

A Work Project, presented as part of the requirements for the Award of a Masters Degree in Management from the NOVA – School of Business and Economics.

Internationalization Plan of NMusic to Angola

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Executive Summary

The work project hereby presented consists in the internationalization plan of the Portuguese start-up NMusic to the Angolan market. It starts by going through the literature review, background of the company and the analysis of its business model, where the stakeholders and the competitive advantages of the firm are identified. Then, there is the analysis of the business environment and market research supported by semi structured interviews, followed by the recommendation for NMusic's entry mode and implementation plan. A qualitative risk assessment was conducted and final recommendations were provided to ensure the internationalization to Angola succeeds.

Given that the technology infrastructure and the digital music industry in Angola are still underdeveloped the internationalization to Angola must be perceived as a stake in the future when this industry will be at its full potential. The main recommendation is to position the service as premium and target the high income consumers. This way it will be possible to gain market experience and step by step increasing the brand awareness and market share.

Keywords: NMusic, digital industry, internationalization, Angola, music player, strategic, growth.

Scope of the Work Project, Main Objective and Methodology

After reaching the number one position in the national market in the music players market, NMusic is currently spreading its service overseas, namely to Spain, Brazil, India and Angola. The choice of Angola was discussed with the firm's CEO and both conclude about the potential of this market in the future, making this the scope of this work project.

The research question is; "how can NMusic be successful in the Angolan market?". And its objective is to present the most profitable way, in the long term, to implement NMusic's player in the market. With the specific choice of the Angolan market there are several constraints which need to be accounted for and those include issues such as the unequal economy, political risk,

corruption, piracy levels and technology infrastructures. These are limitations that can strongly affect the adaptation of the current business model.

Regarding the methodology it was used a 360 degrees approach where it was possible to gather general information and personal opinions on the subject of digital music within the majority of the stakeholders. Interviews were conducted with members of record labels, institutions for author's protection and obviously with 3 key elements of NMusic: Celestino Alves (CEO), Bruno Mano (Content Manager) and Michelle Vieira (Marketing Manager). The commercial representative from the Angolan Embassy in Lisbon also provided a set of valuable information regarding the procedures of launching a firm in Angola.

Moreover it was necessary to review the literature that already has been published to fully understand the market and the structure of the industry. This step was particularly important in order to understand the shift to the digital industry of the global music industry. The articles found about the digital market in Africa were not specific to Angola but to the general sub-Saharan Africa, with emphasis on French and English speaking countries.

Literature Review

For many years the music industry had trouble in acknowledging and satisfying the different needs of the market upon the growth of the digital segment and the consequent decrease of the physical format. Besides the illegitimate competition of digital piracy there was also a lack of ability to come up with a sustainable business model capable of engaging the digital users. Many experts believe that music will now be perceived as a commodity and just like water and electricity there will be a constant availability of music for a monthly fee (Kusek, David; Leonhard, Gerd. 2005). In the last year worldwide the revenues from the digital format have surpassed the ones from the physical one¹. Furthermore in the last years it has increased 5% in

¹ In Portugal the digital format revenues are expected to surpass physical format in the next year.

2010 and 8% in 2011 (Digital music report, 2012). The success of some of the companies and the promising future of the subscription based services led to a “race among services to go global and plant the flag in new territories” says Stephen Bryan, executive VP of Warner Music Group².

When analyzing the proportion of digital sales per industry, Music comes up in second place behind the gaming industry, however it is generally accepted that by now digital music players have “only scratched the surface of digital music and now it is starting the real mining on a global scale” says Rob Wells, President, global digital business, Universal Music Group³. Globally, regarding subscription and bundling models, Spotify is the company that has more paying subscribers (2.5 million), Deezer has reached 20 million users registered being only 1.5 million paying subscribers. Besides these there are Rhapsody, Galxie, Rdio, JUKE, Simfy and WIMP.

Historical Background and Description of the firm

Headquartered in downtown Lisbon, NMusic is a Portuguese start up, founded in 2010 that operates a multiplatform system⁴ that allows the offering of millions of songs at any given time or place through streaming and free downloads. Essentially NMusic adopted a customer oriented business model that legally serves all the stakeholders of the music industry which include consumers, partners, artists, labels, etc. Given the necessity that enterprises have to retain customers, especially in the telecommunication market⁵, NMusic engages in a partnership with those companies and offers the digital service at discount prices or even for free to its clients. Therefore value is created for the partner, by retaining customers, and for the final user of the service that will access 15 Million songs without paying a monthly fee. Ultimately NMusic’s business model may be the sustainable solution for the current state of the market. For the Portuguese market, a partnership was created with Portugal Telecom following the same model.

² The largest American-owned music corporation worldwide, it is one of the 'big three' recording companies.

³ It is the largest of the big three music companies.

⁴ Music player which can be used in mobile phones, computers and television.

⁵ In telecom industries the value of retaining customers is considered higher than the value of acquiring new ones. According to Vodafone’s director “there are four ways to engage customers: A good network, service recovery, technology and great value for Money”

It is impossible to talk about NMusic without referring the person that brought this concept to Portugal, Celestino Alves, the CEO⁶. The true passion for music has always been present in his life and that is why all the plans that he develops have in mind all the stakeholders of the music industry so that no one is forgotten and sustainability prevails.

In order to successfully create the company Celestino Alves needed the technological and financial support that were provided by the financial investors Grupo Diligence Capital SGPS SA and Pathena SGPS SA⁷. These two VC's together with Celestino represent the current shareholders structure of the company. Equally important was to gather a team of professionals with a strong background on the music industry.

NMusic is a born global startup that had since its inception core values that transmit the idea of making music accessible to everyone worldwide. The priorities are the Portuguese speaking countries (Brazil and PALOP⁸), Latin America and Spain, India, China and South Africa.

The existing cost structure is not very profitable yet, however with an effective internationalization with centralized operations in Portugal, NMusic would be able to achieve economies of scale. Moreover there is the need to have a larger number of clients which cannot be reached in Portugal. Though Angola is not set as an immediate priority for the company, it fits in the long term internationalization to Portuguese speaking countries. The Angolan market for any Portuguese company is currently seen as a great opportunity for growth⁹. Analyzing the economic situation of both markets, while Portugal is currently deeply suffering an economic downturn, Angola continues to grow¹⁰ and with a controlled inflation and a government budget under control

⁶ After a long career in radio as broadcaster in RFM, he has started firstly as the owner of Musica Online, then with a record label and finally with NMusic.

⁷ Both of firms are privately held Venture Capital firms focused in IT investments.

⁸ Refers to the Portuguese-speaking African countries.

⁹ Considering the last 5 years there was a growth of 10,2% in exportation from Portugal to Angola, considering only last year there was a increase of 29,3%

¹⁰ The Angolan GDP average annual growth rate was 11% which reflects a reality completely different form the one in Portugal

Angola has been increasing its direct foreign investment, and is becoming more attractive as a country to invest in.

Mission and Vision

The mission of the firm is “To make music accessible to everybody and everywhere!”. Which transmits the idea of a business that is able to adapt to the new needs of the music industry and to be present in all the digital platforms available.

The vision of NMusic and its player is to “Be an international reference in the music industry, innovating the way people listen and live the music, within 3 years”. For Music Box¹¹ the company has also envisioned a future where the brand becomes independent and just like the other brands of Portugal Telecom to have its own identity.

The company was created under 3 distinct values intrinsic to music explained in exhibit 1.

Strategic Objectives

For NMusic internationalization is key and given the adaptability to each market it is perfectly possible that it can be a global success. Having this in mind they have set the following objectives:

- After recently closing a deal with one of the largest telecom corporations in the world, Telefónica¹², the firm has target Spain and Latin America’s markets. Moreover its strategy involves the expansion to Brazil, followed by Africa.
- To become the top music player in Angola and a reference in the way people listen to music. I propose an objective of acquiring approximately 8500 users in the first years of operation. The reasoning behind it is that the current penetration rate of the Music Box service within all the 5 455 217 internet users¹³, in Portugal, it results in a percentage of 1,5%. Having in mind an adaptation of this rate for a country with a different acceptance

¹¹ Music Box is the name of the music player in the Portuguese market owned by Portugal Telecom

¹² Currently the main market is still Spain but Telefónica is also present in Uruguay, Argentina, Peru, México, Chile, Colômbia, El Salvador e Guatemala. In Brazil it’s the main shareholder of Vivo.

¹³ Which can be find in the statistics provided by the International Telecommunication Union for the year 2011

of new digital services, such as Facebook, which is 58% of the internet users (contrasting with the 76% in Portugal). It should be considered that the number refers to the high income society and that there is a high growth of users in these industries.

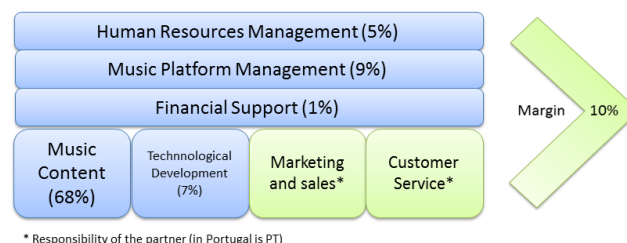
2. Business Model

Value Proposition

NMusic operates in B2B2C (bundling) where it creates value for the partner by providing them a tool for keeping clients satisfied, thus retaining them and even charge higher prices for existing services. Music is something that will always be consumed and it has great value for the final users, especially if the cost is absorbed by other entity. Currently Portugal Telecom (PT) pays NMusic a fixed price¹⁴ for each user, this value represents the source of revenue for NMusic and it is a key point in negotiations with partners. In Portugal the number of non-PT users is residual and the price paid by PT for each consumer is reduced as the number of registration increases.

Musicbox is the service of PT developed by NMusic that is currently available in Portugal (see exhibit 2). The service is mainly targeted to young people and it is present in application for PC/MAC, android, Iphone, Windows Phone, Tablet and on television¹⁵. It offers a set of features that are unique such as an offline mode where users can listen to their music without being connected to the internet and it is the only free service that offers 10 downloads per month.

Value Chain Analysis



The way NMusic is able to create value to the customers and is able to surpass the costs can be explained through a value chain analysis. Regarding the primary activities, it is possible to say that

¹⁴ Due to confidentiality issues it wasn't possible to determine this value. However it is based in a model of revenue share.

¹⁵ NMusic is the only company in the world offering a music player on this last platform

for NMusic the core product is the music itself making content a primary activity, meaning the negotiation of the rights with the respective record labels. This activity, together with costs entailed from authors and other elements of the industry music protection¹⁶ it reaches 75% of total costs.

In order to offer the best possible player and keep up with competition in terms of quality the technological development becomes a key activity, in fact it is one of the most important advantages for the inclusion of NMusic in the Diligence Capital Group¹⁷. Supporting this activity in providing the best experience for the user there is the content management, which is responsible for the constant engagement of the subscribers by providing a series of supplements that include recommendations, an information database¹⁸, special playlists that vary according with recent events, engagement with the artists and exclusivity of some new albums.

Both the port-service and marketing activities are responsibility of the partner (in the Portuguese market, Portugal Telecom) since they have total control over the brand.

Regarding human resources management; the team¹⁹ has a strong background in the music industry and has an open mindset that allows each of the individuals to express their opinion about issues related to other departments. It represents 8 % of costs. The financial support is a small department inside the company that has no significant costs and represents the only department with no interdependency linkages with the rest of the areas.

With a centralized operation in Portugal it is possible register an increase in margins with the growth of subscribers worldwide, since key issues such as technological development and

¹⁶ There are collector societies, such as SPA and GDA, that are responsible for acquiring the share of revenue that belongs to authors, sound professionals, etc. This share is between 15-18%

¹⁷ Diligence Capital is committed to find the best entrepreneurs and help them succeed by providing the financial, guidance and technological support. It has a team of IT professionals with a deep knowledge in technology and on finding the latest high tech solutions. Their Portfolio includes Ndrive, biodevices, Mobile device, InfoPortugal, Biostrument and Autonomia.

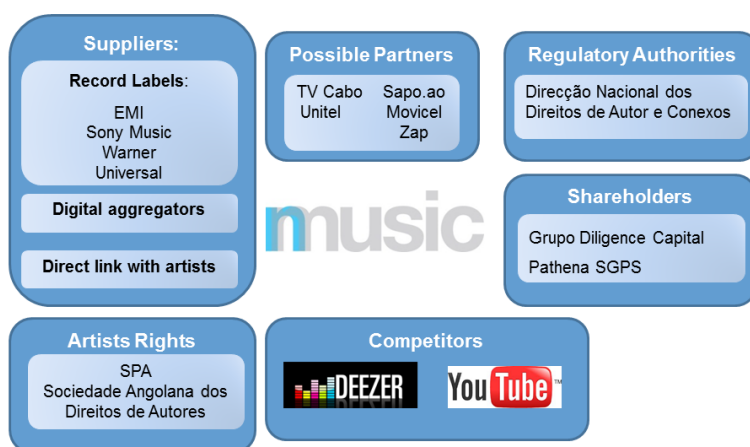
¹⁸ The information about the artists and bands is given by a partnership with last.fm that provides information about biographies, similar artists, etc. that help to enrich the website and also the clients experience.

¹⁹ The operational team is present in Lisbon and is composed by 6 employees Celestino Alves, Bruno Mano, Michelle Vieira, Ricardo Ferro, Bruno Fernandes and Lidia Pratas are respectively responsible for the administrative department (CEO), content management, marketing, product development, catalogue management and financial department.

international portfolio negotiation are shared among the different markets. With a prospect of growth to other countries the negotiations of the international portfolio are starting to be done with the international headquarters of the labels²⁰, which may result in a greater bargaining power and a reduction in costs.

Industry Mapping

To understand the different stakeholders in the Angola digital music market one must consider the following:



In terms of suppliers of NMusic there are artists, authors, managers, labels, promoters and special entities that protect authors, artists and performers²¹. Regarding competition, for now NMusic has been outperforming them in the national market²².

The music industry in Angola is only now becoming a legitimate and formal industry, however it is in a very early stage and the majority of music is still trade in the streets, directly by performers, or using piracy. For instance SADIA²³ receives lots of complains about the way they work and the value that they really provide. The bad functioning of these entities could represent a potential constraint affecting the pace of operations as well as uncertainty of costs. Regarding this issue as a

²⁰ Currently the deals with record labels are made only for the Portuguese market with the national or Iberian offices (for the 4 major record labels)

²¹ Include SPA (Sociedade Portuguesa de Autores), in Portugal, and Sociedade Angolana dos Direitos de Autores (SADIA), in Angola.

²² The Portuguese market is unstable when it comes to competitors. Though Music Box is the market leader it is perceived that with the current size of the market other players may arise as leaders.

²³ Entity responsible for authors' rights protection in Angola

Portuguese firm it is possible to have as an intermediary the Portuguese SPA that would be responsible for the collection of the respective value directed to authors.

Internal Analysis (VRIO framework)

Resources	Value	Rarity	Imitability	Organization	Competitive Advantage
Technology:					
• User Interface (Player)	Yes	No	No	Yes	Parity
• Multiplatform, Triple play (Television)	Yes	Yes	No	Yes	Temporary Advantage
Music Portfolio(negotiation)	Yes	No	No	Yes	Parity
Tailor-made service	Yes	Yes	Yes	Yes	Sustained Advantage
Human Capital knowledge	Yes	Yes	Yes	Yes	Sustained advantage
Partnership	Yes	No			Parity
Knowledge of consumer needs and desires (Music as a utility²⁴ and free)	Yes	Yes	Yes	Yes	Sustained advantage

NMusic’s competitive advantage relates to its differentiation advantage. In this industry the price that the final user pays is key as a competitive advantage and NMusic with its unique B2B2C model is able to reach the final consumer with a free or low-price service. It was the knowledge and comprehension of consumer needs that led the company to create these types of offerings.

NMusic is the only company in the market that creates a tailor made product given the specificities of the partner for each market where it is present, this feature has great value for the other company since it gives the opportunity to create a new brand or increase the awareness of an existing one. Even Deezer which offers a bundling service with Orange doesn’t customize the player for this company, contrary to NMusic.

As mentioned before the team is very knowledgeable which combined with the flexibility of a small entrepreneurial firm it becomes a feature difficult for other companies to imitate.

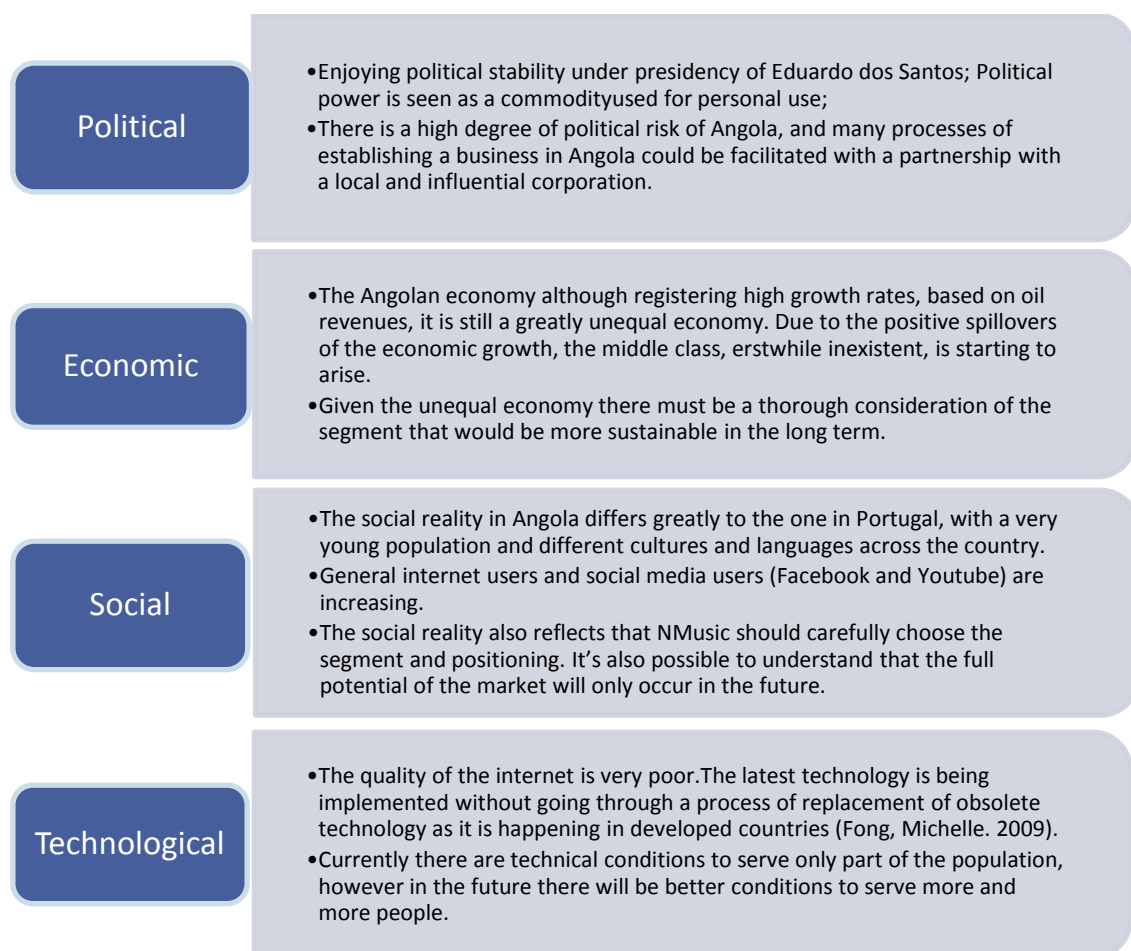
²⁴ Just like water, the music will be ubiquitous and instead of a product it will become more and more a service where people pay a monthly fee, just like broadcast television and other similar services.

In order to succeed in Angola it should focus on their ability to guarantee Angolan music portfolio and a strategic strong partnership.

3. Business Environment

PEST and Market analysis

Regarding the macro-environmental factors, a PEST analysis will be presented in order to perceive better the external factors that can influence the business and help understand what the current conditions are.



Market Dimension

Since there isn't yet a formal music industry in Angola the data available is very restricted. However it is possible to understand the size and potential of the Angolan market by analyzing other subsectors related to the digital area. Thus in Exhibit 3 of the secondary annexes it is possible

to see the number of mobile cellular subscribers, where one perceives that only after the end of the civil war, in 2002, the Angolans started registering high growth of users, which currently situates in approximately 9 million users.

Regarding internet subscribers although it is difficult to measure it due to the distinct development of the market, by 2011 Angola had approximately 2 million users of mobile phone internet²⁵.

Regarding the broadband connection it is still very residual, due to the poor quality and expensive price, with a registered user base in 2011 of 25 000 according to the International Communication Union (ICU). In general terms the percentage of individuals using internet (see exhibit 4) is very low, meaning that there is still a great margin for growth. Even compared with the African average (16%) penetration rate it falls behind.

According to Marktest survey results²⁶, in 2011 television and radio were the channels registering higher audiences, where respectively 97% and 80%²⁷ of the population of Luanda used these two channels.

4. Market specifics

Market needs

The needs of the Angolan population in terms of digital content and features are different from the ones observed in the western countries. While the general population in developed countries owns several electronic devices, in the majority of African countries the cellphone for many people represents the only device capable of communication and entertainment. For instance while the multiplatform services are seen as mandatory in Portugal, in Africa the most relevant approach is the mobile phone while the other platforms (such as TV) can take a form of a premium service.

²⁵ According to the vice-minister for telecommunications, Aristides Safeca, in ANGOP.
<http://www.portalangop.co.ao>

²⁶ The access to the results were indirectly obtained through news regarding it: <http://www.exameangola.com> – “*Audiencias elevadas, poucos anunciantes*” – (02-11-2011)

²⁷ which represents a decrease from early years.

Given the poor quality of internet access the population also has the need of easy storage where they can access their music everywhere without being constantly connected to the internet. Ultimately the offline mode of NMusic’s player will fully satisfy the easy access to the user’s songs even in places without a proper internet connection.

Market segmentation

Throughout the African continent, between the images of poverty, conflict and illness, there is a strong emergent middle class with increasingly good jobs with money to spend (Bowman, Jo. 2011). In Angola, the middle class is arising and increasing, demanding a variety of products that hugely differ from the ones demanded on low income classes²⁸. Contrasting with this reality it is important to have in mind the unequal economy not only in terms of income but also technology availability. Considering the use of technology it is possible to segment the market by the embracing of new digital services such as social media. For instance, in Angola, Facebook has almost 600 000 active users.

In order to access how and if NMusic could serve the bottom of the pyramid (BOP) one can use the 4 A’s approach²⁹ (Anderson, Jamie; Billou, Niels. 2007):

Affordability	Awareness
<p>The normal price of a music player subscription is too high for a group of people that live below the poverty line;</p> <p>Given the premise that NMusic wants the final user to see service as free, it might be possible in a mid/long term to reach BOP.</p>	<p>The channels that NMusic utilizes in Portugal, which include social media, sponsoring, etc. wouldn't be as efficient;</p> <p>There would be the need for more direct contact</p>
Availability	Acceptability
<p>Internet access in Angola is restricted to a small number of people. Besides the quality is very unstable especially outside the big urban areas.</p> <p>For the BOP Internet is only available in public buildings, always with great restrictions.</p>	<p>One can characterize Angolan music as 8 years behind Portugal, meaning that the majority of the digital music market refers to ringtones and other mobile basic offers.</p> <p>Although they are experiencing great acceptance rates of new technologies (leapfrogging), the true value of streaming will only be truly availed by the ones who already understand the technology</p>

²⁸ Currently there is a high demand for automotive and real estate that supports the idea of a growing middle class.

²⁹ Model used to understand if it is profitable to serve the BOP

It is possible to conclude that there isn't a sustainable and efficient way to serve the bottom of the pyramid population. Given the current conditions besides not being profitable it wouldn't bring true value for the BOP. In fact NMusic given the current environment should focus their efforts on positioning their offer to the upper class segments since only those would truly value and experience the player.

Market trends

In a recent study (Gichuri, Julia. 2011) performed in 3 countries of sub-Saharan Africa (Nigeria, Kenya and South Africa) when comparing the features that the surveyed found more relevant in a cell-phone, the results reflected the need that the African population had for entertainment. In terms of comparison while in the USA they valued easy navigation options, instant and fast internet access wherever you are and location based services. In the African countries the importance was given to easy download of music, games and applications, access to their own personal entertainment and store and listen to music. Although in terms of comparison the needs that are expressed by the Africans are already being satisfied to the Americans by a set of applications and software, it is clear that there is a demand for these services and in the future it will become increasingly important.

Competitors/market

Regarding competitors in Angola, currently there is only one player in the market with a subscription model which is Deezer, however their presence in the market doesn't reflect the same model that they have on other countries with the partnership with Orange (see exhibit 5 for a detail comparison of services). Besides this there is a basic offer of online radio and video services, some offered by Sapo.ao (brand that belongs to Portugal Telecom), and also Sound Cloud, MySpace or YouTube. Recently many of the big players have been entering in the African market, even though until now Africa seemed to hardly be in the expansion plans for many of those companies.

Players like Deezer have been having a growing interest in the African countries, in fact recently it has announced that it would join the Mauritius and Ivory Coast, both French speaking countries³⁰. There is also the case of Simfy that is already present in South Africa³¹ and iRocking that has reached 100 000 subscribers in Nigeria in 7 months. Regarding Google it has already announced its wish of establishing in Angola, and the initiatives of creating local YouTube servers puts a large number of people even more within the reach of local music offering.

It is impossible to talk about competitors without mentioning piracy and illegal downloads, which is commonly forgotten as being competition because it is considered theft (Fetscherin, Marc. 2003). Regarding this aspect it is important to retain that Angola is a market with a great amount of piracy even though the ministry of culture has plans to educate the general population³².

5. Competitive Strategy

Porter's 5 Forces

In order to analyze the attractiveness of the market it will be presented next the Porter's 5 forces framework applied to the digital music industry in Angola.

³⁰ Deezer is a French web-based music streaming service

³¹ <http://www.itnewsafrika.com>, by Charlie Fripp . Aug. 15th 2012

³² The Ministry of Culture has reinforced the fight against piracy in Angola with the collaboration appealing to the collaboration with the artists.

- The 4 major labels have a great bargaining power since they represent great part of the digital players' and music retailers' portfolio.
- With underdeveloped record industry it is very hard for Angolan artists to distribute their work, thus in terms of current offering it is mainly based in American entertainment (Ambert, Cecile. 2003).
- For cultural and political reasons, it has developed a strong presence of local music³³ and independent artists.

Bargaining power of Clients (high)

- Low number of digital players and based in basic features, having low switching costs.
- Possible to create switching cost with features as personal recommendations, playlists and friend networks.

Bargain power of suppliers (medium)

Intensity of Rivalry (high)

Threat of substitutes (low)

- Many of the major companies of the digital music industry have already targeted African countries as being a geographical area for growth that represents a great opportunity.
- Currently the profit margins in the sector are low³⁴.
- The country is currently ranked as one of the worst countries in the world to make business in (see exhibit 6 and 7).

Threat of new entrants (medium)

- There are several forms of entertainment besides music like books, movies, etc. However music mobility and availability is something that is very difficult for other forms of entertainment to replicate.

The intensity of rivalry is high due to the instability derived from several global companies operating in this industry³⁵. Although not legitimate, the majority of the transactions of digital music is made through illegal downloads, and in that area the rivalry is very high. At least until the efforts of the government result in a market where the artists are respected and piracy is controlled. The current state of the Angolan market would allow NMusic to establish the brand and player as the strongest in the market. Firstly, when compared to other firms there is the advantage of being a Portuguese firm which may favor the process, given the economic and cultural link between the two countries. Moreover the inexistence of an already well-established paid player would also be important. Furthermore if NMusic is able to captivate people in an early stage the features of the player would generate a series of switching costs that would help in the possible future competitive market.

SWOT and Tows analysis

³³The different ethnolinguistic groups in Angola have distinct cultural profiles - www.angola.org – culture;

³⁴ Given the almost nonexistent record market and the low internet usage rate. However it must be taken into account the rapid growth that the country is experiencing especially in the telecommunication industry.

³⁵ For instance in the Portuguese market the entrance of Spotify or the shift of iTunes to streaming could represent a big bump on the company's growth strategy

Using the following matrix one is able to understand the external environment (threat and opportunities) and internal environment (Weaknesses and strengths) and the strategies derived from them.

SWOT/TOWS Matrix

	<p>Strengths:</p> <ul style="list-style-type: none"> • Flexible and well organized firm with a knowledgeable staff; • Associates its product with an already established brand in a market; • It gives the final consumer the perception of a free service with high quality; • Customization of the service to the preferences of the partner in the respective market; • Involvement of all the key stakeholders. 	<p>Weaknesses:</p> <ul style="list-style-type: none"> • Lack of experience in foreign markets; • High dependency on partners in key activities such as promotion; • Low brand awareness considering the NMusic brand; • It is a model subject to imitation by a rival company; • High costs with the record labels.
<p>Opportunities:</p> <ul style="list-style-type: none"> • Rapid growth of the telecom sector and country's GDP; • Low penetration rate of internet users implies a great range for growth ; • Angolan music producers are also shifting its focus to the digital channels and are in need of a good online platform; • Gain economies of scale and scope; • The middle and upper class are slowly increasing and have the buying power for high end services. 	<p>S-O Strategies</p> <ul style="list-style-type: none"> • A partnership with telecom company would provide NMusic the access to market with huge growth where it could take advantage of the brands that already are established in the market; • NMusic can take advantage of the upper classes of the Angolan society to offer a premium package; • Angolan music producers may see the music player as the best way to promote their artists and songs, since NMusic would offer great visibility. 	<p>W-O Strategies</p> <ul style="list-style-type: none"> • The high dependency on partners (currently refers to Portugal Telecom), could be geographically diversified thus creating a less risky environment for NMusic; • The possible interest of local producers to be present in the player could increase the company's profit margins; • It can take advantage of the fact that currently there aren't already established companies in the Angolan digital market.
<p>Threat:</p> <ul style="list-style-type: none"> • The internet availability and quality is currently very low; • Instability of the country, though lately there has been more control by the government; • Piracy (85-90%), together with Mozambique represent the only countries from SADC that failed to adhere to the Berne Convention; • <i>Lobbying, Futungo de belas</i> is the name given to the group of unelected officials and businessmen around President Eduardo dos Santos with great economic and social power. 	<p>S-T Strategies</p> <ul style="list-style-type: none"> • The offline mode and the limit amount of free downloads can be a differentiating feature, especially considering a market where internet has low quality; • The partner may have a great impact in surpassing some obstacles such as corruption or lobbying³⁶; • With a perception of a free service the player can represent a practical alternative to piracy. It could even be supported by the government department responsible for intellectual property protection. 	<p>W-T Strategies</p> <ul style="list-style-type: none"> • Hire experienced professional that profoundly know Angolan population interests for music as well as all the players; • When creating the partnership NMusic should specify certain objectives in terms of promotion and number of clients that ultimately would guarantee the partner's continuing investment on the service.

Entry mode

The strategy of this internationalization to Angola will be based in the model similar to the one implemented in Portugal. The analysis made and presented so far of Angola lead to suggest a joint venture with an Angolan company as the best entry mode for this country. Allowing the partner to

³⁶ For instance, if the choice relied within a company within the circle of influence of the Government (Sonangol, Zap, Unitel) there would be a low level of constraints for NMusic. However if NMusic decided to go with a smaller company it would have more constraints.

use the music player to increase the portfolio of services delivered to its clients. From the partnership a new brand would be created for this specific market.

The main reason for choosing this entry mode is due to the possible minimization of the political and financial risk that this country bears. The implementation of a company in Angola is very exhaustive and costly and most of the time it's only worthwhile if the company operates in a restrict group of industries³⁷. Besides that it resembles the current operations in Portugal.

Given the fact that in Angola the internet access is restricted to the rich classes and that Angola in digital music is, relatively to Portugal, 8 years behind. I believe that it might be more profitable in the short-run to implement a system only for this segment. This way charging a higher price and increasing the margins, since as seen before the majority of the costs are variable.

Given the telecommunications and internet market I have identified the following companies as possible partners, it is important to have in mind which would serve better the already identified target as well guarantee growth.

- Unitel: it represents the most obvious partner given since it has the largest number of clients in the mobile telecommunication market (7 million) and it is one of the most recognized brands in Angola. Year after year it is present in the top as the company that invests more in advertising; moreover many of the campaigns are closely linked with music (see exhibit 7).
- Movitel: It is the main competitor of Unitel with more than 3 million customers. It is a 100% Angolan company with great proud in their origins, however the absence of experienced technical partner is the reason for the lag between Unitel. In the future the market is expected to divided with more equality.
- Sapo.ao: it's a website of reference in Angola with 100 thousand unique visitors going through the website every month. According to Superbrands Angola report, Sapo.ao is

³⁷ As mentioned before, several industries have the support of the government and entertainment isn't one of them.

constantly searching for new features to use on the website. This partnership might be interesting to successfully reach the rich segment without restricting it to a telecom operator, however the financial ability and interest is also diminished when compared to others.

- **ZAP:** It operates in the satellite TV market and it represents a success case of a product that is performing better than it was initially predicted, by 2011 it had 85 000 customers with only one year of operation. The company is partially owned (30%) by ZON, with the remaining owned by SOCIP³⁸. This company is also one of the most recognized and it is positioned in the top 5 companies with the largest investments in advertising. Its offer of satellite TV is aimed for the medium and upper classes.
- **TV Cabo:** With a 50% position of the Portuguese Visabeira group, it gathered the knowhow and financial support to install the most advanced technology when it comes to digital TV and broadband internet connection. This company is basically the only provider of high quality internet in Angola and given the high prices charged, it can be considered an advantage the fact that it already targets the rich customers.

Marketing Mix

Since the firm offers a service the marketing mix will be presented based on the 7P's (Kotler, Philip; Keller, Kevin; Brady, Mairead. 2009)

Service: The core purpose of NMusic's player is the access to music however in order to reach the service excellence to serve their clients there are several activities that enhance the overall value proposition for the client. These activities include music library, account customization, offline mode, free downloads, security, recommendations and a post purchase service. The extra features of the player represent the key to enhance the service's excellence.

³⁸ SOCIP (Sociedade de Investimentos e participações) headed by Isabel dos Santos

NMusic's software developers have been working on developing a new set of features for the service that will allow surpassing the competitor's offer. This new version will include a new design, making it more intuitive to the user, videos, online radio, a more efficient search engine, better recommendations, better connection with social media, etc. These will differentiate more the service so that it can be charged a premium price to the Angolan consumers. With a partnership with TV Cabo or ZAP, NMusic could install its player on as a service in their TV boxes where subscribers could listen to music as well as watching their favorite artists performing.

Price: Currently the price offer of NMusic consists in the free offer, the 4,99€, for PT clients with a low paying range, and 9,99€ for the stand alone model. The price of Music Box is very similar to their competitors however while they segment it in terms of product offering the segmentation in Music Box regards the partner's clients. I believe that the configuration of the price range in Angola should reflect the value of the service for the user, thus I believe that it should be positioned as a premium offer. By using a skimming strategy the company would set a high price in the beginning of their operations and as the technical and economic conditions of spreading the service to the entire population improve, start lowering the prices year after year, so that ultimately the service is offered to the general population. I believe that the price should be 1220 Kwanzas (10€) for the basic music player, and in order to reach the high income market there should be a price of 2440 Kwanzas for the service with presence in all the platforms, including television, and with the new and premium features. Just like in Portugal, there would be price discounts to the existing clients of the selected partner.

Promotion: As a new service in Angola there is the need to efficiently promote it to the right target. Just as it happens in Portugal the promotion part is a responsibility of the partner chosen and it will be one of the elements of choice. Television and Radio are the communication channels

that the Angolan population prefers thus it will be mandatory to be present in those two. NMusic would have an advisory role and there should be a set of targets to incentivize the partner.

Place/ distribution channels: NMusic has to be able to negotiate with local artists³⁹ and labels as well as maintain the basic international portfolio. Currently it has a group of compilations of African songs that is still very superficial and the direct agreements with new artists could be important to keep the service's portfolio updated. With the presence of NMusic in Portugal, Brazil and Angola it is possible to leverage the music offer given the common culture between countries and especially the general acceptance of Brazilian music in Angola and Portugal.

The service is directly delivered to the customer through the service's Website, meaning that it doesn't need a physical location to reach them. The software and application will be present in several channels that are commonly used, such as the app store and Google Play.

Process: Registration will be made in the website where the user would submit a series of information about them, to prevent fraud, as soon as the password and username are set the player is ready to be used. The payment will most naturally be made using credit card or the ATM (in Angola is the Multicaixa). Depending on the partnerships that can be created the payments may also automatically be charged in the customers' monthly internet, phone or TV payments. Besides the efficiency and customer satisfaction must be guaranteed with the best technical solutions.

People: It is important to have someone who understands the Angolan market. First of all there will be, in a first phase, the need for a chief operating officer in Angola which would guarantee the perfect functioning of the player. This person would accumulate a set of tasks and it should be able to understand the needs of the Angolan users.

Physical evidence: For a digital music player it refers to the way the website is structure, namely the design and user interface. This area is responsibility of the technical department of NMusic.

³⁹ In Portugal NMusic does agreements directly with artists.

Implementation Plan

The implementation plan will be based in the 4 M's approach which covers Men, Money, Minute and Memo.

Men

Regarding internal operations, as mentioned before, there is the need of hiring a COO. This person should have demonstrated a great knowledge of the Angolan market and technological market and for adaptation and cost purposes it should be of Angolan nationality. However above anything else he/she should have already gained the required level of confidence to be in charge of this operation. The recruitment and training process is something that will need time since there isn't in the current structure of the company someone that fits this pattern (3-4 months before). When or if the company decides to implement a similar structure to the one observed in Portugal it would resemble the one in exhibit 9.

Money

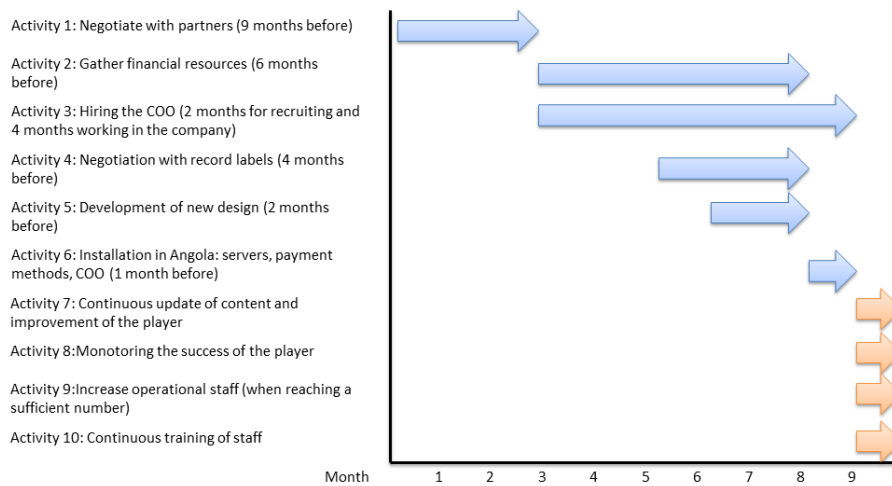
Given the traits of the Angolan Market in its current state the main idea is to have a flexible cost structure in order to serve a market niche in a profitable way. In order to achieve this structure it is not profitable, for now, the physical presence in Angola with a similar office and operational staff as in Portugal. In exhibit 10 it is possible to see that it would be a profitable operation only with a client base above approximately 25.000 users (where it reaches the break even, in nominal terms), taking into account the regular extra operating expenses of delivering the service in Angola.

Regarding the operational costs that it would have in a regular year they are presented in the P&L estimation in exhibit 11 and includes the costs with labels, collectors, COO and travels. This estimation is based on the flexible approach of having only a COO and we could see that in the first year there would be a loss however in the following years it would start to register profits.

The investment is predicted to be approximately 500 000 Euros. These include negotiation expenses (travel) the initial payment that has to be paid to record labels, the servers and the cost of hiring the COO and its placement in Angola, namely integration with the partner (see exhibit 12).

Minute

There were 10 key activities considered to launch the player in Angola, these are specified in following diagram, where it is possible to see the necessary time for each activity. It was assumed that the process would take approximately 9 months and the time needed for each activity and its interdependency can be analyzed in exhibit 13.



Memo

	Objectives	Measurement	Target	Initiative
Financial	<ul style="list-style-type: none"> Gather the financial resources; Incremental increase on revenue. 	<ul style="list-style-type: none"> The agreed terms of the financing agreement; Profitability; Number of users. 	<ul style="list-style-type: none"> 20% of growth every trimester⁴⁰ (in first years). 	<ul style="list-style-type: none"> Approach the VC's.
Customer	<ul style="list-style-type: none"> Create brand awareness Premium prices. 	<ul style="list-style-type: none"> Market studies. 	<ul style="list-style-type: none"> 10% of awareness within the partner's client base. 	<ul style="list-style-type: none"> 1-3 monthly trials; Sponsorship of events.

⁴⁰ In line with the one registered in Portugal

Internal	<ul style="list-style-type: none"> Recruit COO; Partnership with one of the Angolan companies; Guarantee the best technological resources and the quality of the player. 	<ul style="list-style-type: none"> Level of experience and confidence; Time of negotiation and the agreed terms; Server's capacity and constant improvement. 	<ul style="list-style-type: none"> Recruit within 2 months; Quality perceived by the users. 	<ul style="list-style-type: none"> Recruit; Adapt to firm's culture; Take advantage of the technological resources and know-how of partners.
Learning	<ul style="list-style-type: none"> Fast implementation namely with the partner's operation; Cultural adaptation. 	<ul style="list-style-type: none"> Enquiries to users; Market studies. 	<ul style="list-style-type: none"> Initiate activity within 9 months; Good acceptance of the design, name and features. 	<ul style="list-style-type: none"> New design and name; Adaptation of features offerings.

Risk assessment

In order to understand the risk assessment the following table presents the worst case scenario, impact, probability of occurring and the contingency plan of the objectives previously mentioned.

Objectives	Worst case scenario	Impact	Probability	Contingency plan
Deal with top company	Lack of interest of a mentioned company in NMusic's player	High	Medium	Wait until the potential of the market justifies direct investment.
Recruit COO	Not able to find someone with the background desired or willing to work in Angola	Medium	Medium	Use someone already linked with Nmusic
Financial resources	VC's and banks are not willing to invest in this internationalization Retention of capital in Angola	High	High	Find alternative to finance.
Brand Awareness	Not able to reach the niche market selected. Low investment of the partner in gaining share.	Medium	Low	Set a contract based on specific objectives for the partner.
Tech resources	Technology infrastructures are not good enough for the full use of the player	High	Medium	Improve offline capabilities of the player
Revenue growth	Not able to retain and gain new users	High	Low	Consider other partners
Political/social risk	Fall of the presidency and going back to political instability.	Medium /high	Medium	Influential partnership
Currency risk	Sharp depreciation of Kwanza if oil prices were to fall	Medium /high	Medium	Operate with the partner under the dollar currency.

Conclusions and Final Recommendations

The current potential of the digital industry in Angola is far from its full potential due to lack of technological infrastructures in the country and the great unequal economy. However having in mind the expected future of this country and the increasing interest of its competitors in other African sub-Saharan countries, NMusic should enter in this market to establish themselves as the

main music player from an early stage. By doing so it will be possible to gain incremental experience and awareness that will become very important as a future competitive advantage.

Human Resources

For now the company would benefit more by starting with a COO that would guarantee the full functioning of the service in Angola and the initial adaptation to this new market. This way it will be possible to generate positive cash-flow from an early stage and have an organic growth in the market, benefiting from the knowledgeable and flexible start-up structure present in Lisbon.

Suppliers

Although the demand for international music is increasing it is very important to guarantee a good portfolio of Angolan music. It should increase their portfolio by direct arrangements with artists and the small record labels enhancing the portfolio that already exists.

Customers

Has mentioned in VRIO framework one of the assets of NMusic is its ability to understand customers and the true value in this market right now is among the high income social classes. However reflecting the mission “To make music accessible to everybody and everywhere!” the following step would in 8-10 years to reach the entire society in a model similar to the one in Portugal, especially regarding price.

Currently one of the main demands in terms of mobile apps in Africa is for entertainment, which NMusic could take advantage of. The offline mode can also take an important role given the poor internet conditions since it gives people the ability to listen their favorite songs without being online. Moreover by offering special personal features as users’ playlist, social media link, etc. it is possible to create switching costs for the consumer.

Partnership:

Given the high risk that the country entails it is mandatory to partner up with a company already established in the market. Just like it is happening in Brazil⁴¹, there is the possibility of negotiations with a restrict number of companies and ultimately choose the one that provides the best conditions. The right partner would provide the desired customer base, relatively to the size of the company, as well as promotional capacities, since those are their main responsibilities in the value chain. As mentioned in the VRIO framework it is important for NMusic to focus its efforts in creating a strategic partnership since other companies in the sector are also doing it. It should also take advantage of the unique tailor made service that it offers to its partners and create a new brand just like it happens in Portugal.

I believe that TV Cabo is the Angolan company that fits better with the plan and strategy here presented. There are six main reasons for that:

- In terms of positioning in the market the company's service offer are targeted to serve the high income users, especially as an internet service provider.
- One of the unique features of NMusic's service is its ability to be present in television through the set box of the TV broadcaster. Together with ZAP these would be the only companies able to provide that service.
- In terms of technology TV Cabo has the best internet service, independent from the national grid, which is very important when we refer to any digital service that depends on internet to work at its full potential. Thus reducing its technological risk.
- As an half owned Portuguese and Angolan company it will be possible to minimize the risks and costs of adaptation and simplify some bureaucratic procedures
- It has political shareholders on its structure which ensures an institutional / governmental lobbying capability.

⁴¹ NMusic is currently negotiating with both Oi and Vivo to see which of them present the best offer.

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