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|  | Good Music Media |
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| 4/19/2010 | Social Music Portal Service |
| Inge, Kennith | Keller Graduate School of Management |MM522--Marketing Management | This document outlines the marketing plan that engages in providing an audio streaming service to the general populace. |

Good Music Media

Everywhere You Are, We Want To Be There

# Executive summary

Good Music Media is an online media company in the service industry. Good Music Media will compete with a number of online streaming media companies. In order to establish the company, Good Music Media will focus on product differentiation of services in order to distinguish the company from the competition.

*Good Music Media Corporation’s mission statement is to deliver the most comprehensive, safe, fun social platform environment for all to enjoy.*

In order to enter in the market and obtain market share, Good Music Media can gain considerable ground focusing on product features and delivering a high level of value to the customers of the company. Good Music Media’s web based media player will use social media concepts to enhance the customer engagement and experience. With more visitors staying and using the website, the company can deliver good value to business advertisers that are targeting a certain market of potential consumers. The more the visitors stay on the site, they are exposed to target advertisers.

Good Music Media will have a mobile media player that will be present on smartphones such as the iPhone, Android, Blackberry, and more. As part of the initial branding and market penetration plan, Good Music Media is working on procuring a deal with Apple to have the mobile applications installed natively on all their most recent devices. In addition, Good Music Media will come pre-installed on the new iPad product line developed by Apple. This will bring significant exposure to the early adopters of the iPad along with free press coverage from tech magazines and tech websites.

Good Music Media will also be present in automobiles and home stereo units to attract a third segment of customers. This level of service will truly build on the Good Music Media slogan “Everywhere You Are, We Want to Be There”.

# product description

Good Music Media Corporation, known throughout the document as GMM, will provide streaming media content for consumers interested in a variety of music tailored to their listening habits. The primary service will feature free interactive, customizable radio stations obtainable through web based and mobile platforms. Each account allows users to request songs, skip up to 8 songs, and listen with limited ad-supported interruption. A Premium Account, titled the “All In” account, allows the user to listen ad-free, enjoy even higher levels of customization and control, and unlimited skips.

AmpliFIND technology powers the programming for the radio stations and use collaborative filter methods similar to Amazon’s “personal recommendation” system. AmpliFIND uses acoustic recognition technology patented by the company. GMM is interested in using their technology to create a proprietary technology specific to the needs of the company. Negotiations are still in process. Good Music Media is also exploring using their technology for the web and mobile-based players. The key elements targeted by GMM are highlighted in the section below.

Focusing in on those key items above, GMM can create a complex, highly customizable and user-friendly player (Amplifind Music Services, 2010).

Combining GMM technology with collaborative filter methods that monitor what the user plays, skips, purchase, shares, and playlist will provide new recommended suggestions to the user from GMM’s vast catalog of music with One-Click purchasing available thru iTunes or Amazon.

## Web Based

GMM’s web based service has many features users will find beneficial. GMM will store user catalogs into the cloud available for access at any time. Using AmpliFIND technology, GMM will scan a user’s entire catalog of music, fingerprint the tracks, and match the tracks with tracks currently in GMM’s database. Any music files that are not currently in the database are uploaded to the cloud for user access. This will be of no cost to the consumer. An additional benefit is that it allows the end user to use one device instead of having to carry multiple devices for the more serious music fans that carry MP3 players along with their smartphones. GMM believes that this could be a premium service if packaged right with the mobile app.

## Mobile

The primary service GMM offers is the mobile application for use on Smartphone devices. Presently, GMM will charge a minimum, affordable price for the mobile application. All Premium account holders receive the mobile application as part of their premium package. The mobile application will mirror up with the personal profile of all users with a web-based account. Users do have the option of not signing up for a personal account and a web-based account is not required to use the mobile app. This is an a la carte item.

The mobile app will have caching capability to allow continuous listening for the end user in the advent the user loses a stream connection. The mobile app will only cache when a connection is not available. The cache limit is set to the space available on the user’s device or 100 songs.

In addition, premium account holders are able to access their uploaded MP3 collection stored in the cloud with their web-based account. GMM is currently evaluating possible pricing options around this feature.

## Personal Profile

Each GMM user creates a personal profile. This profile uses social features that give other users of GMM the ability to follow what others are listening to, listen to their catalog of songs, and rate songs. Users will be able to interact with each other and comment on each other’s page. The user can also post tracks to their Facebook and Twitter account. The objective is to build GMM into a standalone social media outlet similar to Twitter and Facebook.

Using 3 forms of tagging, “Like It, Love It, or Leave It Alone”, the end users are able to help further customize their radio stations providing more data for the algorithm on to mold the music to the users taste based on a complex formula using AmpliFIND technology. The more the users tag music, the more better the stations will be in selecting music the user will prefer to hear.

## Additional Products and Services

GMM will expand its product line to additional outlets to allow the users to listen to their music wherever they are located. With partnerships that will allow GMM technology on Sonos devices, Comcast cable boxes, Satellite, and in vehicle manufactures, GMM will truly be wherever the consumer goes.

### Artist Accounts

### Label Accounts

### Blogs as Program Directors

### Artists Battles

### Private Chat Rooms

### Live DJ

## SWOT Analysis

|  |  |
| --- | --- |
| Strengths* Cloud based service allows users to listen to their collection
* Social media elements
* Custom built proprietary technology
* Contractual blog relationships can provide music unavailable elsewhere
 | Weaknesses* Easily duplicated
* Startup company
* No brand name awareness
* No true competitive advantage
* Consumers unwilling to pay for mobile app from unknown company
* Consumer loyalty to established brands
* Unproven technology
 |
| Opportunities* Exclusive contracts with blogs and artists
* Social media modal untargeted by competition
* Mobile smartphone technology growth expected
 | Threats* Established competitors start to duplicate features
* Loss of exclusive contracts
* Business social media modal untested
* Premium pricing modal rejected by consumers
* High licensing/royalty payments
* Unable to establish deal with cell phone carriers
 |

# target market

The target market for GMM is music lovers casual and hardcore. This market is estimated to an average of around 15.2 million between the ages of 25-54.

This identifiable demographic for the market are women. Studies show that women use social media outlets 10% more than men do (For Social Networking, Women use Mobile More Than Men, 2010).

In designing the player interface to appear easy to use and friendlier, GMM can capitalize on this market. This market will listen to music more as they are generally working in an office environment, running errands, or picking up their kids from school. Marketing the product as one where women can serve as filter for media content that their children are exposed to can provide a lift in that particular demographic.

Another key market target is women that use mobile social networking sites. Research shows that women use those services more than men do and this age group ranges from 35-54 according to Nielsen reports (For Social Networking, Women use Mobile More Than Men, 2010). GMM will appeal to these customers marketing the social media elements of the service emphasizing the ability to stay connected and in tune with their friends at all times. The service provides the ability to listen to quality, customized music and a way to communicate all from one platform without having to switch from one service to another service. GMM will place emphasis on simplicity and convenience.

GMM will target the social media sector heavily. Social media sites will provide further market segmentation as the users begin to break off into further subsections. It has been found that social media site users’ further break themselves into additional markets, which is of great benefit to advertisers, and it allows additional data for GMM to target (Buskirk, 2009). GMM will continue to place a strong emphasis on simplicity of use.

GMM will push the ability of convenience and portability. GMM will target avid music collectors that value their collections and emphasize the ability to stay connected to their music via the cloud and reduce the amount of additional items required to listen. Again, this will emphasize convenience and simplicity. This will be a marketing message driven into the heads of consumers. This allows for additional growth for GMM as the target market expands to pull consumers from the iPods to their mobile devices. As mobile Smartphone market grows and improves, this market will continue to expand. The Smartphone market is estimated to increase by 20 percent annually leading up to 2013 (Smartphone Demographics, 2009).

In the next year or two, the iPad device will begin to take hold in consumer’s hands providing additional target markets.

## Competitors and Substitutes

The mobile media business is a growing business with competition expected to rise as more companies develop mobile applications for consumer use. GMM recognizes two main competitors that has the features, brand, and consumer loyalty that poses a threat to the product.

Pandora is the leader in mobile media service. Pandora has built a cult following from their early beginnings as a web based company-tailoring music towards listener preference. Pandora propelled even more into the mainstream with the development of the iPhone mobile application.

Pandora is reported as the fourth most popular free app on iTunes. Offering a free app versus a paid app will provide potential market resistance. There are reports that Pandora is averaging a new listener every 2 seconds with 3.3 million tracks streamed to iPhone listeners alone. Users of the Pandora music service are averaging over an hour of listening time per day (Pandora Usage Stats Prove It's iPhone's Killer App, 2008).

GMM can obtain part of Pandora’s listener base with its unique features and content unfound on Pandora at this time. As Pandora adapts GMM’s growing presence, the company stands to lose customers. GMM will continue to expand on its service to adapt to the market and lead in innovation by staying ahead and monitoring growing trends.

The second identified competitor is a fast, upcoming company called Slacker Radio. Slacker Radio offers customizable radio in addition to having procured deals to having their service in automobiles. Slacker Radio has plans to provide a satellite based service and is developing an MP3 device. Slacker Radio will also provide caching feature for their customers as well (Kameka, 2010).

Slacker Radio appears more focused towards providing their service on more than portable devices. Slacker Radio appears focused on replacing your radio and competition head to head with traditional radio outlets and satellite radio. Slacker Radio has made many noises lately and is starting to develop a huge followership. Slacker Radio has established deals with indie labels to provide undiscovered acts as well as a deal with the Source Magazine that provides programmed hip-hop music. The Source is a well establish name in the hip-hop community (Slacker, 2010).

GMM will compete with Slacker Radio on all its core business services. In addition, to counter Slacker Radio’s indie and Source radio deals, GMM deals with big name blogs will bring in additional customers as well as provide an outlet for undiscovered acts to build a following. GMM’s social media competition based service provides an excellent venue for artist to market their music. Slacker Radio does not have the social media features that GMM will provide.

GMM will compete heavily with both companies by provided services and features on a higher, more integrated level. GMM’s social media elements are a huge difference maker. This will present the company with a competitive advantage upon launch. Taking advantage of cloud based technologies in combination with the mobile app; consumers will constantly be married to their music collection. The ability to listen to highly customizable radio stations in addition to their own personal catalog at will provides an advantage over the competitors. Cloud-based storage is cheaper than flash memory and transportable with the advancement of smartphones.

# Pricing

GMM will incorporate a value-based pricing model for the mobile application and monthly premium subscription service. Customers are targeted using a low price charge for the mobile application. Based on conducted research, mobile app users have a price threshold of $1.99 per app (Lardinois, 2010). Offering the mobile media app for $1.99 provides a better, affordable pricing option for customers. Although the competitors of GMM currently offer free mobile applications, our value based pricing coupled with the many features provided with the overall service returns a good value offering to the customers.

For the monthly streaming service, GMM will charge a $4.99 monthly subscriber fee that removes paid advertising and additional premium features for both media players.

Additional revenue will be earned from ad sales for all non-subscription users. The ads will display on the mobile and desktop media applications in a non-intrusive manner so that users can enjoy the listening experience. The mobile media application is projected to have a larger subscriber base than the desktop application.

# Price Level Table

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | **Company (Primary)** |  | **Pandora** | **Slacker** |
| **Total Cost Description** |  |   |  |  |
| **Fixed Cost Items** |  |   |  |  |
| *Rent* | $800.00 |   | N/A | N/A |
| *Salaries* | $75,000.00 |   | $9,216,000.00 | N/A |
| **Total Fixed Cost** | $75,800.00 |   | $9,216,000.00 | N/A |
|   |  |   |  |  |
| **Variable Cost Items** |  |   |  |  |
| *Bandwith* | $1.45 |   | N/A | N/A |
| *Licensing & Royalty* | $0.19 |   | $0.19 | $0.19 |
| *Streaming Costs* | $0.06 |   | $0.02 | $0.02 |
| **Total Variable Cost** | $1.70 |   | $0.21 | $0.21 |
|   |  |   |  |  |
| **TOTAL COST (Fixed + Variable)** | $75,801.70 |   | $9,216,000.21 | $0.00 |
|   |   |   |   |   |
| **Contribution Margin Details** |  |   |  |  |
| *Price per Unit* | $6.98 |   | $5.00 | $3.99 |
| *(-) Total Variable Cost* | $1.70 |   | $0.21 | $0.21 |
| **Contribution Margin** | $5.28 |   | $4.79 | $3.78 |
|   |   |   |   |   |
| **Breakeven Sales Volume** |  |   |  |  |
| Fixed Cost | $75,800.00 |   | $9,216,000.21 | N/A |
| (/) Contribution Margin | $5.28 |   | $4.79 | N/A |
| **Breakeven Sales Volume** | 14,356 |   | 1,924,008 | N/A |
|   |   |   |   |   |
| **Breakeven Dollar (level)** |  |   |  |  |
| *Sales forecast* | 25,000 |   | N/A | N/A |
| *(x) Contribution Margin* | $5.28 |   | N/A | N/A |
| **Breakeven Dollar (level)** | $132,000.00 |   | N/A | N/A |
|   |   |   |   |   |
| **Revenue** |  |   |  |  |
| Units Solds | 25,000 |   | 5,000,000 | 13,000,000 |
| (x) price per Unit | $6.98 |   | $5.00 | $3.99 |
| **Total Revenue** | $174,500.00 |   | $25,000,000.00 | $51,870,000.00 |
|   |   |   |   |   |
| **Profit Section** |  |   |  |  |
| Revenue | $174,500.00 |   | N/A | N/A |
| (-) Total Cost | $75,801.70 |   | N/A | N/A |
| **Profit** | $98,698.30 |   | N/A | N/A |

GMM will offer a discounted rate for end users that purchase an annual subscription instead of opting for a month-to-month subscription. GMM will also give the mobile media application free of charge to all users that sign up for the annual premium service. This will reduce overall revenue by $2.99 per user but provides upfront revenue for the company providing a strong subscriber base. GMM predicts that 25 to 30% percent of all signees will take advantage of the annual pricing modal.

|  |
| --- |
| **Target Market Price Fit** |
| 74% of Men and Women use the internet |
| 79% of American adults used the internet in 2009, up from 67% in Feb. 2005 |
| 73% of adult social networking sites (SNS) have a Facebook account |
| 93% of adults are age 18-29 |
| 81% of adults are age 30-49 |
| 60% of adults earn less than $30,000 |
| 76% of adults earn $30,000-$49,999  |
| 94% of adults have a college education |
| 87% of adults have some college |

(Rainer, 2010)

The target market for GMM is men and women that use the internet. There are two sub-markets in this market. The first are adults ages 18-29 that make up 93% of internet usage. This market contains 87% of adults with some college education. This age range will also hold 60% of adults that earn less than $30,000. This market will primarily use the free application and will be a primary target for advertisers on the mobile application.

The second market targeted is adults ages 30-49 that make up 81% of adults using the internet. This market will consist of 94% of the adults with a college education. This demographic will contain 76% of the adults that earn $30,000-$49,999 (Rainer, 2010).

Research also shows that 73% of adults have a Facebook account out of the 79%that are using the internet (Amanda Lenhart, 2010).

The product price will fit well within these demographics. GMM will have a high percentage of targeted young adults for advertiser revenue. Middle-aged adults will have disposable income available to purchase premium service.

GMM has a low employee head count reducing fixed employee salary. Based on studies, it was found that Pandora radio currently broadcast their services at .2 cents per hour (Finchy, 2010). To start, the anticipation is that it will cost .6 cents per hour to broadcast. Licensing rates are currently going for .19 cents per user. Using Shoutcast Pricing Matrix, GMM anticipates a projected $1.45 bandwidth cost per hour to provide the service across multiple apps (SHOUTcast Pricing Matrix, 2009). Final numbers show gross revenue at $98, 698.30.

# CHANNEL OF DISTRIBUTION

Organized as an internet company, GMM will distribute and deliver its applications through the internet. The services of GMM will also be provided through the internet as well in the form of a media stream.

The desktop application will provide a secondary source of revenue stream to GMM with the added option of downloading individual songs. Each song available through GMM is offered exclusively with iTunes. The iTunes purchase will be provided using the one-click purchase method to reduce steps required to obtain the merchandise.

The primary piece of GMM’s distribution is the mobile application. The application is set to come preloaded on the new iPad and iPhone modals set for release in the near future. This is part of the exclusive rights negotiated between GMM and Apple to provide all downloaded music through their iTunes service. The app will be provided free of charge with costs covered by Apple at a reduced rate per app as part of the deal. This deal will reduce the need for users to purchase the mobile app with the intentions of signing up users for the premium subscription service. With GMM’s content provided per artists, the anticipation is that the iPad will elicit more subscribers per device than the iPhone. This is based on the fact that the iPad has a wider viewing area. The wider viewing area will display more content provided a visual benefit to the user. The GMM mobile app is also available for install on other smartphone devices such as the Blackberry, Nexus One, and Droid.

GMM will also distribute and market the services using social networking systems (SNS). Using services such as Twitter and Facebook, GMM can gain considerable exposure utilizing this market base. GMM will build a SNS team that will monitor and maintain a presence on the web constantly promoting the GMM service and addressing customer concerns. This will generate good public relations and goodwill among the customer base with the aim to gain loyal customer following.

Using Facebook, GMM will build a fan page on the SNS provider to build a community of users. Using the Facebook Connect service, GMM will reduce the number of steps required to log-in for each customer with a Facebook account. The Facebook Connect service allows users to sign up for our services using their existing Facebook log-in info. With 73% of adults using the Facebook service, this provides a huge market segmentation for which GMM can target (Amanda Lenhart, 2010).

Finally, the GMM sales team will obtain advertisers for the ad based applications. The sales team will primarily be telephone and door-to-door reps. In addition to selling ad space to customers, the sales reps will work on establishing deals through other channels for the GMM service to run on such as home based audio systems, after market radio manufacturers, auto dealers, and more.

# PROMOTION

GMM will use an Integrated Marketing Communications approach to establish the company brand and name recognition. GMM will take advantage of the viral nature of the internet and newer technologies that have recently been developed and making way to the market.

Brand and logo development is essential in separating GMM from the competition. The initial investment in building a brand that is distinct and recognizable can add considerable value to the equity of the company. In addition, due to the brand recognition of Pandora and up and coming Slacker Radio, creating a logo that is both bold and pleasant is a key driver to the business in order to separate GMM from the other two primary competitors.

The website will be a key component for GMM. The website will provide a lot of social networking features in addition to additional revenue through advertising. The website will also carry the media player that users will use when utilizing the website. In order to keep customer engagement, design, flow and utilization of the GMM brand on the website along with the social networking features are essential. The website has high initial upfront cost but is an important platform for GMM.

Miscellaneous advertising along with public relations in tech websites and blogs will provide further exposure for the GMM products and services. GMM will receive free press through discussions of product features on many newer mobile phone devices and existing. Attending trade show events showcasing GMM products should provide added exposure through reviews and coverage of the events.

All iPad users will receive a free 6 month membership. This promotion period will run for 3-4 months. This marketing plan is used to enhance the visibility of the GMM service and to compete directly with Pandora and Slacker radio. As a highly anticipated product, the GMM service will gain an unprecedented amount of direct and indirect exposure to customers and potential customers. In addition, media coverage regarding the deal and application is expected to increase as a byproduct of the deal. The anticipated growth of this deal is expected to be between 20-30 percent over the next 3 years.

GMM will provide all annual subscribers that sign up for service within the first year a free mobile app. This deal will be provided for all smartphone users and is used to increase the customer base of GMM beyond Apple services. Will this may result in loss revenue of $1.99 per user, GMM will still return a profit as the continuing revenue from the annual membership will help offset costs.

In addition, GMM will also allow all first time users to try the premium service for a 7 day period. GMM will not collect any payment information. GMM’s goal is to create a company that is viewed as honest. In order to do this, GMM will allow the customers the option of choosing to continue with the service. The customer will be presented with an option to purchase at the end of the trail period.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   |  | **Three Year Promotion and Communication Budget** |  |  |
|  |  |  |  | **Costs** |
| **Brand and Logo Development** |  |  | $1,000.00 |
|  | *Website Development* |  | $10,000.00 |
|  |  |  |  |   |
| **Advertisement Development w/ Ad Agency** |  |   |
|  | *Logo and Ad Design Work* |  | $2,500.00 |
|  |  |  |  |   |
| **Advertisement/Marketing Communications**  |   |
|  | *Miscellaneous Advertising* |  | $3,000.00 |
|  | *Public Relations* |  |  | $2,400.00 |
|  | *Sales Promotion* |  |  | $2,000.00 |
|  | *Trade Show Expenses* |  |   |
|  |   ***SWXS*** – *Austin360* |  | $2,000.00 |
|  | ***CES Trade Show****—Washington, DC* | $2,000.00 |
|  |  ***CTIA Expo —*** *Las Vegas* |  | $2,500.00 |
|  |  |  |  |   |
| **Marketing** |  |  |  |   |
|  | *Free Mobile Applications* |  | $9,950.00 |
|  | *Apps preloaded on iPad devices* |  | $19,900.00 |
|  | *GMM with design work by ad agency $1,200.00* | $1,200.00 |
|  | *iPhone SDK* |  |  | $300.00 |
|   |   |   | **Total Promotion Budget** | **$58,750.00** |

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