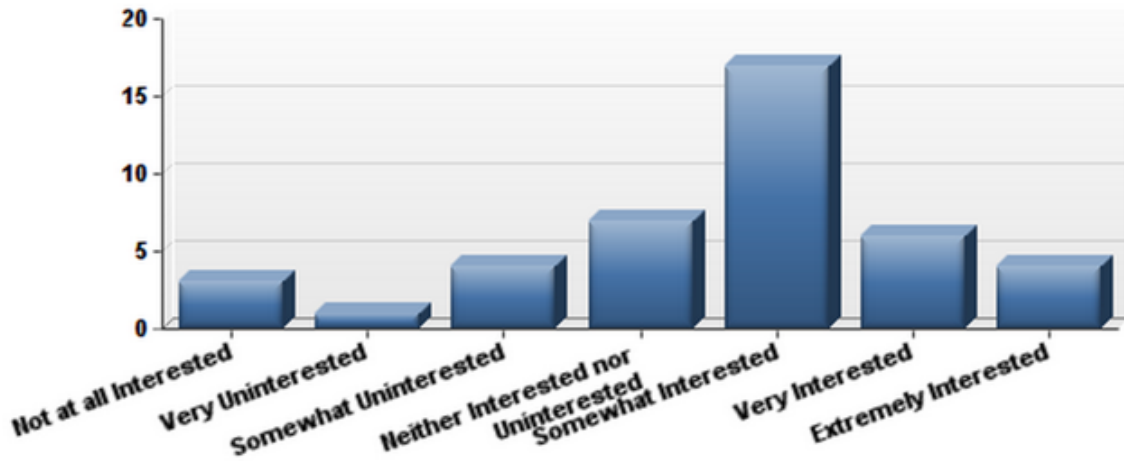


Figure 15: Level of Importance to Access Exclusive Artist Content

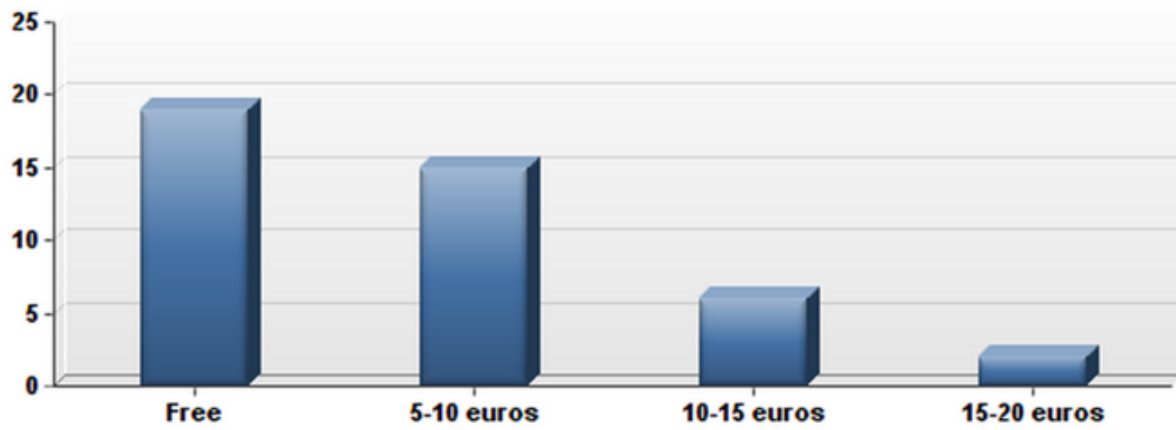


Figure 16: Amount Customers would pay for Music Discovery Platform