



FINAL THESIS

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Title:

The Music Industry's "Cold Call"

How independent musicians can make an impact in today's music industry.

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1.0 Overview

A musician requires three basic things to be successful enough to earn a living in the industry:

- Talent
- Technology (equipment, studio and expertise to record broadcast quality music)
- Access to market (marketing & distribution)

Each of these three areas are changing dramatically in the current market and will continue to evolve in ways that make it hard to plan a path or predict a future in the business. Yet, this also presents certain opportunities for the independent artist to succeed where they once couldn't if they exploit certain openings created by cultural shifts, technology and new business models.

Talent

What is talent, where it comes from and how it is defined has changed in ways that are shocking the system. Markets like the US, UK, Netherlands, Ireland and Sweden have adapted far better than more traditional and rigidly structured markets. Traditionally, talent came from the established educational track with musicians coming from renowned Conservatories, being recognized as accomplished players of other people's music (especially classical) and expert in sight reading, solfege and composition. These musicians are chosen by their win record and placement in national and international music competitions. From this point, they are evaluated by professional reviewers who can instantly make or break a career.

On the other hand, Barbara Streisand, Lionel Richie, Michael Jackson, Eric Clapton, Elvis Presley, Eddie van Halen, Jimi Hendrix, Dave Grohl, The Beatles and many more of the world's most successful musicians can't read or write music.¹ Certain countries consistently introduce new and unknown talents to the world stage without the rigors of the traditional music path. Johnny Long (Ireland) was self-taught and apprenticed as an electrician. He became the only musician to win the Eurovision contest three times. Ireland won a record 7 times, Sweden and the Netherlands 4 times. Sweden's ABBA is the most successful winner.²

TV shows like Britain's Got Talent, The X-Factor and The Voice have also created venues for unknown artists to be considered as talented outside of the traditional system. Providing even more impact are the online platforms such as SoundCloud, Spotify and self-promoting crowd funding sites that permit artists to demonstrate their talent outside of the traditional system.

¹ <http://screenertv.com/celebs/lionel-richie-dave-grohl-the-beatles-13-artists-who-cant-read-music-and-why-thats-okay/>

² <http://www.bbc.co.uk/corporate2/mediacentre/mediapacks/eurovision/facts>

Technology

The screenshot displays the FL Studio 12 interface. At the top, the status bar shows the tempo at 120 BPM and the time signature as 4/4. The main window is divided into several sections:

- Top Bar:** Contains standard software controls like play, stop, and solo buttons, along with a volume knob.
- Left Panel:** Includes the 'Piano Roll' view, which shows a sequence of notes and automation for a track named 'Fuzzy Beats'. The notes are colored green and blue, and the automation is shown as a blue line with a green envelope.
- Mixer:** Located at the bottom, it shows various channels including 'Fuzzy Beats', 'Kick', 'Snare', 'Hi-Hat', 'Percussion', and 'Compressor'. Each channel has a volume knob and a solo button.
- Right Panel:** Displays the 'Fuzzy Beats' track, showing a sequence of notes and automation.

The interface is dark-themed, and the overall layout is typical of digital audio workstations (DAWs).

Access to Market

[illegible]

4

representing an annual decline of 14%. At the same time, streaming music increased by over 59% with 209 billion songs (139 million album units) streamed in 2016 versus 58.6 billion in 2015.³

If people no longer buy CD's, then the playing field has moved to the Internet and the concert hall. Getting known becomes a significant marketing challenge. On one hand, it requires digital marketing skills along with the luck to become viral. On the other hand, it requires traditional promotion to get "gigs" or arrange concerts and tours. As an independent artist, the market may be more open to listen to your music and judge for themselves but the record labels hold an enormous and unsurmountable advantage in marketing budget to advertise and promote their artists. In the end, this is the music **business**, and everyone in the loop from the streaming site to the concert venue wants to make money. This is done by guaranteeing attendance and online plays with known and well promoted artists.

Somehow, the independent artists must still attract the attention of reviewers, playlist creators and the demand of the public to both stream and fill seats at a concert. In fact, these are the only potential sources of revenue for an artist. No longer can they record a CD and wait for the sales royalties. Artists must constantly perform for pay and hope the public will stream in exchange for miniscule royalties per play from streaming sites like Spotify.

The financial model has changed significantly and the artist must invest with the understanding that they are in it for the long haul. One-hit wonders can only be created through the marketing power of the major labels, who take the majority of the profits in exchange for their investment. An independent artist must commit to self-promotion through concerts, new music production and consistent quality that attracts listeners over the long term. It can take years (5 years or more) for an independent artist to establish a large enough following. However, once that is done, the reward is in residual income from streaming for a very long time. Whereas, a CD purchase was one-time, streaming a song is a repeat business and generates royalties for decades.

If I bought The Beatles Red Album (songs from 1962 to 1966) in 1973, then the artists would have received a one-time royalty from the purchase. However, if I stream that album or those songs today, they will be generating income from music they recorded 55 years ago!

So, perhaps it's a good thing that CD sales are null. I would rather have a miniscule share of millions of streams over 50 years than a Platinum record (1 million sales).

If we begin to look at these criteria as success factors and evaluate which strategies generate revenue, then being a successful independent artist starts to appear more like entrepreneurship than music or art. If so, then we can apply the basic principles of new business development, start-ups, high tech, Silicon Valley "kickstarts" and today's entrepreneurship to independent music and simply substitute "product" or "service" with "song" or "composition."

³ <http://www.spin.com/2016/07/2016-album-sales-data-billboard-nielsen-music-worst-year-since-last-year/>

2.0 Musical entrepreneurship

Musicians tend to see themselves as artists and forget that they are part of the music **business**. Great art, music, inventions and business ideas remain unknown or left on the shelves because their founders and creators make critical mistakes on the business side. Great art does not ensure success. This thesis will explore the development of an independent music artist, their strategy and their potential for success through the prism and mindset of an entrepreneur who must build a comprehensive Business Plan and Financial Model in order to secure the funding, strategic partnerships and access to market to be successful and return a worthwhile profit to the founders and investors (i.e. “stakeholders”).

Whether an entrepreneurial venture is in the form of a new company or new musical artist, the above mentioned three criteria are required:

- Talent
Some capability that can be put to use to solve a problem or need
- Technology
Some unique competitive advantage that can offer something not currently in the market or better than what is currently in the market.
- Access to Market
An ability to deliver a good or service to customers who can pay

In addition, we can add one more:

- Financial Model
An ability to generate profit and increase shareholder value (in a sustainable way)

If you can prove you have these four elements, then you can attract investors who will fund you since you cannot practice your talent, exploit your advantages or reach an audience without money. **You must be well-funded to succeed!**

In most cases, success is predetermined and investors can often and accurately predict success. Of course, that is a bold claim that may or may not be true for any individual case, but what is important is that the investors believe they can predict success and rely upon their Return on Investment (ROI) record as evidence. The key point being that they will make their investment decision based on this insight and experience. The tool investors use to predict success is the Business Plan. By reading a business plan and seeing a Founder make a 15-minute presentation (“elevator-pitch”) is enough for the investor to walk away or to move forward towards providing all the money you need to become a success. As the old saying goes: “lend me \$500 and you are my creditor but lend me \$500,000 and you are my partner.” Since we can’t do it alone, we must

build partnerships and attract people and organizations that are invested in our future and who are motivated to continually invest in us for their own self-interest and long-term profit.

There is one more missing bullet that is often the “trump” card of a deal:

- The Person

Who are you (the Founder/Musician)? At the end of the day, an investor or strategic partner is investing their money and resources into you, the person. Regardless of your talent and the uniqueness or beauty of your music, it is up to you to deliver, to compose and to perform. Can you be trusted, do you have a track record, education, experience, character references or do you tend to spend your money on drugs and find it hard to manage your daily life? There are far too many stories of wonderful business plans that crashed and burned because the person entrusted to execute the plan was incapable, unreliable, irresponsible or all of the above. And, tragically, this seems to be more the rule than the exception in the music industry.

For a musician, this process is no different. In fact, it is probably significantly harder than starting a company as the number of competitors is higher, available markets smaller, room for new entrants smaller and access to market being dominated by massive enterprises due to consolidation in the industry. Music is being commoditized which means profit margins are shrinking. To compensate for smaller profits an artist must reach a larger audience which requires global reach and significantly larger marketing budgets.

Investors follow the same rules as above as they seek to find a Business Plan that offers a new and unique musician with global appeal who can be produced and sold profitably and is easy to work with in a long-term relationship. The Business Plan is a “One-Sheet” (the term used for the artist’s resume) and a 2-minute elevator pitch in the form of a music sample.

The world is small and most investors within the start-up communities of a particular industry know each other. Someone turned down by one investment group will be known throughout the investor community and have a far smaller chance of winning over another investor. The same is true in the music world. If turned down by a major record label, an artist will struggle to find the support of any other label or independent investors that would fund a maverick.

3.0 Prerequisites

Before starting, there are a couple of key elements to consider. Are you playing in a world that has money to spend and do you have an exit strategy? Since we intend to make a living, then there must be enough people with money to spend on our product in the market we choose. We must also have an idea how we and our investors will exit in terms of converting their shareholdings into cash or profit.

3.1 Exit Strategy

Before starting any business, it is important to understand how you will exit. In other words, how will you convert your capital into cash in your pocket. This can be in the form of a) building a cash cow that generates huge profits that are distributed to you and your shareholders (investors); b) going public such as an Initial Public Offering (IPO) where shareholders can sell their stock on the open market or; c) becoming a target of acquisition and being bought out by a larger company. Since investors and hopefully the artists themselves are trying to do this for a living (hence profit), then it is essential to know what direction you are heading before you even begin. One of the first questions an investor will ask (and an artist should ask themselves) is how they will make money and one of the above choices they make will affect their plan, the music they play and the partnerships they seek.

Perhaps creating a cash cow song like Happy Birthday or selling your music rights like the Beatles catalog owned by today's Sony/ATV is a more obvious approach in the music business. However, we must fully understand the industry and the strategies of the big players if we are to know how our own little part contributes to their grander schemes and value creations. Consider that a musician's ability to succeed in the streaming world and their presence in social media may have more importance to the share value of a large media group.

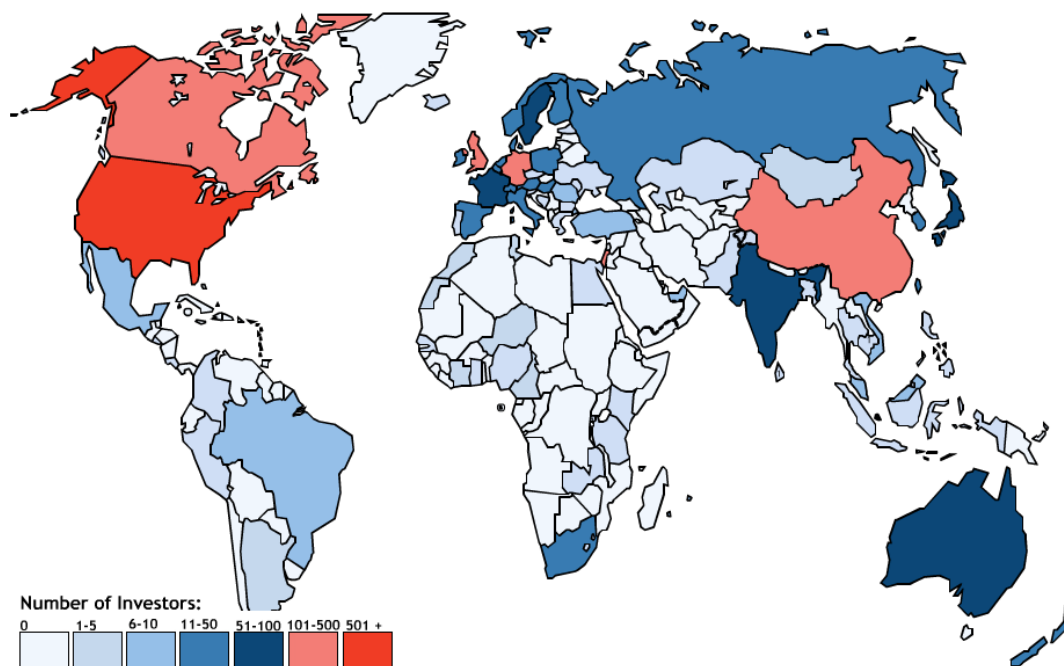
For example, Tencent Music Entertainment Group, controlled by China's biggest social network operator (owner of WeChat), is seeking new funding at a \$10 billion valuation ahead of an initial public offering. The operator of karaoke and Spotify-like streaming apps plans to sell about 3 percent of its shares to strategic partners, including record labels. By forging an equity link with record labels, Tencent Music would be securing its right to hold on to vital streaming rights in China's increasingly heated domestic streaming market forecasted to reach \$664 million in subscription revenue by 2018. Tencent Music has deals in place to distribute songs from artists including Beyonce and Taylor Swift after signing up with some of the world's largest record labels, including Universal Music Group, Warner Music Group and Sony Music.⁴

3.2 Market Identification: Don't chase money, Follow it!

A good business plan will seek to enter markets where money is flowing. In other words, they will not enter poorly funded markets or areas where customers do not have the money or the willingness to spend. A company (or person) should not do anything for money, rather they should employ their expertise in markets where money is being spent. For example, a classical musician should not play Rap music concerts just because they pay. If their heart is not in it and they are just trying to make money in the short term, then this will not be a sustainable business model. Also, a Celtic bagpipe musician would find a hard time selling their music in Nashville, the heart of Country & Western music.

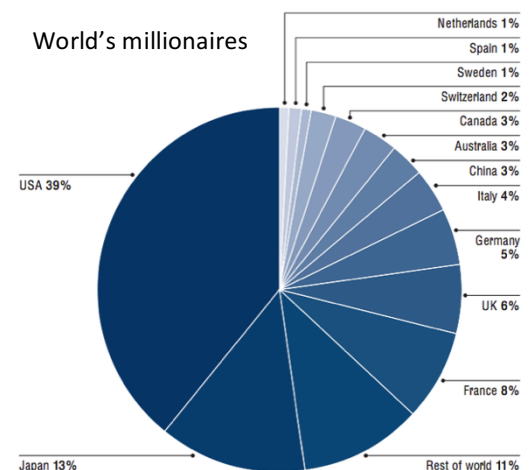
⁴ <https://www.bloomberg.com/news/articles/2017-09-01/tencent-music-is-said-to-seek-pre-ipo-funds-at-10-billion-value>

International Investors⁵



It is no surprise that the majority of the world investors are concentrated in a few regions, specifically, the US and Europe along with the rise of China and the success of Australia. This may also be a good indicator for music. It is fairly obvious that the US and Europe are the best music markets but if one can find a niche in Asia or Australia, then there is a good chance they will find both investors and a paying market. It also becomes clear that spending too much energy chasing supposed markets in Africa, the Middle East or most of South America may not be fruitful.

Another interesting chart is that of the world's millionaires. Again, the dominance of the US is evident as well as the value of as Asian niche such as Japan and the opportunities across the advanced European countries.



4.0 Business Plan

An investor will ask the following six questions which form the core of your business plan. Each of these can be adapted to the musician.

⁵ www.vgate.com/international_investors.htm

4.1 What problem are you solving?

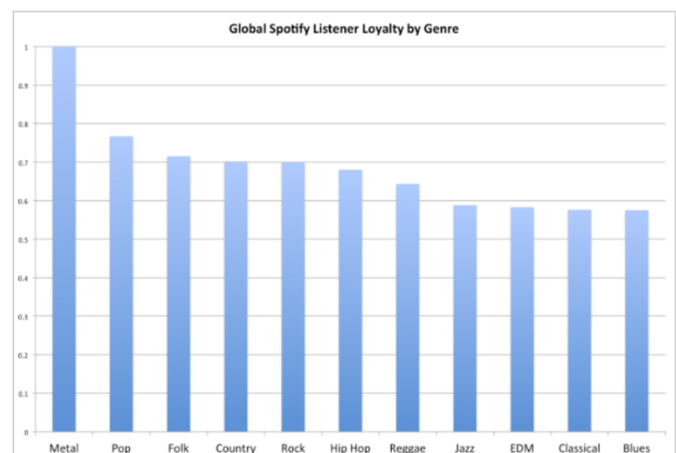
There must be a problem or a need in the market. This is usually a niche in the market that is either underserved or being served poorly. For example, children's music, meditation music, new music for a certain age group, music for specific use such as dance (hip-hop, tango, line, ballroom, etc.).

In general, artists know the genre and category in which they fit. They are further encouraged to fit into a specific category since the public tends to group their likes and dislikes by category, radio stations play music within defined categories, Spotify and streaming services create playlists based on music categories and industry recognition through Awards such as the Independent Music Awards and the Grammy's honor musicians by musical category. These include:

Independent Music Award Categories⁶

Adult Contemporary	Alt. Country	Americana
Bluegrass	Blues	Children's music
Concept	Contemporary Christian	Contemporary Classical
Country	Dance/Electronica	Electric
Folk/Singer-Songwriter	Funk/Fusion/Jam	Indie/Alt. Rock
Instrumental	Jazz Instrumental	Jazz with Vocals
Latin	Metal/Hardcore	New Age
Pop	R&B/Soul	Rap/Hip-Hop
Rock/Hard Rock	Spoken word	World Beat
World Traditional	A Cappella	Acoustic

However, this traditional categorization of music may no longer hold true in the market today. Music for the new generations is not about reflecting their unique personas as often identify by a genre, but a mirror of the activity he or she is performing. Music was once a question of loyalty and identity. Today it's a good consumed according to moments. So, the musical preferences of these listeners are much more flexible and no longer the reflection of their identities.⁷



⁶ <http://independentmusicawards.com/faqs/>

⁷ <https://medium.com/music-x-tech-x-future/our-changing-relationship-with-music-and-its-new-practical-function-32bd0e56eac>

4.2 How are you Solving the Problem?

This is where a company would describe their technical approach and how they would create, develop, build and deliver their product/service. The same concepts can apply to the musician. Is the musician the composer and the performer? Do they compose only for themselves or do they compose for others? Do they perform solo or are they part of a group or include other performers? Most importantly, what is unique about their offering?

Amy Winehouse⁸ is a good example. She was young, active in her early to mid 20's in a primarily jazz genre known for much more mature performers. She had an extremely unique and expressive contralto voice and found that she could exploit it mostly in jazz. However, she also found a unique way to mix soul (and some blues) into her style. This made her stand out from all the other female jazz singers and to attract a broad range of fans covering several generations. Her appearance was radically young, tattooed and sexual while her voice was mature beyond her years. Her album *Back to Black* made her the first British woman to win 5 Grammy awards. Her youth, unique voice and niche within a jazz world made her a perfect investment for a long career. Unfortunately, she also serves as an example of a great business plan collapsing because of the person. Amy was troubled beyond description with a husband in jail and family problems hard to describe. She was uncontrollable and must have been extremely difficult to work with for a promoter or producer. She was in the tabloids all the time and usually with a new scandal or drug/alcohol problem. In the end, she died at 27 from alcohol intoxication.

In music, the product is your music and your performance in the form of a composition or a recording.

4.2.1 Songwriter, Performer or both⁹

There are two (2) separate copyrights:

1. the **composition** (song) and
2. the **sound recording** (master).

There are four (4) types of income participants:

- a) **songwriter** and **publisher** for songs (we call this "writer's share") and
- b) **artists** and **record companies** ("publisher's share") for masters.

⁸ https://en.wikipedia.org/wiki/Amy_Winehouse#Controversy

⁹ <https://daeboganmusic.com/2017/02/28/a-primer-on-music-publishing-rights-splits-and-royalties-for-confused-artist-managers/>

In the event a writer is not signed to a publisher, he/she owns the **publisher share** of income. In the event an artist is not signed to a record label, he/she owns what would be the **record company share** of income.

COMPOSITION:

The songwriter and publisher split is 50-50. American Society of Composers, Authors & Publishers (ASCAP), Broadcast Music, Inc. (BMI), SESAC, and Global Music Rights (GMR) collect and pay out **performance royalties** to songwriters and publishers. Harry Fox Agency and Music Reports, Inc. collect and pay out **mechanical royalties** to publishers.

Synchronization (placing music in film & TV) is a license that is negotiated between content producer and publisher. The content producer pays an upfront synch fee and then the performance generates performance royalties on the backend once it has been distributed or broadcast, unless it's a movie in U.S. movie theaters or DVDs since the U.S. does not have a performance right for music performed in movie theaters.

MASTER:

The **artist** and **record company** split income based on the terms of a recording contract. The exception is neighboring rights, home taping/private copy, and DART royalties. All of these royalties are collected and paid out by agencies directly to the artist and record company.

SoundExchange pays out digital performance royalties for non-interactive Internet services (i.e. Pandora), satellite (SiriusXM), cable (Music Choice) and over 2,500 other webcasters (iHeart Radio and Slacker). SoundExchange is the only version of "neighboring rights" in the U.S. SoundExchange pays 45% to the artist, 50% to the record company, and 5% to background vocalists and session musicians.

"If we're not songwriters, and not hugely successful commercially (as in platinum-plus), we [recording artists] don't make a dime off our recordings."

— Janis Ian, singer/songwriter.

There is a huge difference between royalties to the performing artist versus the songwriter. Recording artists earn royalties from the sale of their recordings on CDs, cassette tapes and vinyl. Recording artists don't earn royalties on public performances (when their music is played on the radio, on TV, or in bars and restaurants). Songwriters and publishers, however, do earn royalties in these cases, as well as a portion of the recording sales.

The only current instance in which artists earn royalties for "public performances" is when the song is played in a digital arena (like in a Webcast or on satellite radio), is non-interactive (meaning the listener doesn't pick and choose songs to hear), and the listener is a subscriber to the service. This came about with the Digital Performance Rights in Sound Recordings Act of

1995. This act gave performers of music their first performance royalties.¹⁰

Once the song has been recorded and publicly distributed, however, compulsory licensing kicks in and everyone who wants to record the song can do so without your specific permission. They are required by law to pay you a statutory royalty rate, however, as well as notify you that they're going to release it, and send you monthly royalty statements. They are NOT allowed to make any changes to the words or melody or change the "fundamental character of the song" without the copyright owner's approval. If the song is changed, it is considered a "derivative work." Record companies rarely use compulsory licensing because they don't want to have to provide monthly royalty statements. Instead, they go to the copyright owner and get a direct license so they can negotiate the terms more freely.

If you write the lyrics to a song and your buddy writes the music, then you each own 50% of the song. You don't own all of the lyrics and your buddy doesn't own all of the music -- you each own 50% of the total song, music, lyrics and all. This means you can't give someone exclusive rights to the song on your own if you have a fight with your buddy. And, if you make any money on the song, half of that money must go to your partner.

4.2.2 Strategic Partnerships

This is key as you can't do everything yourself despite the Apple publicity that anyone with a Mac and Garage Band can win a Grammy. The truth is that you have to think of everything but you can't think of everything. Even when you hire all the professionals who know everything, they too miss something and Murphy's rule will always apply (anything that can go wrong, will). There are many elements that make up a song production, promotion, stream, performance and sale and the musician must demonstrate the ability to cover all these elements themselves or with a closely tied strategic partner:

- Music: Composing, writing, arranging and lyrics
- Playing: Supporting artists other instruments
- Recording: Studio, equipment, sound engineering
- Mastering
- Production
- Promotion: Radio & Digital
- Professional Reviews
- Marketing
- Streaming and Playlists (Spotify)
- Website & downloads
- Sales outlets (iTunes, Spotify, SoundCloud, Amazon, Pandora, CD Baby)
- Legal (copyrights, licensing, contracts), BMI & SoundExchange registration
- Concerts and performances
- Funding

¹⁰ How Music Royalties Work by Lee Ann Obringer

If I use myself as an example, then I am very fortunate to have Will Ackerman as a Strategic Partner. Will is a Grammy winner and founder of Windham Hill Records, the largest record label at the time in the New Age category (sold to Sony Music). Will is a producer and founder of Imaginary Road studios in the US. The recording studio is world class and Tom Eaton, the studio Engineer and Mastering expert is one of the best in the business with a ZMR Music Award for his work. The team also includes supporting musicians including 4-time Grammy winner Eugene Friesen. Lazz Promotion in the US provides me with the leading New Age Promotional team in the country that resulted in plays on over 135 radio stations and hitting top of the ZMR and OneWorld Music Charts. I have been professionally reviewed by at least 8 critics specializing in this music with international exposure and I have been nominated for two ZMR Music Awards and EPR's Music Award for Album of the Year. I am listed on Spotify, Amazon, iTunes, CD Baby, Pandora and have my own website with both CD and streaming available. I am registered on BMI and SoundExchange and have a lawyer on the team. Production costs are covered by F&F (friends & family) funding.

Therefore, there are a lot of key people that have helped me check off the blue items above. Yet, I still need more partners to cover the red items that, if not covered, will significantly hinder my long-term success. The lesson is that a lot of people are needed to help and they have to be the best people in their field and you still have missing items that can prevent success. At the end of the day, "business is people" and this means a team where everyone involved is motivated toward the same goal.

4.2.3 Access to Market

Using myself as an example helps to highlight one of the biggest business challenges. The red items are about gaining access to the market and having a distribution system to reach customers, deliver the music and collect the money.

Most musicians understand the importance of a well-known record label such as Sony, Universal and Warner (the "big 3"). These Big 3 control over 70% of the world music market and 80% of the US market.¹¹ These companies have the financial power and market presence to promote an artist or song and make it big. Of course, they tend to have the same mindset as Venture Capitalists (known as "Vulture Capitalist") as they seek only the most commercially viable music that can sell to the mass market and they use their financial and legal strength to hoard most, if not all, of the royalty income.

Being able to sign with a major record label changes the game in the Business Plan on both the Access to Market and the Financial Model. Basically, the musician is paying a premium, if not the majority of their potential income, to the record label in exchange for their access to the market. A typical licensing deal would sign over exclusive rights to all their music for 15% of the

¹¹ https://en.wikipedia.org/wiki/Record_label

royalty income. The record label will offer an up-front payment (advance). This provides cash to a usually “starving artist” but these amounts are always deducted from future royalty payments (more covered under the Financial Model).

For Independent artists, access to market becomes the biggest hurdle. For example, at the latest Round Table of Independent Artists in the EPR Music association, the following were the items of most interest. Reaching the market through the streaming channels Spotify, YouTube and Pandora were three of the top five questions (with legal issues being the other two).

Round Table of Independent Artists
Enlightened Piano Radio (EPR) Awards
Nashville, TN
23 September 2017

<u>Topic/Category</u>	<u>Questions/Talking Points</u>
<i>Spotify</i>	<p>Best way to make income from Spotify?</p> <p>Should my music be streaming on Spotify?</p> <p>What does it mean to be a Spotify artist?</p> <p>How do I set up a Spotify Web Player?</p> <p>How do I grow my listeners of Spotify?</p> <p>How do I get my music on Spotify playlists?</p> <p>Should I use social media or google advertising to increase spotify listeners?</p>
<i>YouTube</i>	<p>How do I make income from you tube?</p> <p>How do I make professional quality videos for youtube?</p>
<i>Licensing</i>	<p>What are all the different types of licensing to make money from my music?</p> <p>What is Synch Licensing?</p> <p>Anyone have success with getting their music placed for synch licensing?</p>
<i>Copyright</i>	<p>How do I navigate copyright with cover songs?</p> <p>How do I copyright my music?</p> <p>If a CD contains both original material and arrangements of public domain...</p> <p>can I copyright in one submission the entire sound recording,</p> <p>Any benefit to registering each track on a CD separately with Library of Congress for copyright?</p>
<i>Pandora</i>	<p>Should my music be streaming on Pandora?</p> <p>New Pandora format; Best way to utilize the new format?</p> <p>How to promote on Pandora with AMP Cast and what is it?</p> <p>I got my new age music accepted on Pandora but not my Jazz albums. What gives?</p> <p>How do I grow my monthly listeners on Pandora?</p> <p>Should I use social media or google ads to promote to increase my Pandora listeners?</p>
<i>Radio Stations/Promotion</i>	<p>What are all the new age stations that play new age music?</p> <p>Do you recommend radio promotion?</p>

	Who do you recommend for radio promotion? Or can you do it yourself?
PRO Affiliation	What is a PRO, what do they do? What is CDBABY PRO? Is it best to go with them or have my own publishing? What is the cost benefit? BMI VS ASCAP? Which is better and does it matter which one you register with?
Singles VS Albums	Best to release singles vs albums? Benefits vs pitfalls of digital only releases?
Future of Music Platforms	What is the future of music platforms? Where's all this going in the next 5-10 years?
Social Media	How is Instagram helpful to musicians? Can social media help increase listeners and drive them to listen to my music?
Concerts/Booking Shows	How do I book more concerts? Have you used a booking agent or manager and what are their strong points/benefits? Is a manger or agent worth it for distribution?
Your website	How do I drive more business to my website? Who should I use for webhosting?
Royalties	What are all the different royalty types and how do we make the best use of them?
Misc	What is the best use of my time? Is it best to keep putting new content out there or market the songs I've already written? Are there any contests you've entered that are beneficial to your music? Is streaming good or bad and which platforms are the best? What is passive income and how do you earn it without touring? What are all the best organizations to be involved with?

4.2.4 Marketing Plan

The Marketing plan needs to be comprehensive and cover Digital Presence, Marketing & Social Media. An artist today must cover all the bases and be good online as well as on stage. They need an image and brand development, to be present in hard copy, posters, physical locations as well as the full spectrum of the digital world including, web sites, Instagram, Facebook, SnapChat, blogs, Twitter and all types of social media. They basically have to be both present and engaged, communicating with potential listeners and fans. There are the standard digital marketing strategies but they must be combined with artist involvement, concerts, tours, gigs, charity, associations, etc.

Components of Digital Marketing

- SEO: Search Engine Optimization
- User Experience (site behavior and dwell time)
- Paid search ads
- Display advertising

- Sponsored Social posts
- E-mail marketing
- Native advertising

The single most important thing that will continue to pop up in this thesis is an artist's ability to get on a Spotify Playlist. When we look at the Business Model (Section 4.3 below) we see that streaming represents today's marketplace (as people don't buy CD's anymore). Spotify is the de-facto king of streaming and a musician will need millions of plays to make money. With over 100 million Spotify users, most still do not pay for the service and few specifically hunt for their chosen songs or create their own personal playlist. Rather, as described in Section 4.1, music is a good consumed according to moments and people tend to choose a Playlist for such moments like "Romantic dinner," "Workout," "Study," "Dance Party," etc. These playlists are constructed by Spotify, specifically by the Curator of a playlist. If you are featured in a top playlist then you will get millions of plays.

Therefore, Curators are the new Gatekeepers to success. For example, Spotify's top hip-hop play list is RapCaviar, with more than 7 million listeners. It's curated by Tuma Basa, a former programmer at MTV and BET, who became the service's head of hip-hop in 2015. To get on Rap Caviar, managers employ consultants to meet with execs, present data and make their case. "Hopefully, you're seeing a bunch of good play counts and save ratios," says Zack Gershen, executive vice president of mtheory. "Then you go back to Spotify and say, 'Have we gotten to a point yet where we've earned a spot in a playlist?'"¹²

Big names like Ed Sheeran are almost guaranteed space on prominent playlists. For smaller names, the journey takes longer. Electro-pop singer Lauv, who currently has a Spotify smash with his single "The Other," first released the song two years ago. At the end of 2016, Spotify added it to a lower-tier dance playlist. It did so well that the track eventually made its way to Today's Top Hits. "I saw the song go from 8 million streams to over 100 million streams," says Lauv. "It's insane." The buzz allowed the DJ to launch his first headlining tour.¹³ For record companies, it's all about knowing the right moment to lobby for a playlist add: "If we ask for it too quickly, it's going to land with a thud," says Gershen. "It's like catching a wave with surfing."

Market niches are ideal. If you truly understand your niche and can access that community, then you have the basis for a solid business model. Spotify's most popular playlists include Peaceful Piano and Deep Focus – ambient music people relax to. Those songs rack up tens of millions of streams, which means big paydays for their copyright owners.

For example, Starley Hope thought she failed with her song "Call on Me." Two months after its release, a Spotify editor added it to the Danish version of the New Music Friday playlist.

¹² <http://www.rollingstone.com/music/news/inside-spotifys-playlists-curators-and-fake-artists-w497702>

¹³ <http://www.rollingstone.com/music/news/inside-spotifys-playlists-curators-and-fake-artists-w497702>

Listeners took to it, according to Spotify's analytics that track how often people play a song, how much of that song they listen too, whether they add it to their own playlists, and more. Editors gave the song a little more exposure at the end of September when they added it to the Weekly Buzz and Pop Rising playlists, which count 1.1 million followers between them. When the song kept getting tens of thousands of streams daily, Spotify started peppering it into popular playlists worldwide, a strategy it calls "playlisting." The numbers kept looking good. On October 14, when nearly a million people were listening to the bouncy ballad each day, Spotify's editors added it to the Today's Top Hits playlist and its 14.4 million followers. In November, the track was getting two million daily plays; it peaked in early February at 2.6 million. "Call on Me" currently sits at No. 80 on the Billboard Hot 100. It hit number one on the Swedish charts, and went gold or platinum in nine countries.¹⁴

4.2.5 Intellectual Property

There are many challenges for musicians as the development of music is no longer a straightforward approach of a musician with his or her guitar in their living room writing songs with pen and paper or a band in their garage banging out tunes. Many musicians are using sophisticated software and computer aided programming to create sounds, embed musical features from various sources (including sampling of other artists' work) and record the sounds of synthesized instruments. In some ways, this creates uniqueness in sound and composition but also something that is more digitally created than from a human touch. The less human involvement can mean the less uniqueness and more readily digitally duplicated. This leads us to one of the core business elements of any venture, Intellectual Property.

Intellectual Property in the music industry is predominantly in the form of a copyright. The only thing a musician can sell is what they own and ownership is determined by the copyrights they hold for their original work or their performance rights. As we know, nearly all work is borrowed or influenced from others and sometimes the line between original and borrowed work is very thin.

Because artists are individuals who happen to listen to music for most of their lives and become influenced by what they hear, then the amount of theft is hard to know but you can assume it is pervasive and extensive and it seems the only regulation in the industry is based on whether or not you are caught and sued. No wonder it is so hard for the industry to discover new and unique talent that they believe is one-of-a-kind and that they are willing to risk millions over potential copyright infringement law suits. It also seems that success is no measure of an artist's reluctance to steal. Some of the best-known musicians have been caught. As these make the headlines, there are probably thousands who go unnoticed or noticed by not sued (due to the relative expense of suing versus the potential monetary gain).

In 2013 Robin Thicke's song "Blurred Lines" topped the Hot 100 charts for 12 consecutive weeks until the family of Marvin Gaye heard the song that sounded a lot like Marvin's 1977

¹⁴ <https://www.wired.com/2017/05/secret-hit-making-power-spotify-playlist/>

song “Got to Give It Up.” After two years in court, the Blurred Lines was found as in infringement of Gaye’s copyright and the family was awarded \$7.4 million.¹⁵

BillBoard™ Top Hits that were Stolen/Plagiarized

Hit Song	Hit Artist	Original Work	Original Artist
Blurred Lines	Robin Thicke	Got to give it up	Marvin Gaye
Viva la Vida	Cold Play	If I could Fly	Joe Satariani
Ice Ice Baby	Vanilla Ice	Under Pressure	David Bowe & Queen
Who you gonna call <i>Theme to Ghostbusters</i>	Ray Parker Jr	I want a new drug	Huey Lewis
Do you think I’m sexy	Rod Stewart	Taj Mahal	Jorge Ben
My sweet Lord	George Harrison	He’s so fine	Ronald Mack
Come together	The Beetles	You can’t catch me	Chuck Berry
Folsom prison blues	Johnny Cash	Crescent city blues	Gordon Jenkins

Assuming the musician has come up with a truly original and unpublished work of music and/or lyrics, then they must copyright their work. This would fall under the Work of the Performing Arts category (in the US).¹⁶

Copyright law protects a musician’s work from the time it is created in a fixed form. That means the moment it is set in print or electronic manuscript, a sound recording, a computer software program, or other such concrete medium, the copyright becomes the property of the author who created it. Only the author or those deriving rights from the author can rightfully claim copyright. There is, however, an exception to this principle: “works made for hire (described below).”

Each work must identify the titles, authors, claimants, individuals or organizations that created or contributed to the creation and identify if this was “**work made for hire**.” Also note that authorship and performance are separate and royalties can be split between the author and the performer (though they can also be the same person).

Work made for hire is a specific term that means the artist was paid to create or produce the work. If a work is made for hire, an employer is considered the author even if an employee actually created the work. The employer can be a firm, an organization, or an individual. In fact, it does not have to be a strict employer-employee relationship. It can be a work prepared by an employee within the scope of his or her employment or a work specially ordered or commissioned by a person or organization to an independent musician¹⁷.

¹⁵ <http://www.billboard.com/articles/news/list/6501950/songs-accused-plagiarism-no-1-hot-100-blurred-lines>

¹⁶ United States Copyright Office

¹⁷ <https://www.copyright.gov/circs/circ09.pdf>

Understanding Intellectual Property is a key to the long-term success of a musician and a fundamental element in the Business Plan and any chance of sustainable and long-term success. Quickly, this part of the business separates a performer from a creator. A performer who plays other people's songs will not have any legal protection for their craft as they do not own the content. They are entitled to be paid for their performances and for royalties to any of their performances that are aired, played publically or sold but they have no rights for the same music being performed by others. Contrarily, the author and copyright holder is entitled to revenue from their music whenever and by whomever it is performed, aired, played publically or sold.

A performer's business can last as long as the performer is in good health and form, willing to play and has a paying audience. Aside from Sinatra, Streisand and Tom Jones, it becomes quite hard to name performers that were in demand for decades. Yet, Paul Anka¹⁸ has been on the top ten charts in the 1950's, 1960's, 1970's, 1980's, 1990's and into 2000's. He wrote Tom Jones's biggest hit "She's a Lady" as well as the English lyrics for Sinatra's "My Way." He later co-wrote "This is It" with Michael Jackson including another song "Love Never Felt So Good" released in 2014. His theme for the Tonight Show starring Johnny Carson has been played every night since 1962!

Max Martin¹⁹ is not a well-known name in the public but aside from Paul McCartney he has written the most number 1 singles in music (22 Billboard number one hits), including songs performed by the Backstreet Boys, Britney Spears, NSYNC, Katy Perry, Maroon 5 and Taylor Swift.

We also tend to talk about popular artists and the Pop charts since they seem to be front and center in the news and media. But this is not necessarily where the profit is. Top money-making hits of all time²⁰ include:

- Santa Claus Is Coming Town by Haven Gillespie and Fred J. Coots (1954)
- The Christmas Song by Mel Torme (1944)
- White Christmas by Irving Berlin (1940)

And the number 1 money making son of all time:

- Happy Birthday by the Hill Sisters (1893)

The ownership of the song has changed hands a few times. In 1990, Warner Chappell, a music holding company, bought the rights to the song for \$15 million. Today, *Happy Birthday* brings in a reported \$5,000 a day or \$2 million a year in royalties. The cost of using the song in a movie

¹⁸ https://en.wikipedia.org/wiki/Paul_Anka

¹⁹ https://en.wikipedia.org/wiki/Max_Martin

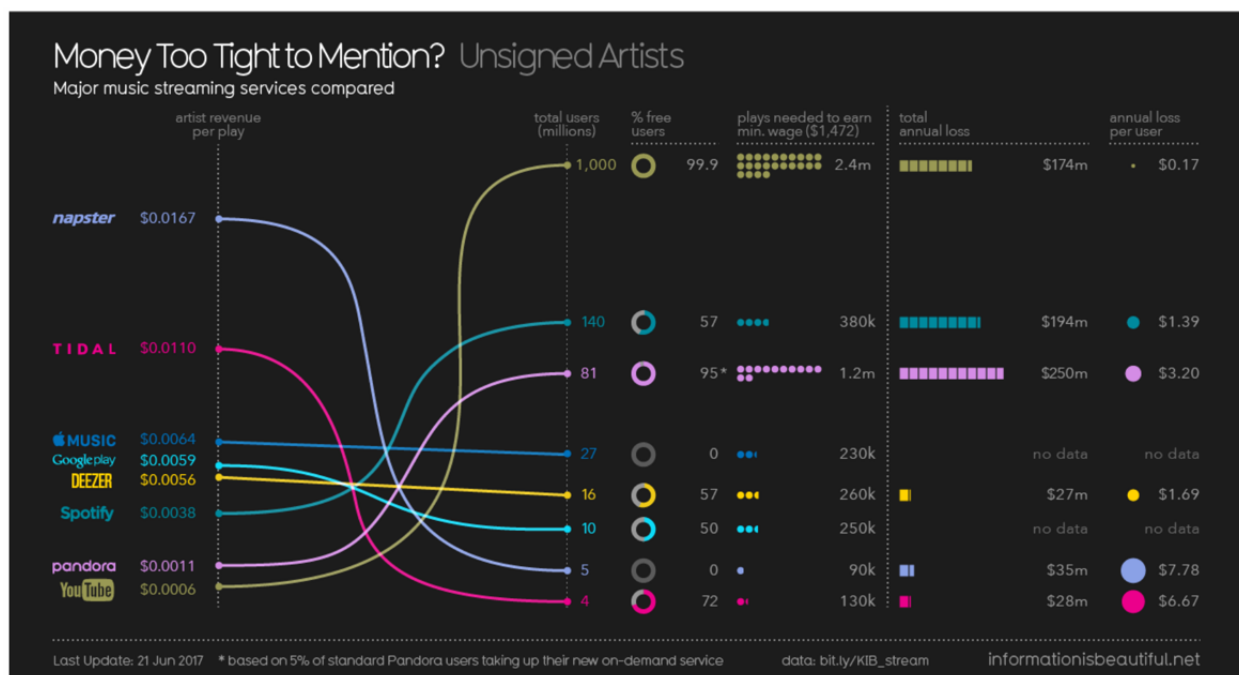
²⁰ <https://www.therichest.com/rich-list/the-biggest/12-highest-earning-songs-of-all-time/>

or on TV is \$25,000. It is actually against the law to sing *Happy Birthday* in a large group of unrelated people such as at an office party. The song has brought in an estimated \$50 million.

4.3 What is the Business Model?

Although this section is tucked away in the middle of building a Business Plan, it is the beating heart of the plan. Literally, this is the part that pumps the blood (or money) into the whole plan and the single most important part for both musician and investor. This is where we must clearly identify how we make money, to whom we sell our music, how much they pay and the costs to market it and deliver it. We need to understand how many plays we can get and the revenue it generates, less the costs to get there and if the result (revenue-cost) is a positive number. In fact, this entire Plan can be summed up in one chart:

Internet Royalties²¹



This chart tells us several important things that all seem to conclude that you better get on the top playlists of Spotify. Spotify has become the de-facto champion of music delivery with over 140 million listeners (Pandora having 84 million and Apple music 27 million). An artist needs 380,000 plays on Spotify to earn minimum wage of \$1,472 per month since Spotify pays a mere \$0.0038 per play (less than half a cent). Now we see the real challenge to make money as a musician. That is a very challenging goal to reach 380,000 plays just to earn minimum wage.

Also note that 43% of Spotify users are paid subscribers (57% free listeners). This ratio affects

²¹ <http://www.informationisbeautiful.net/visualizations/spotify-apple-music-tidal-music-streaming-services-royalty-rates-compared/>

their ability to pay artists. In fact, most of Spotify's revenue goes to pay artists. With all services, we can see the effect of this ratio. YouTube certainly has more users with over 1 billion but 99.9% don't pay so you need 2.4 million plays to make the same money as 380,000 plays on Spotify.

Streaming services pay most of their money to artists who can barely make a living if they are good enough to reach hundreds of thousands of plays. Despite the meager half a cent per pay play, all of these streaming services are losing money. Spotify losses nearly doubled in 2016 to €556 million on revenue of €2.9 billion. Revenue increase 52% and losses 47%.²² They have continually raised more capital of over \$1.5 billion from investor such as Goldman Sachs, Peter Thiel's Founders Fund, Accel Partners, Horizon Partners and others.²³ YouTube does not fair better, losing \$174 million per year for a company bought by Google for \$1.65 billion.²⁴ Conquering the world is not a profitable venture.

It makes us wonder about the long-term sustainability of a lose-lose business model where the content providers and the content sellers both lose money yet strive to add more customers. It's like the joke that "I lose money on every sale but make it up on volume." Music is not the only example as we also see this model with Amazon, Uber, Skype and Twitter.

This is the situation with streaming and since people don't buy CD's anymore, an artist is going to have to figure out quickly how they are going to get the marketing and exposure to reach the Spotify, be included on key Playlists and combine this with a fairly aggressive concert schedule (selling CD's after the show) and integrating other promotional, sales and co-branding strategies.

Outside of streaming, there are traditional CD sales and Radio play. For radio play, the pay rate is set by legislation, called the statutory rate. Currently, the statutory rate is \$.08 for songs five minutes or less in length or \$.0155 per minute for songs that are longer.

Artists are paid royalties usually somewhere between 8% and 25% of the suggested retail price of the recording. Exactly where it falls depends on the clout of the artist (a new artist might receive less than a well-known artist). From this percentage, a 25% deduction for packaging is taken out (even though packaging rarely costs 25% of the total price of the CD or cassette).

Let's say a CD sells for \$15. Right away we deduct 25% from that for packaging, which makes the royalty base \$11.25. Now let's say our artist has a 10% royalty rate and that their CD sells one million copies. The artist would earn \$1,125,000. Then we deduct costs.

Suppose the recording costs were \$300,000 (100% recoupable), promotion costs were

²² <http://www.billboard.com/articles/business/7833686/spotify-2016-losses-financial-results-revenue>

²³ <https://www.investopedia.com/articles/investing/120314/spotify-makes-internet-music-make-money.asp>

²⁴ <https://www.itproportal.com/2015/02/26/youtube-still-loss-leader-google/>

\$200,000 (100% recoupable), tour costs were \$200,000 (50% recoupable), and a music video cost \$400,000 (50% recoupable). That comes out to:

$$\$300,000 + \$200,000 + \$100,000 + \$200,000 = \$800,000$$

Now the artist is making \$212,500. But don't forget there is also a manager to be paid (usually 20%), as well as a producer and possibly several band members. The artist won't see any royalty money until all of these expenses are paid.

The licensee (radio station, TV station, etc.) is weighted based on its licensing fee, which in turn is based on the licensee's markets and number of stations carrying its broadcast signal. There is a weight applied to the time of day the music is performed (particularly in television). Music played during peak view/listener times receives more weight.

ASCAP (the monitoring and collection association) also uses a "follow the dollar" factor, which means that songwriters and publishers are paid based on the medium from which the money came. For example, money paid out from radio stations is paid for radio performances. A general licensing allocation is figured for fees that ASCAP collects from bars, hotels and other non-broadcast licensees. These fees are distributed to songwriters and publishers based on similar radio and TV broadcasts of the individual songs. In other words, they estimate that restaurants and bars are playing the songs at a similar rate as the local radio and TV stations.

Here is an example of the calculation that ASCAP uses to determine the number of credits a song title has:

$$\text{Use weight} \times \text{Licensee weight} \times \text{"Follow the dollar" weight} \times \text{"Time of day" weight} \times \text{"General licensing allocation"} + \text{any radio feature premium credits (bonus credits for top played songs)} = \text{Total number of credits.}$$

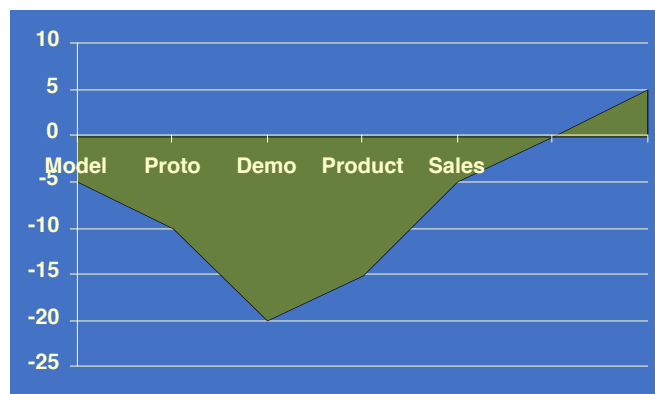
The total number of credits is multiplied by the shares for the song (how the royalties are split between writers and publishers). This number is multiplied by the credit value for the song. The value of one credit is calculated by dividing the total number of credits for all writers and publishers by the total amount of money available for distribution for that quarter. For example, if there are a total of 10 million credits for a quarter, and there have been 35 million dollars collected for distribution that quarter, then the value of one credit for that quarter is \$3.50.

The final number is the royalty payment:

$$4,000 \text{ Credits} \times 50\% (.5) \text{ Share} \times \$3.50 \text{ Credit Value} = \$7,000 \text{ Royalty payment}$$

No different than a tech start-up, a musician must be prepared to operate in the red from the time they write the music, record it, demo it, burn it through the initial sales. Not until sales reach a certain volume will they become profitable and they will require funding to survive until that happens.

To make a case study for this thesis, let's try to estimate an independent artist's ROI on an album.



We will assume a 44-minute album of 12 songs with an average of 3.6 minutes per song that includes supporting musicians. It could take 3 weeks to compose each song, so the first 9 months are songwriting and "sweat equity." We also assume the musician has another job to feed themselves during this time.

We then assume that they can record 2 songs per day for the base tracks and another 5 days for overdubs totaling 29 recording days. Then mastering and printing of a minimum 1,000 CD's. Following, the musician can start a promotional campaign for radio and digital marketing.

We will assume that the artist remains independent and does not sign with a record label but still manages to become a streaming success with 100,000 plays per week (400,000 per month) on Spotify by the end of the first year growing tenfold to 1 million plays per week by year 3.

Sample Financial Analysis

Month	CD Printed												Year 1	Year 2	Year 3
	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL	400K/month	4M/month
Spotify listeners	140M	140M	140M	140M	140M	140M	140M	140M	140M	140M	140M	140M	140 Million	140 million	140 million
Percentage Captured	0	0	0.0007%	0.0107%	0.0250%	0.0429%	0.0643%	0.0714%	0.1000%	0.1571%	0.2143%	0.2857%	0.97%	3.43%	34.29%
Number of plays	0	0	1,000	15,000	35,000	60,000	90,000	100,000	140,000	220,000	300,000	400,000	1,361,000	4,800,000	48,000,000
Price per play: Spotify	0.0038	0.0038	0.0038	0.0038	0.0038	0.0038	0.0038	0.0038	0.0038	0.0038	0.0038	0.0038	0.0038	0.0038	0.0038
Revenue from Spotify	-	-	3.80	57.00	133.00	228.00	342.00	380.00	532.00	836.00	1,140.00	1,520.00	5,171.80	18,240.00	182,400.00
Cost of Goods Sold															
Recording studio	40,000														
Musicians/supporting artists	35,000														
Mastering	15,000														
CD printing	5,000														
Total COGS	95,000												95,000	-	-
Expenses:															
General & Accounting															
Overhead													-	-	-
Management													-	-	-
Legal & IP	5,000												5,000		
Travel & per diem	2,000				2,000				2,000			2,000	8,000		
MARKETING															
Radio Promotion	5,000				5,000				5,000			5,000	20,000		
Digital Promotion	10,000				15,000				20,000			25,000	70,000		

Other	2,000			3,000				5,000			5,000	15,000		
TOTAL Expenses	24,000	-	-	-	25,000	-	-	-	32,000	-	-	37,000	118,000	
Total Costs	119,000	-	-	-	25,000	-	-	-	32,000	-	-	37,000	213,000	-
EBIT	(119,000)	-	4	57	(24,867)	228	342	380	(31,468)	836	1,140	(35,480)	(207,828)	18,240

Reaching 1 million plays per week will generate an annual EBIT of \$182,400 of passive income. The artist invested about \$200,000 and three years to reach this point. By year 3, they are in a position to collect \$182,000 per year without cost. Therefore, the passive income model requires large up-front costs (and loss) in exchange for high profitability with little ongoing costs, freeing the artist to create additional sources of income.

However, this EBIT to the Artist is assuming that they reached the key Spotify playlists to achieve 4 million plays per month without the help of record label deal. It still serves as a good guideline, since if they sign with a Big 3, then the artist's revenue will drop to 25% of the total but the record label will drive plays about 4 times to 4 million per week.

Herein lies both the challenge and the dilemma. Getting to 1 million plays per week on your own is a huge challenge and requires a very effective and successful digital marketing campaign that requires skills usually beyond most artists, as well as the costs involved. Remember, in general, the music listening public is still looking for their music recommendations from music industry sources and professional reviews, Spotify playlists & "recommended for you" music generated by Spotify, Shazam, SoundHound and digital stations such as iHeart Radio, ClassicFM, Radyo Voyage, and others.

Even though technology now offers independent artists a host of new abilities to record and disseminate their music, access to the Spotify curators, radio station programmers and professional reviewers remains within the nearly exclusive territory of the Big 3. These corporations have resources in digital marketing, advertising, image management, concert management and access to the professionals in the industry including the Spotify playlist curators. Their revenue, budgets, costs and overheads are big. For example, Sony Music's 2016 revenue was about \$3.6 billion with \$1.3 billion in streaming revenue. Therefore, if they are going to sign an artist, then they are most probably looking for large numbers in listeners, streams and revenue generation. An independent artist may struggle to get 1 million plays per week but a Sony artist should easily reach 1 million plays per day (30 million per month). That represents \$114,000 per month in Spotify royalties (\$1.37 million per year). An artist' 25% is about \$342,000 per year or 46% more income with a label based on Spotify royalties alone. However, being signed with a label that ends up not promoting the artist or not promoting them effectively could mean 25% of nothing, while the label holds the music rights preventing the artist from any other income source.

4.3.1 Record Label's Deal²⁵

If an artist fulfills their dream of signing with a record label, then they believe that the label will promote them well enough to get millions of streams and that the label will be paying them 15% to 25% of that revenue. Before we believe this, we need to understand how a record label makes money from Spotify.

Spotify may be the de-facto delivery service for music but they don't own the music or the rights to music so they need to purchase this content. Since they are trying to conquer the world, they can't really go to individual or independent artists to scale large enough with a popular enough library of music. This means they need to pay license fees for large music catalogs to the rights holder and that is invariably the Big 3. Just before Spotify launched in 2011, they signed a two-year deal with Sony Music (with an option for a third year). The deal is incredibly complicated and includes advances to Sony and subscriber targets that Spotify must achieve. Spotify paid Sony \$42.5 million in advances (\$25 million for the first 2 years as \$9 and \$16 million respectively and \$17.5 million for the third-year option).

It further includes a "most favored provider" clause that guarantees Sony gets the same advances as any other label that Spotify signs with. This means that if another label like Universal gets a better deal from Spotify, then Sony gets to be paid the difference to make them equal. The calculation is:

(total recoupable advance) / (percent of streams controlled by the record label) = one point (or the dollar amount of 1% of the label's market share).

For example, Sony's earns \$600,000 per market share and Spotify pays Universal \$1 million per market share. Spotify must pay the \$400,000 difference to Sony for that year.

The Spotify deal is good for Sony but unfortunately does not stipulate what Sony can do with those advances. Does it go to the artists in Sony's catalog or do they keep it? We can guess that they keep it and this is what is driving all the press from artists like Taylor Swift who complain about not making any money through streaming services like Spotify (even though some of the fault may lie with the record labels). The devil is in the details and there are so many hidden details that an artist has no chance of knowing the situation let alone fighting against the system.

An example of devilish details is with the definition of "revenue." Spotify is supposed to give 70% of its gross revenue to the record labels (with some hopefully trickling down to the artist), however, the contract says that gross revenue can include a deduction for third party advertising commissions of up to 15%. This means that 15% of Spotify's revenue is simply not counted as revenue. In 2014, Spotify's advertising revenue was over \$110 million.

²⁵ <https://www.theverge.com/2015/5/19/8621581/sony-music-spotify-contract>

Another example, is that Spotify provides Sony with about \$9 million free advertising space (\$2.5 million in year 1, \$3 million in year 2 and \$3.5 million in subsequent years). Sony has the right to re-sell those advertising spaces which becomes revenue to Sony not subject to sharing with artists. In addition, Spotify makes available \$15 million of advertising space at heavily discounted prices as well as giving a portion of their unsold inventory to Sony for free.

The core business is to sell music and that is done per stream. Stream's are measured by ad-supported free service and Spotify's premium paid service. Basically, in our sample case, Sony would get 60% of Spotify's "gross revenue" (see earlier discussion about the definition of revenue) multiplied by Sony's percentage of overall streams. If Spotify's gross revenue was \$100 million, then labels would get \$60 million. If Sony's music made up 20% of the streams, then they would get \$12 million for the month). But there are usage based minimums and subscriber minimums and if the royalties from these are higher than the revenue share, then Sony gets the higher payout instead.

Usage based minimum: (\$0.00225 per stream)

Subscriber based minimum: Sony's label usage % x number of Premium subscribers x \$6.00

What eventually makes is to the artist is unknown. The historic model is that an artist gets 15-20% of their streaming revenues but we have already determined that the definition of "streaming" & "revenue" are open to debate. In fact, Spotify has been paying out closer to 80% of their overall revenue yet artists are as frustrated as Taylor Swift who pulled her music from the service only to return to it, though not placed on any playlists.²⁶

5.0 The Chances of Success

To become a breakout star in music is equivalent to being a "Unicorn" in the entrepreneurial world. Unicorns are companies valued over \$1 billion. Investors get returns from such a few of these breakout successes. Since investment funds have grown in size, larger and larger exists are required. For example, a fund of \$400 million needs 20% of two [\$1B] Unicorns or 20% of one \$2B Unicorn. In the 10-year period from 2003 to 2013 there were 60,000 companies funded with 39 unicorn companies, representing 0.07% of Venture Capital (VC) backed companies. It is easier to get hit by lightning.

Four Unicorns are born each year and only 1 to 3 Super Unicorns (valued over \$100 billion) are born in a decade, such as Facebook. Key points to notice are:

- Consumer Oriented

Consumer oriented companies are more plentiful yet Enterprise oriented companies are worth more with less capital, thereby returning higher ROI.

²⁶ <https://www.theverge.com/2017/6/9/15766804/taylor-swift-spotify-streaming-umg-catalog>

- No Pivots

Pivoting to new ideas or new business models is rare and 90% of the companies are working on their original concept.

- Network Effect

Half of the companies have a Network Effect to scale large and cheap.

- A Marathon

It's a marathon as 24 of the 39 companies took 7 years to exit, 14 are still private and only You Tube and Instagram had exits in 2 years.

- Inexperience is rare. Facebook is the sole exception with a founder in his twenties. Well educated co-founders in their thirties with a partner in their fifties and a history of working together is the norm. 90% of successful ventures have a technical degree and a majority come from a "top 10" school.

- No Loners

Loners don't exist. The expression "it takes a village" is very apt. No one person can know everything or do everything that is needed throughout all the various elements of creation, development, production, technical expertise, market expertise, finance, banking, government, accounting, legal, tax, human resources, etc. It takes a well-oiled team, experience, partners and partnerships and relationships. 90% of successful ventures have co-founders. 60% worked together beforehand and 46% schooled together. It was not their first time at the rodeo.

Imagine if a 34-year old former PayPal engineer with a degree from Stanford who founded a software company in junior high showed up with a new venture with some of his partners. Investors would sign before they even listen to the idea.

- Location, Location, Location

Where you are (geographically) counts. The San Francisco Bay area is the home of the Unicorn. 27 of the 39 unicorns are in the Bay area with 3 in New York, 2 in Seattle and 2 in Austin (none international).

- There are generational trends:

- 1960's Intel and the semiconductor

- 1970's Apple, Oracle and Microsoft and the Personal Computer
- 1980's Cisco and the Networked world
- 1990s Google and Amazon and the Modern Internet
- 2000 Facebook and Social Networks

If we translate this to the Music industry, the story does not change. Breakout music stars are rare and the investments in advertising and promotion have escalated, requiring investors (record labels, producers, promoters, etc.) to get higher returns from fewer artists.

Over the past 11 years, Britain's Got Talent has had 11 winners with a top prize of £250,000 (hardly enough to retire on). There were 9 albums produced and only one album broke 1 million in sales. Of the 11 winners, only 2 are known to have earned in the millions of dollars; Paul Potts and George Sampson. Susan Boyle²⁷, who didn't win, is the most successful of all being the only other person to earn over a million dollars (£6 million on her first album "I Dreamed a Dream") with two Grammy nominations, though she only performs other people's work. Considering the tens of thousands of applicants and the thousands of auditions, it is easier to be hit by lightning.

- Consumer focus

As companies focus on consumers, musicians focus on Pop music yet the half-life of a pop song (or pop artist) is short, the costs are high and ROI is low. Commercial music (and film) have a longer shelf life and lower cost for marketing and promotion, therefore a much higher ROI.

- No Pivots

If pivoting is rare for business it should be just as rare for musicians who are known for one genre of music and the ability to cross-over to other genres is difficult at best.

- Network Effect

All musicians need a Network Effect to scale to a larger audience and have any hope of enough plays to generate a significant royalty stream.

- Marathon

"One-Hit Wonders" and "flash in the pan" do not earn enough money to make a career. This is a long game and musicians need to produce continually and for many years. It can easily take 5 years for a debut album to reach enough people to get the musician known. Once known, then subsequent albums will start to sell. In many cases, royalties

²⁷ https://en.wikipedia.org/wiki/Susan_Boyle

from early albums done 7 to 10 years prior can represent the largest revenue generators.

In 1995, there was the release of the "Beatles Anthology" documentary, along with the book and CD. A compilation of No. 1 hit singles from the U.S. and U.K. was released as an album in 2000—and went to the top of the charts. It became the best-selling album from 2000 to 2010.

Other deals include the "Beatles Rock Band" music video game, released in 2009—with multimillion sales—as well as the ongoing show "Love," which features Beatles music and performances by Cirque du Soleil in Las Vegas.

The TV show "Mad Men" paid about \$250,000 for the rights to use the Lennon-McCartney song "Tomorrow Never Knows" in an episode in 2012.²⁸

All this for a group that stopped recording in 1970!

- Experience required

So-called "Mavericks" that come from nowhere and make it big are rare. Even the majority of the contestants on Britain's Got Talent have experience. They have been playing/singing and performing for most of their life. They have passed several auditions through initial screening to Assistant Producer to Producer auditions before they make it to the Show's audition (being narrowed down from thousands to no more than 500 for a season). Despite their being presented as regular people who sing in the shower, the truth is they have been working on their music for most of their life and the successes have studied and performed for years.

Aside from the venue of a talent show, the ability to get in front of music producers and record labels or perform at a concert hall or serious venue requires proven talent coming from a musical education and a network of contacts coming from earlier performances or demonstrations of talent.

Even the Internet and venues like YouTube or SoundCloud are not going to get many unproven artists the audience they need to be successful. The general public still relies on professional and peer reviews and gets information on musicians through social media campaigns that are professionally managed.

²⁸ <https://www.cnbc.com/2014/01/24/beatles-business-still-making-money-50-years-on.html>

- No Loners

The idea that a musician can sit alone at home with an instrument, microphone, MacBook and the GarageBand App and produce a broadcast quality album is pure hype. It only seems to work in an Apple commercial. There are many elements that make up a successful song or musical score and no one person can master them all. It takes a lot of talented support as well as financial support (not counting emotional support). The basis for a good song include:

- Melody
- Chord progression
- Beat & Rhythm
- Genre & Style
- Concept (story)
- Hook
- Lyrics
- Sections
- Arrangement
- Length

A great musician can often nail the first four, but if you don't have all of them, then you don't have a success. Arrangement and lyrics are professions of their own. There are often other instruments involved and that means other musicians and a very complicated recording process involving dubs, track overlays, equipment, studio, microphones and physical layouts (acoustics), engineering and mastering. Everyone might have a garage or a bedroom but the truly high-end professional studios, expert engineers and mastering are few, hard to find and very expensive.

Then if you have any hope of being played on the radio or being professionally reviewed or aired by a high fidelity streaming service like Spotify, then you will need high end recording such as Mastered 320Mp3, wav or FLAC files and pressed CD to deliver to radio and promoters. This means a professionally designed CD cover and jacket with professional photos and a high quality pressed CD.

- Location counts

Just as there is a map of venture capital, there is a map of countries that embrace the entrepreneurship of music, where new talents are more often discovered and where a musician has any chance of rising from the bottom outside the formal system of music schools, conservatories, international competitions and the formal structure of a tightly controlled market. We don't really need to think hard or draw a map to know it is the US, the UK, Ireland, Sweden and Australia. The first criteria, of course, is that a song with lyrics must be in English if it is going to go global. Thinking of almost any genre of music from pop to new age, rap, classical and film scores and you think the US and the

UK, nothing more. In the pop world, we have other English-speaking countries such as Australia and Ireland (the world record holder of Eurovision contest winners with 7). Other European countries where English is a second language such as Luxembourg (5 Eurovision wins), the Netherlands (4) and perhaps the best known of all, Sweden (4), the home of ABBA.

Music Map of the US¹



Location can even be more local and specialized such as country music and the Nashville sound, New Orleans's Jazz, St. Louis Blues and such local flavor can even apply to classical music such as the Philadelphia Sound, the Boston popular classics, Vienna waltz and the Opera of the Metropolitan or La Scala.

- Trends & Fads

Certainly, each generation relates to the music of their time and some things work when they fit the mood, energy, philosophy, culture (our counter-culture) of the time. Being within the trends or fads helps a musician reach a ready audience. Sometimes being counter the trend, underground or “indie” can also help develop a dedicated following or niche, but being too far ahead of your time or too nostalgic can kill a career. Like the movie *Back to the Future*, transforming Chubby Checker into hard rock wouldn’t work in the 1950’s and only the bravest of musicians today would try to emulate Frank Sinatra or the Rat Pack. Rap music found its niche within a very specific age and cultural group that would not have worked at any other time.

- 1960's²⁹

The 60's were influenced by the sexual revolution, feminism, Black Power, the Cold War and Vietnam and inspired a similar wave across Europe and the world. It included singer-songwriters like Bob Dylan, Joan Baez, James Taylor, Elton John, Carole King and Cat Stevens. It also had a wave of Soul music with artists like Marvin Gaye. Then there was a combining of folk and rock and adding elements of electric instruments with the Animals, The Mamas and the Papas, Crosby, Stills and Nash and Simon & Garfunkel. The 60's then moved into more rock genres such as Psychedelic rock (The Grateful Dead), Surf Rock (The Beach Boys), Garage Rock (Paul Revere and the Raiders), Blues rock (Allman Brothers), Roots rock (Creedence Clearwater Revival), Country rock (Linda Ronstadt) and Progressive rock (The Moody Blues).

- 1970's³⁰

The 70's was the rise of Disco (and Euro Disco) along with funk, smooth jazz, jazz fusion and soul. Other trends that formed in the 70's include glam rock, hard rock, punk rock, progressive, art rock and heavy metal. Hip hop and reggae emerged as well as experimental classical, minimalistic classical and a growing popularity of film score music. The use of synthesizers and harmonizers helped the development of synthpop, electro and electronic dance music.

Well-known artists of the decade include progressive rock like Frank Zappa and Blood Sweat and Tears, Pop rock like Boston and Foreigner, progressive rock of Supertramp and Electric Light Orchestra, New Wave style of The Cars, punk rock like the Romantics, Blues rock like Eric Clapton, and the dominance of the Soft Rock genre with too many to name but including Paul McCartney, Stevie Wonder, Rod Stewart, Barry Manilow, John Denver, the Osmonds, Billy Joel, Fleetwood Mac, Chicago, America, Jim Croce, Paul Simon, and the Jackson 5.

This was also the time of ABBA, Elton John and the entry of Heavy Metal with Led Zeppelin, Deep Purple and Black Sabbath, Progressive rock with Pink Floyd, Glam rock with David Bowie and Punk rock with the Sex Pistols. Australia hot the scene with AC/DC and the BeeGees.

- 1980's³¹

The 80's was the height of Disco and also saw a growth of dance-pop, soft rock, adult contemporary and smooth jazz. Michael Jackson (Thriller), Madonna (Like a Virgin) and

²⁹ https://en.wikipedia.org/wiki/Music_history_of_the_United_States_in_the_1960s

³⁰ https://en.wikipedia.org/wiki/1970s_in_music

³¹ https://en.wikipedia.org/wiki/1980s_in_music

Whitney Houston lead the charts. Lionel Richie and Prince (Purple Rain), Chaka Khan, Sheena Easton, Sinead O'Connor, The Police, Phil Collins and Bruce Springsteen all reached peaks in this decade.

- 1990's³²

The 90's became the golden age of Hip Hop with Dr. Dre and Snoop Dog and the popularity of alternative rock with Nirvana, Pearl Jam and R.E.M. It also introduced alternative metal like the Red Hot Chili Peppers and grunge.

What is coming next is hard to predict. Like fashion, old ideas seem to be redesigned and come back again after 30 years. General trends in society and ideas people relate to previous eras are brought back and modified to include new approaches, new technology, new language and new beats or rhythms, often mixing influences from around the world. Since the world keeps getting smaller in terms of communication and information sharing, then musicians are exposed to other cultures, ideas, instruments, techniques and perspectives and this affects their compositions and playing.

For example, consider the general trend of a younger generation questioning or rebelling against the industrial world of a 9 to 5 job, institutions such as marriage and previous definitions of sexual orientation, equality, roles and responsibilities and fairness. We see a rise of entrepreneurship, concern for the environment, frustration with government, mistrust of institutions and definite trend towards individual control and independence. There is a fight against stress and the trends are towards healthy living, mindfulness and a re-evaluation of priorities. If we take these trends and go back 30 years to the music of the 70's, then we would expect a new type of soft rock and the emergence of a modern-day Jim Croce or Cat Stevens. In other words, we will have Ed Sheeran. We will see the modernization of more relaxing and soothing music to match the yoga, pilates and meditation trends of the new generation. So, New Age from the 80's will become Nouveau Classical.

5.1 Measurements and Predictors

There are specific parameters that can be measured and analyzed to predict success (or failure). These can be both quantitative and qualitative relying on key performance indicators such as number of copyrights, number of songs, number of active listeners, followers, downloads, etc. They can also be judgements based on genre, age, language and other factors. I believe we can take key evaluation factors for a tech company and apply them to a musical venture and develop a numerical score that will predict the chances of success.

³² https://en.wikipedia.org/wiki/1990s_in_music

5.2 Reasons for Failure

Before we look at the specific items we need to succeed, let's make sure we avoid the following main reasons for failure. These are basically "death blows" that can kill a deal no matter how good it looks.

5.2.1 Lack of Transparency

As mentioned earlier, investors put their money into people – the musician. They are risking their money, brand image, reputation and time into business that relies upon the individual songwriter/performer. They are making their decisions based on the information they have at the time and most often that comes from the musician. Did they really compose the music and not plagiarize, do they perform as recorded or are their hidden digital enhancements? Are there undisclosed personal problems such as drug addition, financial debts or legal problems? Basically, investors need to know the whole truth and the more bad news they have, then the more they can plan to deal with it, mitigate the risk and develop contingencies. This is in an effort to protect the musician as well as their investment. However, if they believe the musician is basically dishonest and untrustworthy, then no relationship can be built and they will walk away from the deal.

5.2.2 Intellectual Property

Sometimes you can make more money on the law suit with punitive damages against someone who copies your work than you can make with the work itself. No investor, after spending millions to promote an artist, wants to hold the risk of having to potentially pay out millions to another party because they promoted a song written by or copied from someone else.

The only thing a musician can sell is either their performance or their Intellectual Property – the copyrights on their music and lyrics. A performance is a one-time event or a single recording by that artist that can only generate income either at the event or from sales of that specific recording. However, a song that is played by anyone, in any version generates revenue forever. Therefore, the value is in the copyright. If a song is not defendable legally or is easily replicated such as digital sampling or production house music, then there is no value for the investor. Copyrights offer residual income and this is the most attractive. The rights to income from a copyright belong the copyright holder. This also means that the rights holder may be different from the writer or performer. For example, work for hire (as previously discussed) belongs to the party paying the musician to create the music. So, a musician who tries to sign a deal with Sony Records for music he wrote but was actually paid by a company to write the music would violate both Lack of Transparency and Intellectual Property evaluation criteria.

However, the owner of the copyright may assign or sell their rights to the revenue from the copyright. In this case the copyright holder and the rights holder may be different. In fact, this is exactly how musicians make money. They sell the rights to a portion of the revenue derived from their copyright. A company (like Sony Music) may buy the rights to 80% of the income

generated from a copyright. They could pay a single lump sum amount for this right, thereby giving the musician cash in hand. They can also offer the power of their label to market and sell the music, giving the musician 20% of the revenue. For the musician, 20% of a song promoted by Sony is worth more than 100% of a song that never sells.

5.2.3 Scalable & Paid

An investor wants to invest big to win big. A record label is the same. There is no motivation to invest a couple thousand dollars to sell ten thousand dollars of CD's or streaming. At least not to a company like Sony Music with \$4.9 Billion in annual revenue. Therefore, the artist's music must be able to reach large markets or market segments that can generate millions in revenue per year for many years.

In addition to proving that your music can reach large numbers, the artist must also prove, in some way, that people are willing to pay for the music. This means that they must have some demonstrated sales such as iTunes, Amazon or an independent sales channel such as CD Baby. They must also have been invited to play in concert.

If you can't fit your music into a genre that sells big time, no one ever bought your music and you never sold a CD after a concert, then the investors will walk away.

5.2.4 Key Performance Indicators (KPI)

Do you know your KPI's and do you understand the metrics that affect your revenue and profitability? Do you know what things affect your KPI's for better or worse? For example, which are really the important metrics:

- number of plays
- number of monthly listeners
- number of discrete IP plays
- where people listen from
- number of followers
- trending lines of the above metrics
- Spotify plays versus other streaming services
- YouTube plays
- web site hits
- Spotify revenue versus CD sales, concerts or radio play
- award nominations

If you don't fully understand the way you reach potential customers, convert plays into revenue and measure the effects of your strategies and promotional campaigns, then investors will walk away.

5.2.5 Short Runway

The time it takes to go from a song in your head to revenue in the bank is a critical element, takes longer than you can imagine and better be within 12 months or the investor will walk away. A song takes a lot more than just a tune and words in your head. Even getting in on paper or recorded on an iPhone/iPad is only the start of a process that will take well over 12 months.

- A song can take months to rehearse and revise and requires the input of a professional producer who must be scheduled 4 to 6 months in advance. Then time to make the recommended changes.
- A song must be professionally recorded and mastered. Often times there are additional tracks, overlays and other instruments or musicians. Recording studios must be reserved up to 6 months in advance and other artists that are needed can take even longer to schedule.
- From recording to mastering to producing printable masters can take 3 to 4 months.
- Printing and shipping of CD's can take 3 to 4 weeks.
- Then the promotional campaigns to get aired, professionally reviewed and known is a process that can take well over 6 months. Scheduling a promotional campaign has many facets such as time of year, radio programming schedules, music reviewers' schedules, music awards deadlines, competition launches or similar music campaigns at the same time.
- Booking concerts at a professional level venue must be done at least 6 months in advance and most often one year or more in advance.

5.2.6 Understanding Competition (and your Competitive Advantage)

One of the lessons we can learn from popular TV shows like Britain's Got Talent, The Voice and the X Factor is that there is a lot of competition out there and it is very difficult to be unique. Competitive advantage requires more than just a great voice, sound or lyrics and involves looks, stage presence, age and a host of other things that can and cannot be learned. If an artist does not truly understand their competition and how they are going to stand out, then investors will walk away.

Now that we know the key things that can cause failure, let's look at the key elements that make a success. In this section I will take an evaluation criteria for technology start-ups and apply it to a musician. I will further take qualitative assessments and quantify them by putting a weighted score. The factors are divided into three categories, Technology, Commercial & Financial which are also weighted. If you honestly score the criteria for your project, then this analysis will give you the overall probability of success. Considering the fact that it is easier to get hit by lightning than to make it big in music, then a score of 50% or more would be a good opportunity for a musician and worth an investor spending money for the "flip of a coin" chance of success.

6.0 Success Factors – Calculator

I will take a detailed look at the key elements used to measure a tech start-up in Technological, Commercial and Financial factors, apply them to a musician and develop a scoring system that can predict the chances of success.

6.1 Technical Success Factors

Scores are based on a low of 0 to a high of 10. The maximum score under Technical is 70. In the below case example, I used my own position with the release of the Zia album and a second album currently in-process. Since I am also meeting record labels as “potential investors,” this may serve as an appropriate test case. However, it should be noted that the quality of the analysis is based on the “honesty” or unprejudiced and objective scoring which is hard to do for oneself and best done by an unrelated third party.

Technology Success Factors

Tech start-up factor	Musician factor	Example	Score
Number of Applications/Products: 1 Market Sector (Low) 2+ sectors (High)	Number of songs and categories	7 songs 2 genres	5
Technical innovation Some improvement of today's (L) Next generation tech (H)	New & unique sound/new genre or sub-genre (Indie)	Emerging sub-genre Nouveau Classical	7
Tech Development Plans No written plan (L) Complete plan (H)	Music Production Plan	1 album completed-new album in process & singles release plan	10
Manufacturing Capability No facilities - lab only (L) Production facilities ready (H)	CD printing ready - HD stream ready - Recording studio	5,000 CD's printed 7 songs HD stream Facilities available	10
State of the Art Technology Concept only (L) In manufactural form (H)	Music in your head- Written, arranged, played & recorded	Songs recorded, new songs arranged & tracks recorded	10
Status of Intellectual Property Concept only (L) Copyrights granted (H)	Music written, dated & stored vs. Copyrights granted	7 songs copyright granted + 4 filed, Sound Exchange/BMI registered	9
Access to Technical Talent Inventor 50% available (L) Inventor 100% available (H)	Composer, artist & Supporting artists available	Composer/Artist 100% Supporting artists 30%	8
SCORE			59
Total possible			70
% chance of Technical success			84%

In this case, the artist is scoring extremely well due to the fact that they already released an album, holds 7 copyrights, has registered with mechanical and digital rights organizations for royalty collections and is currently recording a second album demonstrating that he has the supporting artists, recording studio and mastering expertise readily available. The area requiring improvement is in the number of products, meaning the artist needs to produce more songs and feed the pipeline for longevity.

6.2 Commercial Success Factors

Commercial success factors are based on the potential market size, the time to market and the strategic partnerships in place to have access to distribution.

Commercial Success Factors

Tech start-up factor	Musician factor	Example	Score
Market Size: Single Niche or Fad (Low) Multiple markets (High)	Fad/"1 hit wonder" Multiple markets	3 award nominations Multiple genres & markets	7
Market Entry & Distribution Some existing entry (L) Rapid entry & acceptance (H)	Independent artist & simple posting vs label backed	Top of New Age charts, 135 radio stations, Spotify/Pandora/iTunes	6
Competition Highly skilled competition (L) No dominant player (H)	Many musicians in genre Dominant players	Few NewAge/Nouveau Classical/fewer young No dominant players	7
Risks: Social/Political/ Regulatory Subject to Controls (L) Incentives for use (H)	Language/Age warnings – counter culture	Instrumental-meditation- film score-ambient	9
Strategic Alliances/Partnerships Partners unknown (L) Partnerships established (H)	Producers Promoters Labels	Grammy Producer & Artists / Promoter Label in discussion	8
Management Team Some support (L) Team in place (H)	Producer, Promoter, business & Legal support	Producer, Promoter & Legal in place	8
Potential Customer Interest Customer expresses desire (L) Product sales demonstrated (H)	Songs with sales & download history Concerts	Spotify 1,200 monthly listeners, label interest, small concerts	6
Time to Market Idea to prototype 12 months (L) Prototype to market in 12 (H)	Music to CD/Stream sales in 6 months	1 CD on market, second with 4 months	7
SCORE			58
Total possible			80
% chance of Technical success			72%

The artist scored very high in Commercial success factors mostly due to the genre being open to many market sectors, no risk due to language or age restrictions, few new and young talent in the genre and already having an experienced and impressive team of Grammy winning

Producer, Grammy winning supporting Artists and a Promoter in the New Age niche. The areas needing improvement are with a larger scale of market entry and access to markets through large distribution networks such as key Spotify playlists, larger concerts and the [marketing] support of a major record label.

6.3 Financial Success Factors

Financial success factors are based on the potential to attract financial backing, generate revenue (sales) and make a profit.

Financial Success Factors

Tech start-up factor	Musician factor	Example	Score
Return on Investment: <15% per year (Low) >50% per year (High)	Passive income vs costs	50% + ROI with 500K plays/week	9
Expected Sales & Revenue Timeline Breakeven in 4 years (L) Breakeven in 1 year (H)	Break even in 2 to 3 years	One album generating passive income	6
Potential Profit Margin 5% per year (L) >14% per year (H)	Passive income	One album released	6
Interested by Funding Sources Friends & Family only (L) Outside investors (H)	Interest from Big 3 record label	Discussions in Process with Big 3 player	7
Financial Risks Funding in 6 months (L) Funding in place (H)	Record Label / promoter	Record Label with 6 months	6
Potential Sales Revenue <\$5 million per year (L) >\$10 million per year (H)	W/out Label = low With Label – high	No label example on \$185k/year	1
SCORE			35
Total possible			60
% chance of Technical success			58%

The Financial analysis also looks very good mostly because the revenue is built on passive income. For the out years, the revenue is nearly all profit so ROI and profit margins are attractive. The business, however, requires large up-front investment and a major strategic partner (record label) to reach large revenue amounts.

7.0 Conclusion:

In conclusion, this example has scored extremely well with 84% chance of Commercial, 72% Technical and 58% Financial success. Total score for all categories is 152 of a possible 210 or an overall 72% chance of success. This would attract any investor or, in this case, a record label,

especially considering the factors that need improvement are the same ones provided by a record label, such as access to market and promotional expertise.

The aim of this thesis was to emphasize the need of musicians to focus as much on the business of music as on the art. The thesis provides a guideline on how to build a viable Business Plan in the dynamic and rapidly changing music industry by adopting the evaluation criteria of high tech start-up planning and fund raising in a similarly rapidly changing environment based on creativity, newness, access to markets, high risk and its associated potential for high gain. More importantly, we have discovered the importance of other people (“no artist is an island”), the need for investors in the form of record labels and we developed a qualitative and quantitative analysis of how investors think and how we can more accurately predict our success.

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