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### CLU Business Plan

Christian León Uribe Martínez

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Berklee  
college of  
music

**Valencia Campus**

**CLU**

**BUSINESS PLAN**

**CHRISTIAN LEÓN URIBE MARTÍNEZ  
M.A IN GLOBAL ENTERTAINMENT AND MUSIC BUSINESS  
CULMINATING EXPERIENCE**

**JULY 2014  
VALENCIA, SPAIN**

## INDEX

<b>SUMMARY STATEMENT</b> .....	<b>3</b>
Vision.....	3
Mission.....	3
Philosophy.....	3
Value Proposition.....	4
Objectives.....	4
Keys to success.....	4
<b>COMPANY SUMMARY</b> .....	<b>5</b>
Company Ownership.....	5
Company Location.....	5
Management Summary.....	5
Value Chain.....	9
<b>PRODUCT AND SERVICES</b> .....	<b>11</b>
<b>PRICING STRATEGY</b> .....	<b>15</b>
<b>INDUSTRY ANALYSIS</b> .....	<b>17</b>
Historical Framework.....	17
Actual Framework.....	18
Industry Attractiveness.....	18
Industry Trends.....	19
Industry Size.....	19
Industry Life Cycle.....	22
SWOT analysis Competitive Comparison.....	23
Porters Diamond.....	25
Competitors Analysis.....	27
Competitive Edge and CLU's Differentiation.....	28
<b>MARKET ANALYSIS SUMMARY</b> .....	<b>29</b>
Market Segmentation.....	29
Target Market Segment.....	29
<i>Market Trends</i> .....	29
<i>Market Needs</i> .....	29
<i>Survey</i> .....	29
<b>STRATEGY AND IMPLEMENTATION SUMMARY</b> .....	<b>33</b>
Marketing and promotion strategy.....	34
Sales strategy.....	34
Strategic Alliances.....	35
<b>FINANCIAL STATEMENT</b> .....	<b>37</b>
Expenses.....	37
Income.....	38
Break even point.....	40
Balance Sheet / Income Statement.....	41
Ratios.....	42
<b>BIBIOGRAPHY</b> .....	<b>43</b>
<b>APPENDIX</b> .....	<b>44</b>

## SUMMARY STATEMENT

CLU Management-Booking Agency exists primarily to support independent musicians to take their music projects to the next level through professional advice and guidance. Our main objective is to provide a variety of services in order to help mid-level and well-known independent music projects grow and evolve in the direction that is right for them in their future career moves. We offer development strategies and services specialized in the internationalization and expansion of their market within the Latin American countries and in general the Spanish-speaking market including the Hispanic market in the USA.

CLU offers different services that can be provided separately or through an “all-in house” basis; this depends on the needs of each individual project. Our services are mainly divided into the following:

1. *International artist management, A&R, advising and consulting*
2. *International PR, marketing and promotion*
3. *International booking*
4. *International tour management*
5. *Legal, accounting and finance services*

**Vision-** To be a cutting edge and leading agency specialized in the internationalization of Indie music projects into the Spanish-speaking markets across different countries.

**Mission-** To support the growth of Indie music projects through the provision of a wide array of professional services that are effective and fair.

### Philosophy

At CLU management we believe in music and our passion is to inspire and help artists to take their career to the next level. Through our wide array of services we intend to address three key challenges faced by Indie projects:

- Artist's lack of knowledge and experience on the complexities of the music business world.
- Provide professional services Indie artists often have to do by themselves losing focus in their core activities such as songwriting, rehearsal and live performances.

- Expand the scope and potential of the projects through the internationalization of their music.

In addition, CLU as a company keeps in mind that the services and products it generates are part of an industry's engine driven by economic profits for both the artist and the agency.

### **Value proposition**

CLU management is seeking to provide:

- High expertise planning and executing internationalization strategies
- Fair and affordable trades in management services, promotion-marketing strategies, booking activities and tour management services for Independent music projects
- Work directly with the most important actors within each country market, through the exchange of information and the consolidation of a solid network.

### **Objectives**

The objectives of CLU are to:

- Provide expertise and tools to expand indie project's markets.
- Become a specialized management agency and expand rapidly into the region building networks that can become the path where many projects can develop their potential.
- Maintain a gross profit margin of 15% over the first 5 years.
- Hire and manage talented projects with commercial potential.
- Raise or invest US\$50,000 to start up the agency.

### **Key to success**

The keys to success are:

- To identify and work with attractive music projects which have the highest potential to succeed through internationalization strategies.
- The ability to create, refine and enhance unique and tailored high quality services and solutions for each client

- Strategic and solid networks with the main players, partners, associations, promoters, sponsors and indie record labels of the most important indie Hispanic industry.
- Rapid insertion and integration of our clients into the defined markets
- Achieve maxim profits/benefits for our clients through fair margins, which also provide earnings for the company.

## COMPANY SUMMARY

### Company Ownership

The Management agency will start out as a simple sole proprietorship, owned by its founder Chris Leon Uribe. It will be functioning as a Limited Liability Corporation to benefit from the corporate liability protection. Additional ownership will be reserved for future investors and partners<sup>1</sup>.

### Company Location

In its initial phase, CLU will be headquartered in Condesa area of Mexico City, located at the heart of the local music scene of emerging artists. For future stages (2-5 years) the goal will be to expand our presence in cities such as Madrid, L.A., Buenos Aires and Bogotá.

### Management Summary

#### *Description of Management agency Team*

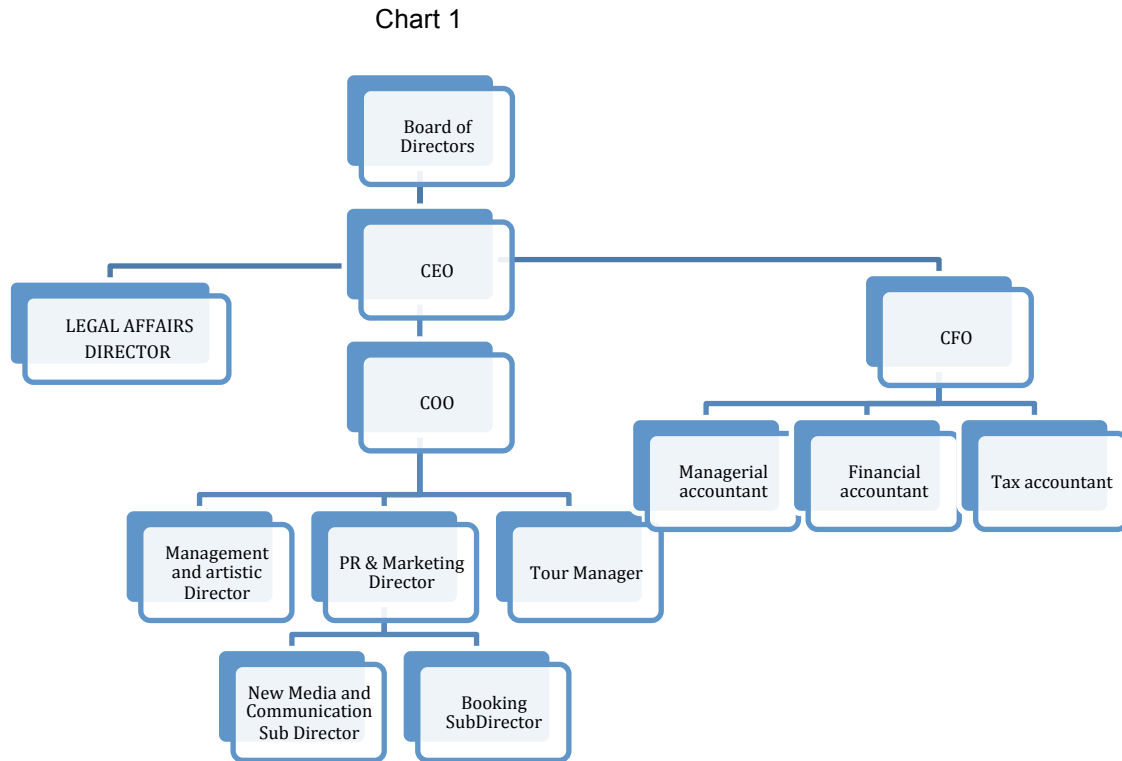
CLU will start as a small size company that has a full time staff of three people: One CEO initially responsible for the design and implementation of the management, PR, Booking and tour management activities; two coordinators responsible for overseeing the Legal and Financial departments respectively. In addition and in order to keep a low payroll cost we will outsource some services offered to music projects. The external team will be made up of a tier of consultants who will be hired on a project-based basis to respond to the necessities of clients in a tailored way.

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<sup>1</sup>Bplans.com 'Organic Restaurant Business Plan "Studio672" Start your own business plan. P.2, available at: [http://www.bplans.com/organic\\_restaurant\\_business\\_plan/company\\_summary\\_fc.php#ixzz33QVyAs1u](http://www.bplans.com/organic_restaurant_business_plan/company_summary_fc.php#ixzz33QVyAs1u)

Nonetheless the mid-term goal (2-5 years) in terms of staffing is to be able to slowly build an organizational structure composed of twelve members who can take up more areas in a dedicated way as described in the following chart.

**Internal Mid-Term Organizational Structure**



**Owner and Chief Executive Officer (CEO):** Christian León Uribe. His responsibilities include hiring the best candidate for each department; rise financial investments, to oversee the general functioning of the agency, coordinate CFO and Internal Legal Affairs Directors. At the beginning, oversee the general management, PR, Booking and touring management activities and hire the employees for the organization team and outsourcers.

**Board of Directors:** the Company’s owner and CEO, CFO, and Legal Director will compose the Board of Directors. Their roles and responsibilities include:

- Provide strategic vision and management direction of the company
- Maintain a governance-based policy for responsibility, roles and functions of the company.

**Chief Financial Officer (CFO):** duties are presenting and reporting, the internal accounting, financial and economic strategies status of the company. CFO will

hire and manage the staff and tier of consultants to secure client's accounting and finance needs. The financial department will be divided in three: managerial, financial and taxes. Duties include:

- Tax preparation and return
- Royalties invoice
- Record keeping
- Collecting the bills and demand payments in behalf of our customers and the company itself

**Legal Affairs Director-** This Director will have all the responsibilities and actions related with the internal legal issues of the company. She/he will be specialized in representing musicians putting together deals, negotiation and review of the contracts, overseeing infringements and all legal aspects related to music business.

- Contracts negotiations
- International civil and common laws
- Artist's rights related our services such as image rights, publishing rights, performing rights, copyright, etc.

She/he will also responsibly of managing and hiring staff and external consultants related to legal services and the budgets related to these activities, communicating this information directly to the CEO.

**Chief Operating Officer (COO):** will be responsible for the development and execution of all day-to-day strategies and actions in line with the Company's strategic plans. She/he will be responsible for directing and overseeing the activities of the areas below him or she within the organizational structure (see chart).

**Management and Artistic Director-** Responsible for scouting and choosing bands, artists and the right projects that fit into the profile of our clients to offer and develop the best internationalization strategies and services for each. Its services will be very related to the international publicity plans and will be responsible to provide along with the clients the content (videos, photos, records, etc.) requires for the promotion.

She/he will manage and hire staff and consultants related to artistic services provided to the clients. Its main duties are:



- Artist management and development and consulting advise to artist
- Repertoire selection
- Internationalization career plan
- Artwork
- Image consultant

In addition, he/she will be in charge of managing and implementing the budget for the artistic services. This Director responds directly to the CEO.

**PR and Marketing Director-** This Director has the responsibility of designing and proposing the best international marketing strategies, promotion activities, publicity networks and sales for each artist but also of the agency itself. She/he must authorize, execute and oversee the strategies and plans of:

- Promotion
- Publicity
- Sales
- Booking (subdivision)
- New media and Communication (subdivision)
- Merchandise marketing

**Booking Sub Director:** This sub director is the intermediary between the artist, marketing and management CLU's departments and local promoters. His or her main duties are:

- Ensure the best deals for the artist
- To offer sponsorship agreements
- Tour planning including, assemble and hold dates (along with management team), production and technical specifications
- Financial projections (along with CFO)
- Contract and secure services of the local promoters

**New media and Communication Sub Director:** This subdivision is responsible for expanding and managing social media networks and all the communication areas of the clients and the company. Services also include social media support, TV and radio promotion, advisory and pre-production of music videos and photo studios. Responds directly to the PR and Marketing Director.

**Tour Manager:** Represents the artist in the field of live performers during a hired tour. She/he will be responsible to hire the crew, provide and ensure production requirement/riders, and organize and supervise travel arrangements,

accommodations etc. Some other duties such as financing and budgeting cost, as well as handling and collecting money will be coordinated along with the CFO. Other duties include:

- Coordinate press and media interviews on-site
- Creation of the carnet document
- Oversee tour coordination along with the promoters

### **External Tier of Consultants**

Due to the huge extension of the markets and in order to keep costs low, CLU has a solid tier of country-based external consultants composed of freelance experts and companies. It will be important to create a trust relationship at all levels with all external professionals we will be collaborating with through a “Joint venture” basis. We also consider the possibility of building an “in-house” network of freelance experts in the following fields:

1. *Music and Entertainment Attorneys*
2. *Accounting and Finance Advisers*
3. *Local-International Marketing, promoters and New media-Communications*

### **Value Chain**

#### **Primary activities**

1. *Find and advise music projects strategies*
  - Choose the right projects for the services we provide
  - Analyze the best option for promotion strategies
  - Set of services
  - Management duties
2. *International promotion and marketing mix*
  - Create the press kit
  - Contact key players in each market
  - Deliver the press kit and follow up
3. *Booking:*
  - Marketing campaigns offering the projects to promoters, music festivals, managers, venue owners etc.
  - Follow up the deals along with the Legal Department
  - Set the dates and places for concerts or tours along with the management department

- Follow up payments along with the Financial Department

4. *Tour management*

- Overview the tour
- Plan production, fees and media interviews etc.
- Tour and concerts logistics.

**Support activities**

1. *Human resource management*

- In-house team
- Recruitment of core and external consultants,
- Pay structures, incentives, bonuses

2. *Legal and financial management*

- Liaison with clients promoters, venue owners,
- Payments and Contracts
- Licenses & permissions

3. *Networking*

- Develop networks in the main markets
- Build connections with new players in each market

4. *Press kit*

- Receive, gather and organize music projects' data,
- Create a presentation package
- Set up cost

5. *Technology development:*

- Website/ portal management agency,
- Update and support
- Social media campaigns

Chart 2



## PRODUCT AND SERVICES

As it was stated in the executive summary, CLU is able to provide a variety of services related to the internationalization of music projects and lined up from management, to promotion, booking and touring. It is important to underscore that in Mexico, Latin American countries and Spain, there is no differentiation or distinction between management and booking agent activities. This is relevant because in the United States and UK a certification for booking activities is required by law and it is not allowed to mix both duties<sup>2</sup>.

<sup>2</sup> The Music Bible, Music Management Forum 2003, London: Bobcat Books Limited, P. 227-228.

## **Product and services description**

1. *International artist management, A&R, advising and consulting*
2. *International PR, marketing and promotion*
3. *International booking*
4. *International tour management*
5. *Legal, accounting and finance services*

Although we have a set of establish activities such as “All-in-house” services, we are open to provide an ‘à-la-carte’ services depending in the particular necessities of artists providing mid and long-term solutions for their future career moves. These assignments out of our set of services will be paid based on the complexity and time-requirement that the project requires.

For each of the services, CLU requires to sign a contract in order to prevent other player’s participation and to ensure trust amongst all the parties involved. Each service has its own specific duration and its specific territory where CLU will entitle exclusively the international representation of the music projects.

## **International Management**

We will work together with the music projects as a team having the common goal of develop and advance its careers. Firstly, CLU will make an analysis in order to recommend what would be the best market and the most accurate strategy related to a specific project.

Secondly, management services will be provided along with others like Promotion-Marketing and Booking providing follow up of these activities and providing any information about schedule, requirements, content or material about the artist.

The management department will advise and consult with the artists about income and expenditures. Furthermore, we will negotiate with third parties on their behalf. The artist will be informed periodically about these matters.

The terms of the agreements will be 2 to 3 years with a further extension option of 1 or 2 years. The artist must send a three-month notice of termination before the due date. If he or she does not terminate then the term will extend for one year.

## **International PR, Promotion and Marketing Mix**

CLU will use promotional strategies to reach the target market and facilitate the promotion of artists. The promotion strategy will be tailored to the objectives and necessities of each project. We offer “2 scenarios” for promotion strategies that can be hired separately or one after another for better results:

1. International Promotion Plan: We do the first approach of a music project into a new market through a press kit delivered directly to the hands, desktops and online mailbox of our local contacts. These contacts include: publishers, critics, journalists, venue owners, music and entertainment executives, local record labels, promoters and management agencies, etc. This scenario is recommended for unsigned and mid-level bands that would start to make some presence in into a new market. The period of this promotion will be one month.
2. Marketing Mix Plan: This plan is second part of scenario 1 and also directly for well known or more experience independent projects. To penetrate specific territory, we mix different kinds of promotion including traditional and new media channels such as: indie magazines, newspaper columns, Indie web portals, college and internet radio stations, television shows of indie music, music blogs, publicity flyers, etc. The goal in this scenario is to create awareness of the music project in order to be attractive for promoters, venue's owners, music festivals etc. The period of Marketing mix plan will be 3 months.

During the promotion period, we will be monitoring the campaign and doing a managerial follow up providing any information and material requested. We will present the artists in the most attractive way with the information provided by the artist such as:

- Sound recordings (demos, LPs, EPs, Collaborations, featuring's etc.),
- Visual recordings (films, music videos, TV appearances etc.)
- Photos, logos, artwork
- Personal information about the members of the project,
- Information about performances, appearances in concerts, festivals, TV, radio, Films, etc.
- Newspaper and magazine interviews, reports, notes, citations etc.

- Sponsorships (current or past)
- Web page, social media accounts, video channels etc.
- Statistic data related to the fan base, likes, followers, streams web page visits

At the end of both scenarios, Promotion and Marketing mix, we will present a final report of the campaign including the list of those media and press that were streaming, reviewing and publishing the project's work. In addition, we will also present a data analysis (downloads, streams, likes, new followers, etc.) in order to evaluate the effect of the campaign and the interest generated by the project.

## **Booking**

Interest raised by the promotion strategies, must be capitalized by the booking team. It will be the intermediary between the artist/manager, and promoters and venues owners. A specific Press Kit will be elaborated for media and industry players to let them know about production and technical specification, issues, costs and requirements of live performance. In addition it will also provide artwork, photos, logos and material related to advertisement. The main goal will be to assemble, hold and sign/confirm dates, concerts, festivals and tours. Booking area will work along with management to coordinate this information and do paperwork for contracts.

Other duties will include: financial projections, ticket sales monitoring and receive and hold the deposits.

## **International Tour Management**

A set of 6 dates booked in a maximum of 30 days period will be considered a Tour. CLU will master mind the production plan, touring logistics and management acting as a tour manager. The tour manager and one assistant will travel accompanying the band to coordinate everything related to: receptions and press conferences, show case's, guest and V.I.P list and run the day-to-day press office activities, insurance terms, etc.<sup>3</sup>

If during the tour there is a merchandising offer, the main role of CLU's Tour Management will be to provide the best strategy, approach, and advise as well as to run the negotiation and signing. This deal normally is under a "Split-Profit Deal" basis, where the merchandiser is responsible of supplying and selling

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<sup>3</sup> The Music Bible, Music Management Forum 2003,London: Bobcat Books Limited. P.54

products, splitting gross profits 80/20 in favor of the artist, after the merchandiser's administration fee reduction.

## **Accounting**

CLU will be responsible for all the accounting of the international management PR, booking and touring. The main activities in this respect include bookkeeping, tax returns, invoicing, and payments. The Accounting Department will control artist's income in the sense of ensuring full and timely earnings. The payments will be done in a monthly basis as well as the record of the transactions affecting the artist. The report will describe income, source of income, expenses, commissions, deductions etc.

The artist's income will go directly to their bank account and artist will have the right to audit our accounting statements no more than twice a year and only after a 30 days notification.

## **PRICING STRATEGY**

Generally speaking, the pricing will be based on the following:

- Type and size of services: each service has its own characteristics and price, percentage or payment plan and quantity or period of time will also affect costs.
- "All-in-house" basis: we offer a bunch of services interrelated avoiding double full charges and "Double dipping"

In addition, in case we have to outsource some services we don't provide in-house, the strategies will vary on two aspects:

- Complexity of the project: The Company plans on outsourcing the work to a network of vendor's ex. Accounting & tax company's, Lawyers, Marketing Agency and Show production companies.
- Competitiveness of the price: The Company will measure its price quotes from vendors to identify the best service at lowest price. Nevertheless, we will add a 10% increase on this provider's price quote.



## **Management**

The commission payable to the manager by the artist in respect of international management services will be a 20% of the net profit in any kind of personal appearance or concert. In the case of Touring under the "All-in-house" services, management would not take any commission from "Touring management" duties as it is stated in that section.

### *Management Partnerships*

If there is a local manager interested in promoting the music project within a specific territory she/he will report to CLU and share 50% of the commissionable profits in a sub-management basis.

## **Publicity**

For the 2 scenarios of international publicity we have a flat fee for each:

*Scenario 1*, PROMOTION: U.S.\$350.00 per one month

*Scenario 2*, MARKETING MIX: U.S.\$197.00 monthly under a 3 months contract.

These costs include all of the activities listed in "Product and services Description" and also include management "Follow up" duties.

## **Booking**

The "common" charge for booking services is 10% of gross profits. However, if these services are under our "All in house" terms, CLU will charge only **7%** of gross profits from the artist for this concept.

## **Touring Management**

In a normal basis, CLU will charge the 10% of the gross income minus taxes, for touring management services.

If the services hired by one artist are under our "All-in-house" basis, CLU will only charge for both, Management and Touring management a set commission rate of **17.5%** of the gross income minus taxes in live performances while touring. Therefore, the established 20% of the net artist income's deduction of management concept is eliminated under this scenario to avoid "Double dipping".

Expenses such as hotel rooms, per diem, air and rail fares, travel cost, car hire, taxis, etc., will be deducted in relation of each case from gross, promoters or artist income.

### **Merchandising and Sponsorships**

These subjects' income only applies when associated with tours promoted by CLU and the commission of them will be treated separately from touring losses and profits. In the case of merchandising deal the Split-Profit deal will give to the artist 80% of the gross income of sales and Tour Management is taking 20% of the artist's net profit because of negotiation and paperwork duties<sup>4</sup>.

## **INDUSTRY ANALYSIS**

### **Historical Framework of Independent music Industry in Latin American**

In the decade of the 60's the rock genre and the social movements where quite related in Latin-American countries. After many aggressions against students and repression of social movements dictatorship governments raised, resulting in prohibition of music genres such as rock and funk among others. For instance, in Mexico after the Festival of "Rock and Wheels Avándaro" (Mexican version of Woodstock Festival) in 1971, the Mexican rock suffered systematic governmental censorship. Government also took off this music from the radio and banned any performance of this genre on TV. They also led constant press discrediting, pushing the genre into a rough marginalization. Very few recordings of that time are left because record companies stopped producing albums, or they simply disappeared<sup>5</sup>.

After almost two decades, the 80's movement "Rock en tu Idioma" appeared mainly in Spain and Argentina and was spread within the Latin-American countries becoming the flagship for a new generation. Unfortunately, by that time and during the 90's the mainstream labels still had the power of the industry where they chose which music to produce and promote. Mexican counterculture movements in the early 90's supported emerging bands such as Café Tacuba, Caifanes, Fobia, Maldita Vecindad and Mana<sup>6</sup>.

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<sup>4</sup> The Music Bible, Music Management Forum 2003, London: Bobcat Books Limited, P.54

<sup>5</sup> Arana, Federico, Guaraches de ante azul. Historia del rock mexicano, México. Editorial Posada. 1985

<sup>6</sup> "Rock en papel. La historia del periodismo del rock mexicano" Entrevista a Antonio Rotunno en Marvin Editorial María Enea, México, 2002. Blanc, Enrique, Op. Cit., p. 47 Cfr., Abril 2012, Número 100.

## Actual Framework

Based on this history, I believe today's Indie movement can be seen as the consequence of those genres and projects that could be mainstream but due to the political and social events had to move aside of the commercial market. However the current Indie scene is perceived in a different way; for instance according to Javier Blánquez and Juan Manuel Freire (journalists and music critics) the indie movement [...] "shows some of the features that any kind of art should pursue at all costs: autonomy (regarding commercial interests) and the rejection of the established canons".<sup>7</sup>

Thanks to the proliferation of new technologies in the last 15 years, many new music artists have begun to record, edit, promote and distribute their works by themselves and with their own resources. This unstructured and dynamic indie subculture was built from communication links embodied in concrete ideas and practices such as: attending concerts, records, publications, any kind of artwork, fashion, etc. In addition, the increasing number of new independent labels and management agencies, concert venues, festivals as well as sponsors, allowed the indie scene to capitalize financially as an industry. This heterogenic scene has developed many music styles such as folklore popular, rock indie, experimental, sonidero, electro cumbia etc.

## Industry Attractiveness

The Indie world market has been steadily growing. For instance it has grown by 24 percent in the U.S.A. during the first half of 2013<sup>8</sup> and this trend is similar in and Latin American and Spain. These trends along with the need to find new ways to commercialize and expand Indie music to a larger audience constitute a perfect environment for this kind of music projects.

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<sup>7</sup>La Musica como texto, el indie como subcultura: un acercamiento, desde la teoría subcultural, a la Escena Indie en México a partir del análisis de dos revistas: Marvin e Indie Rocks!. Gonzalez Tolosa David, Universidad Autónoma Metropolitana Unidad Cuajimalpa, Maestría en Ciencias y Humanidades. P.19, available at:  
[http://www.academia.edu/5624006/LA\\_MUSICA\\_COMO\\_TEXTO\\_EL\\_INDIE\\_COMO\\_SUBCULTURA\\_Un\\_a\\_cercamiento\\_desde\\_la\\_Teoria\\_subcultural\\_a\\_la\\_Escena\\_Indie\\_en\\_Mexico\\_a\\_partir\\_del\\_analisis\\_de\\_dos\\_revistas\\_Marvin\\_e\\_Indie\\_Rocks](http://www.academia.edu/5624006/LA_MUSICA_COMO_TEXTO_EL_INDIE_COMO_SUBCULTURA_Un_a_cercamiento_desde_la_Teoria_subcultural_a_la_Escena_Indie_en_Mexico_a_partir_del_analisis_de_dos_revistas_Marvin_e_Indie_Rocks)

<sup>8</sup> nypost.com 'Indie artist are new No.1 in music industry' Claire Atkinson, January 2<sup>nd</sup>, 2014, available at:  
<http://nypost.com/2014/01/02/indie-artists-are-new-no-1-in-music-industry/>

## Industry Trends

Some of the trends impacting the Indie movement, which fit under the logic of CLU, include:

- *Collaborative consumption*: this new trend is changing the way in which society is using network technologies to do more with less by sharing, lending and renting products. As mentioned in a recent article published by Trend Watching, “we live in a village where we can mimic the ties that used to happen face to face, but on scale in ways that have never been possible before”<sup>9</sup>. This situation leads us to trust and trade any products, services or even music projects virtually thanks to the new technologies.
- *Music as a driver of social media engagement*: this marketing tool empowers super-fans and attracts new audiences gaining momentum in a competitive environment.<sup>10</sup>

## Industry Size

Although global recorded music industries' revenue fell by 3.9% in 2013, music sales in Latin America grew 1.4% (\$521 million) in emerging markets such as Brazil, Venezuela and Argentina. In addition, subscription services revenue continue to grow and analysts provide very optimistic forecasts.<sup>11</sup>

Mexico and Spain are part of the Top 20's highest revenue list for the record music industry produced by the International Federation of Phonographic Industry (IFPI) in 2013. Furthermore, Mexico is #1 within Spanish-speaking countries music markets in Latin America, 2<sup>nd</sup> world wide after Spain as the following chart shows.<sup>12</sup>

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<sup>9</sup> Thewatching.com, 'BOSTON: The End of Ownership', May 16, 2013, available at: [http://www.trendwatching.com/about/inmedia/articles/2013\\_the\\_end\\_of\\_ownership.html](http://www.trendwatching.com/about/inmedia/articles/2013_the_end_of_ownership.html)

<sup>10</sup> bpi.co.uk 'BPI Digital Music Nation 2013', available at: [https://www.bpi.co.uk/assets/files/BPI\\_Digital\\_Music\\_Nation\\_2013.PDF](https://www.bpi.co.uk/assets/files/BPI_Digital_Music_Nation_2013.PDF)

<sup>11</sup> 'IFPI Music Report 2014: Global Recorded Music Revenues Fall 4%, Streaming and Subs Hit \$1 Billion', available at: <http://www.billboard.com/biz/articles/news/global/5937645/ifpi-music-report-2014-global-recorded-music-revenues-fall-4>

<sup>12</sup> Industria Musical.es 'Principales países hispanoparlantes en el Mercado de la música grabada'. Angel Navas, april 3<sup>rd</sup>, 2014, available at: <http://industriamusical.es/principales-paises-hispanoparlantes-en-el-mercado-de-la-musica-grabada/#sthash.FLKb2xsA.dpuf>

Chart 3

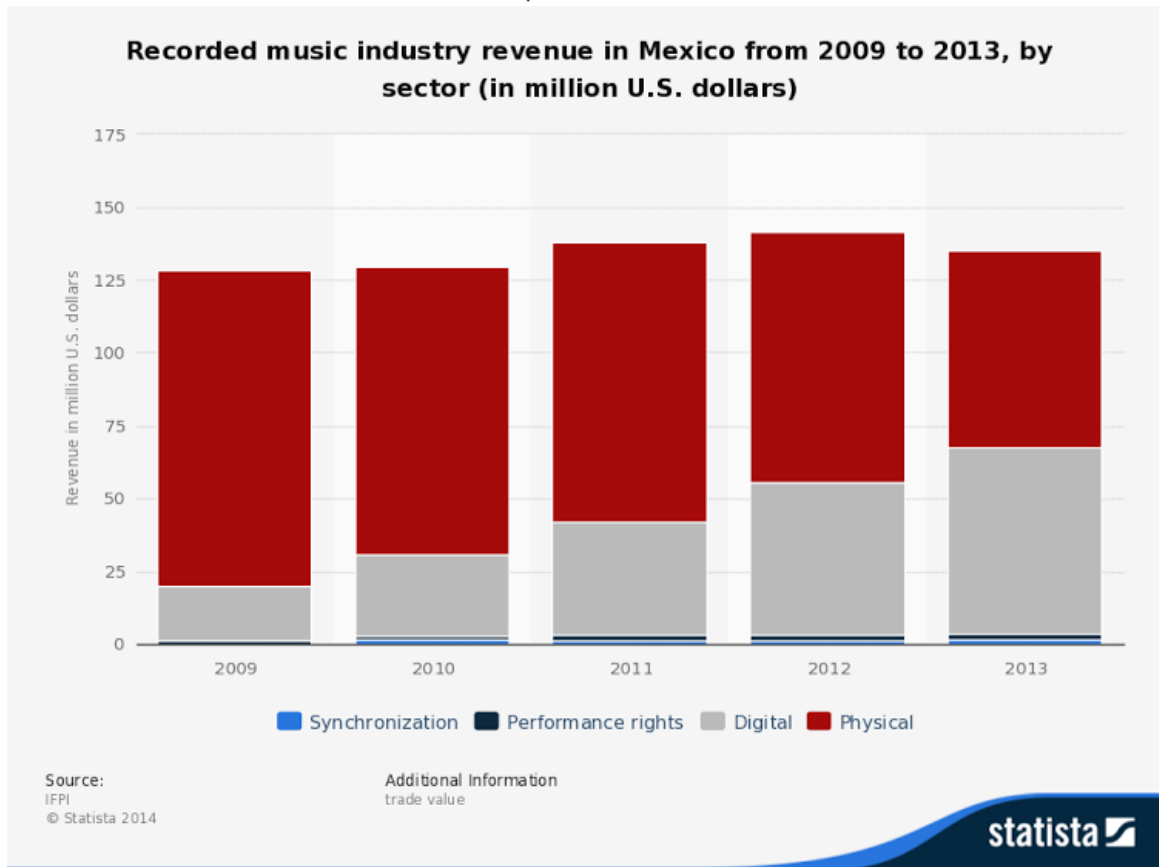
RECORDED MUSIC REVENUES – TOP 20 MARKETS SUMMARY (2013)								
	Country	Trade value			Market split (trade value)			
		US\$ (M)	Local currency (M)	% change	Physical	Digital	Perf. rights	Synch.
1	USA	4,473.5	4,473.5	0.8%	30%	60%	6%	4%
2	Japan	3,012.0	293,998.2	-16.7%	80%	16%	3%	1%
3	Germany	1,365.1	1,023.9	1.1%	73%	21%	6%	1%
4	UK	1,303.5	834.2	2.2%	44%	44%	10%	2%
5	France	956.2	717.1	1.3%	64%	23%	12%	2%
6	Australia	430.8	448.1	-8.4%	37%	54%	7%	2%
7	Canada	424.1	436.9	-2.5%	41%	50%	7%	2%
8	Italy	238.8	179.1	8.3%	56%	27%	15%	3%
9	Brazil	227.9	492.3	-1.7%	54%	34%	12%	1%
10	South Korea	211.3	232,249.4	9.7%	46%	51%	2%	0%
11	Netherlands	205.6	211,877.7	0.1%	49%	35%	15%	1%
12	Sweden	194.2	1,266.2	5.7%	21%	70%	8%	1%
13	Spain	150.7	113.0	-12.4%	48%	30%	22%	1%
14	Mexico	135.4	1,727.2	-4.4%	50%	47%	2%	1%
16	Austria	119.7	89.8	-1.5%	65%	22%	13%	1%
17	Switzerland	115.6	107.5	-10.9%	56%	37%	8%	0%
18	Belgium	114.1	85.6	-9.6%	54%	27%	19%	1%
19	India	113.3	6,637.0	-15.9%	31%	60%	7%	2%
20	Denmark	95.0	534.0	4.7%	30%	55%	15%	0%
	<b>Global</b>	<b>15,029.5</b>		<b>-3.9%</b>	<b>51%</b>	<b>39%</b>	<b>7%</b>	<b>2%</b>

Source: IFPI.

Since 2009, the Mexican music market has been growing constantly. In 2012 its revenues surpassed the US\$140 million. However, in 2013 revenues fell due to decreasing physical sales as is shown in the graph below.<sup>13</sup>

<sup>13</sup> Industria Musical. 'Evolución de la Industria de la música grabada en México. Carlos Martínez, May 16<sup>th</sup>, 2014, available at: <http://indusstriamusical.es/evolucion-de-la-industria-de-la-musica-grabada-en-mexico/#sthash.zKICF7Yc.dpuf>

Graph 1



The second place is for Brazil. We don't rule out working in that market although its first language is Portuguese. Argentinian market is 3<sup>rd</sup> within the Latin American market. Berklee's Professor Peter Alhageff stated that Colombian music market revenue's are close to \$30M, which would rank it in #4<sup>14</sup>. IFPI states that Chile and Peru are #5 and #6 respectively.

A very important point is that the US, the most important music market in the world, has the second biggest Spanish-speaking community in the world, only after Mexico. Many analysts consider this "US Latino Market" as the most important Spanish-speaking market for record music worldwide.

In addition, according to Pro-Music.org, Mexico's digital download revenues grew 21.95% in 2013 compared to the previous year. It became the first within Latin American countries with more legal digital music platforms (download options,

<sup>14</sup> Industria Musical.es 'Principales países hispanoparlantes en el Mercado de la música grabada'. Angel Navas, april 3<sup>rd</sup>, 2014, available at: <http://industriamusical.es/principales-paises-hispanoparlantes-en-el-mercado-de-la-musica-grabada/#sthash.FLKb2xsA.dpuf>

subscription services and ringtones) with 28. Mexico is followed by Brazil with 19 platforms, Argentina 13 and Chile 10.<sup>15</sup>

Spotify Mexico was the worldwide most successful launch of all performed by the Swedish company. Moreover, on May 2013 Vevo started with its catalog of 100,000 music productions independently from Youtube. It helped to rank Mexico as the *second largest market globally* in video consumption with over 500 million monthly views.<sup>16</sup>

### *Music startup environment in Mexico*

Due to the growing economy, Mexico has a healthy startup ecosystem and holds the largest Startup Weekend presence outside of the United States. It is the 14<sup>th</sup> largest economy in the world and is growing 40% faster than Brazil's which has been the "emergent-miracle's economy" in the last few years.<sup>17</sup>

US investors are watching Mexico in a different way and there are two big examples to point this out. The first one is the recent acquisition of a venture capital fund by Dave McClure's 500Startups. Secondly, the U.S.\$ 70M VC fund for Mexican tech companies.<sup>18</sup>

## **Industry Life Cycle**

The traditional music industry and big record labels have been in decline for the last 15 years. On the other hand, it is believed that the Indie industry is currently in a growth phase, nearing the phase of maturity. In addition, the management of independent projects seeking the internationalization expansion has been gaining ground. Music startups and new ventures also helped in the increase of projects and success of this industry. It is believed that channels such as Spotify, Soundcloud, Bandcamp, and other services are allowing artists who had been

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<sup>15</sup> Industriamusical.es 'En México se disparan las ventas de música digital'. Angel Navas, February 27th, 2014, available at:

<http://industriamusical.es/en-mexico-se-disparan-las-ventas-de-musica-digital/#sthash.GaRXtdHx.dpuf>

<sup>16</sup> Industriamusical.es 'Evolución de la Industria de la música grabada en México'. Carles Martinez, May 16<sup>th</sup>, 2014, available at:

<http://industriamusical.es/evolucion-de-la-industria-de-la-musica-grabada-en-mexico/#sthash.BsP4QbTG.dpuf>

<sup>17</sup> Techcrunch.com 'Mexico is happening at TechCrunch disrupt'. Eduardo Serrano, September 3<sup>rd</sup>, 2012, available at:

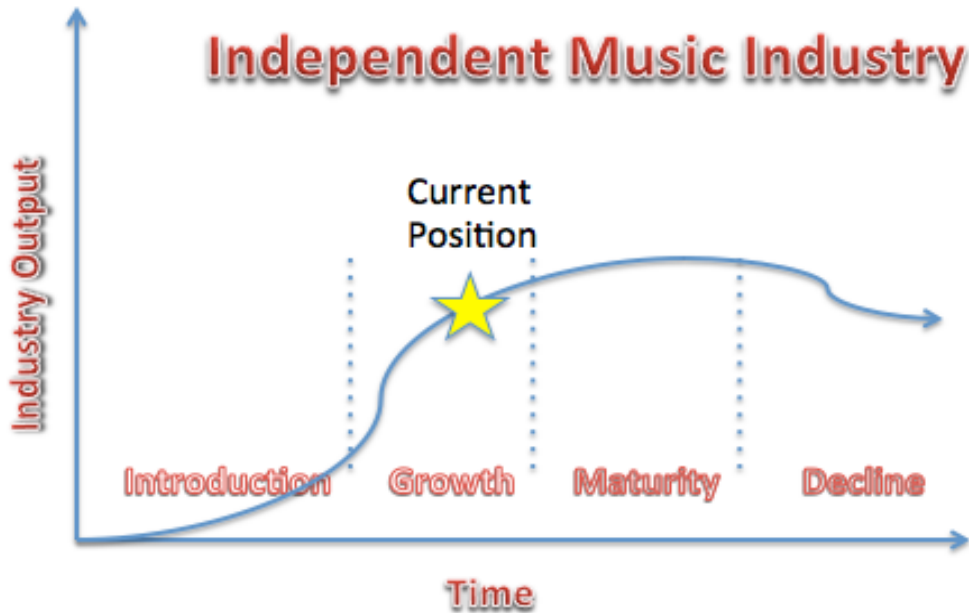
<http://techcrunch.com/2012/09/03/mexico-is-happening-at-techcrunch-disrupt/>

<sup>18</sup> Venturebeat.com 'Meet the mexican startup taking on the music industry' M. Chris Johnson, September 4<sup>rd</sup>, 2012, available at:

<http://venturebeat.com/2012/09/04/meet-the-mexican-startup-taking-on-the-music-industry/>

local to become global. These new companies are also growing steadily thanks to the new technology and new ways of produce and market music. Consumers are reaching artists they wouldn't have otherwise, causing a shift in music preferences and new interest for independent artists. For these reasons, we can state that independent industry is in the growing stage and is still growing everyday.

Graph 2



Source: developed by author based on above cited research.

**SWOT Analysis Competitive Comparison**

The competitive environment of our market is relatively strong. There is a mix between the huge management agencies of the mainstream market, Indie management agencies, independent “Free-lance” managers and DIY projects. Taking a better look at the competitive landscape a SWOT analysis shows the following:

*Strengths*

There is not a provider of services specialized in internationalization. Furthermore, even though some of the competitors offer similar activities, no one has the same structure in terms of the wide array of services. The relation between the different activities and the specialization in these services put CLU in a unique position over their competitors.



### *Weakness*

Due to the extension of the possible markets, it will be hard for CLU to establish strong networks in all the countries. These networks must be developed from the beginning based on individual music project needs. After some time and the confidence obtained thanks to the success of the strategy, the networks can be increased.

### *Opportunities*

The quantity and quality of new independent projects are increasing thanks to many factors such as social media, music software's etc. There are many projects that need guidance and support to exploit the market's potential. In addition, recent researches show that the Spanish language is the second most spoken in the world only after the Mandarin. Almost 500 million of people have Spanish as mother tongue therefore the number of potential music costumers is very attractive.<sup>19</sup>

Another important fact is that the package of services offered by CLU are interrelated making them more attractive and affordable and providing us an opportunity to grow over competitors.

Lastly, thanks to the new technologies and social media CLU has the chance to make business and expand markets without being in physically in each country.

### *Threats*

We have identified some threats that can affect the strategy, results and also the way CLU will operate:

- Mainstream agencies: They are always looking for talent and taking them to their market. Specially these days when they are not willing to invest in the creation and development of the new projects. It will be a big threat because at some point, they would like to snatch Indie projects that could become an international success.
- Competitors could copy CLU's "All-in-house" business model and could try to offer the same services in the same manner as us.
- Independent artists are not often economically wealthy and the cost of the some services couldn't be afforded by some of them.

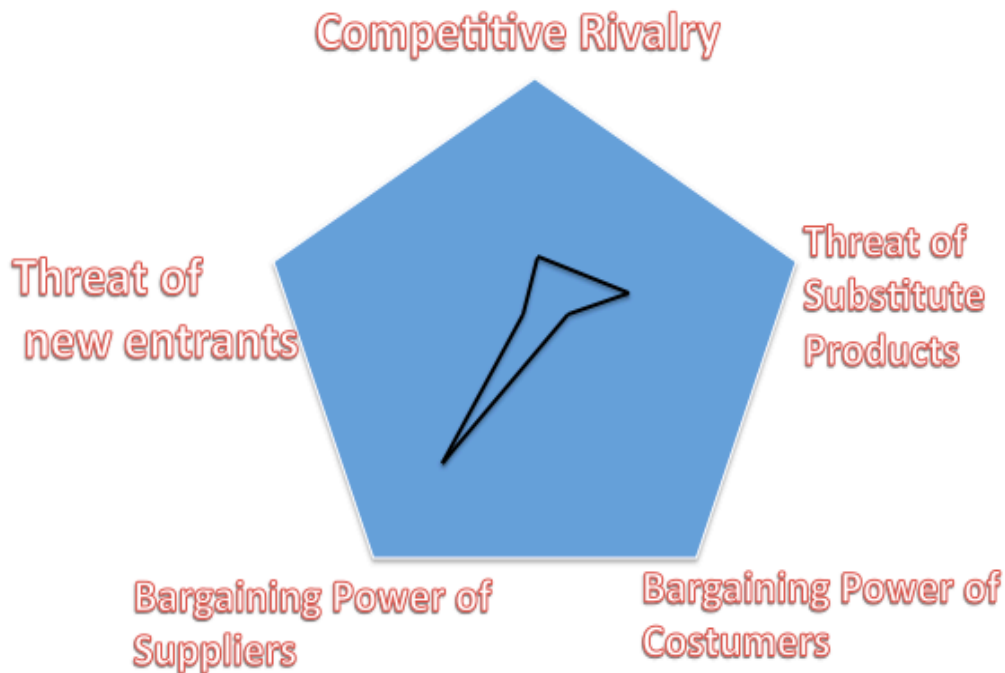
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<sup>19</sup> Quo.mx 'Noticias: 500 millones ya hablamos español' Redacción Quo, January 14th, 2013, available at: <http://quo.mx/noticias/2013/01/14/500-millones-ya-hablamos-espanol>

## Porter's Diamond

The following Porter's Diamond helps further the analysis of CLU's particular industry.

Chart 4



### Threat of New Entrants (2/10)

The threat of new entrants is extremely high, making it an unattractive industry in that respect. The barriers of entry are very low in the indie industry. Many of the musicians that have projects are their own managers. The difference could be that professional and high quality servicers can't be provided for anyone. In addition, the start-up cost required to create a management agency in Mexico considering technological tools, office and staff is relatively accessible. There isn't any regulation for new entrants by the Mexican law in this respect<sup>20</sup>.

### Threat of Substitute Products/Services (3/10)

There are no perfect substitute services for what we are offering, considering that the object is to support the internationalization of the projects, but there are

<sup>20</sup> Ley Orgánica de Competencia, Chapter III, article 16, Mexico, available at: <http://www.eclac.cl/mexico/competencia/mexico/documentos/MEXICO-LeyFederaldeCompetencia.pdf>

certainly similar services that could be substituted. Not only are other indie-music management agencies represent a threat but also, the services and strategies can be copied from other managements. The key point will be to build strong networks with the main players within the local markets in each country. In addition it will be crucial to choose and offer the right projects in order to provide an exclusive value in our services.

#### *Bargaining Power of Suppliers (8/10)*

The suppliers are basically the artists/projects. The management agency is not necessarily tied to one project taking in consideration the huge number of artists with a high level of competition among them. This situation will allow us to choose any project we consider has potential to be commercialized, lowering their bargaining power to a desirable level.

#### *Bargaining Power of Customers (2/10)*

We can define 2 types of customers for our services:

1. Unsigned-mid level-well known artists: On the top of it, our first customers are the artists. We know that having an agreement with the artist, they will have strong bargaining power due to compromise and responsibility it represents.
2. Indie management agencies & record labels/ Promoters & venue's owners: When selling the artist and services we know that these customers have a high amount of choices in the local and external markets when deciding which music project they will be interested in. This framework empowered them by knowing the costs could be low if the options are many. In addition, it will take also time and big effort for us to have enough bargaining power over the promoters and venue's owners in each market. Only by developing an exclusive catalogue of attractive projects we will have the chance to balance this relation with customer in our favor.

#### *Competitive Rivalry within the Industry (3/10)*

The management services have high rivalry within the indie industry. There are companies on-line and off-line competing for the same consumers, which leads us to develop better strategies based in our networks and using better marketing

resources to rise above the competition.

### **Competitors Analysis**

In Mexico we can find management offices of the big worldwide record labels, two big management agencies and some small ones under the mainstream scene. Besides to the management duties to commercial projects, these agencies are always “fishing” new successful-profitable projects of the Indie industry. This oligopoly structure grabs almost the 90% of the most commercial artistic roster.

Although they are not identified as primary competitors due to the differing value proposition, we have to consider them as players in our field. Under this framework, competitors are:<sup>21</sup>

#### Big record labels

Warner Music Mexico

Universal Music Mexico

Sony Music Mexico

#### Management agencies

Westwood

OCESA/Seitrack

#### Small commercial agencies

Fraternity talent

MA Talent Agency

Over the last 15 years the Indie industry has seen the raise of many small management agencies that have become more important thanks to the growth of the industry and the success of some of the music projects. Now a day there are different models for the management services in the indie scene. They are divided in management agencies, agencies with management and booking services, Indie record labels with management and booking department, 360 deals and projects that have their management services abroad. Only few of them are really big and have services that involved international trades.

Due to the variety of services and providers, we can consider that the industry is *moderated concentrated*. An important fact is that none of the agencies provide specialized services in developing strategies for international career plans.

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<sup>21</sup> Mainstream Competitors websites information available at Appendix A

The following companies have been identified as our most relevant competitors:<sup>22</sup>

*Indie management agencies*

Bunker Producciones  
Pájaros de Piedra Management  
Kaiman Entretenimiento  
Los Manejadores  
Because You Rock  
Palmerita  
Tape Booking and Management  
Verbigracia  
Abolipop

*Publicity companies*

Latin Music Wire Publicity

*360 services, booking, management, publishing and record label*

Class Music Group, Home Artist

*Record labels with management services*

Terrícolas Imbeciles  
Discos Intolerancia  
Indian Gold Recods

*International Agencies with Mexican projects*

Moon Moosic Management  
Cookman International (USA)  
The Talent Boutique (France)

## **Competitive Edge and CLU's Differentiation**

One of CLU's important advantages is that despite of many management agencies within the indie music scene in Mexico, there is no one only focused in internationalization services. In addition, some companies help in the promotion and booking abroad, but none do it along with management services, giving advice and providing specific plans and strategies for each project. Another attractive advantage is the package of services and affordable prices under the

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<sup>22</sup> Indie Competitors websites information available at Appendix B

“All-in-House” framework.

This “All-in-House” framework is a key differentiating factor is because everything is set up to follow a path to take the music project through each step from management advisory to promotion-publicity, booking and tour management.

## Market Analysis Summary

### Market Segmentation

CLU management has identified 4 groups of market segments for the services we offer. Our customers would primarily be emerging artists who have limited funds and wish to expand their project and move their careers to the next level. In the first phase most of our consumers will be mainly nationals (Mexico) but our services will be also offered in Hispanic music markets.

The Potential Customers for our services must fall under the following characteristics:

- *Unsigned-Mid-level Projects*: Talented Projects in their early professional stages but who already have their own record, perform frequently and have a small fan base. They are looking to expand their scope and consolidate their projects into the markets.
- *Well-known Indie Projects*: Projects signed by an Indie record Label or one Major's sub-labels. They already could have or not management services. These projects already have an established fan base, and make profits from their concerts, tours and record sales.
- *Indie management agencies and record labels*: we also can consider as a clients Indie agencies and record labels that are looking for Internationalization strategies for projects they already signed.
- *Promoters and venue's owners*: as part of our booking services, we will have them as client offering the music projects to hire a concerts or tours.

### Target Market Segment Strategy

#### *Market trends*

Thanks to the language factor, online tools and the necessity to expand into the market, many independent projects are starting to make concerts and small tours outside their own countries within the Latin-American region. In addition, the increasing number of promoters, venues and music festivals such as “Vive Latino” in Mexico, “SXSW” in Austin, “Rock al Parque” en Colombia, “Tame

Impala” en Chile and “Lollapalooza” in Argentina, “Territorios” in Sevilla among others have been an important scenarios for the music exchange.

### *Market Needs*

The market needs are established through the previous research and a survey that we developed and implemented as part of this business plan (described below). Based on the surveys we know that marketing, promotion, management, solid plans and implementation for the careers are considered the greatest needs of our potential costumers. An important fact is that the number of new artists is growing each year creating a huge demand of skilled people and companies that are able provide different kind of services in the region. According to the results of the survey we know that artists do not often have professional management support and act as their own managers with everything that this entails.

### *Surveys*<sup>23</sup>

While developing the background research for this business plan, it was evident that in México and in Hispano America countries there is not enough and current statistical information about the indie industry. In order better understand the needs of potential clients CLU developed 3 online surveys directed to artists, promoters, managers, record labels and other actors within the indie scene mainly of Mexico<sup>24</sup>. The first survey was created to understand the general perception about indie scene and information of management activities. The second focused on promotional-marketing activities and internationalization goals of the artists. The third survey gathers information regarding artist's needs related to their project's goals and if they were interested in professional internationalization services. Based on the answers obtained we present some graphs that justify CLU's core proposition:

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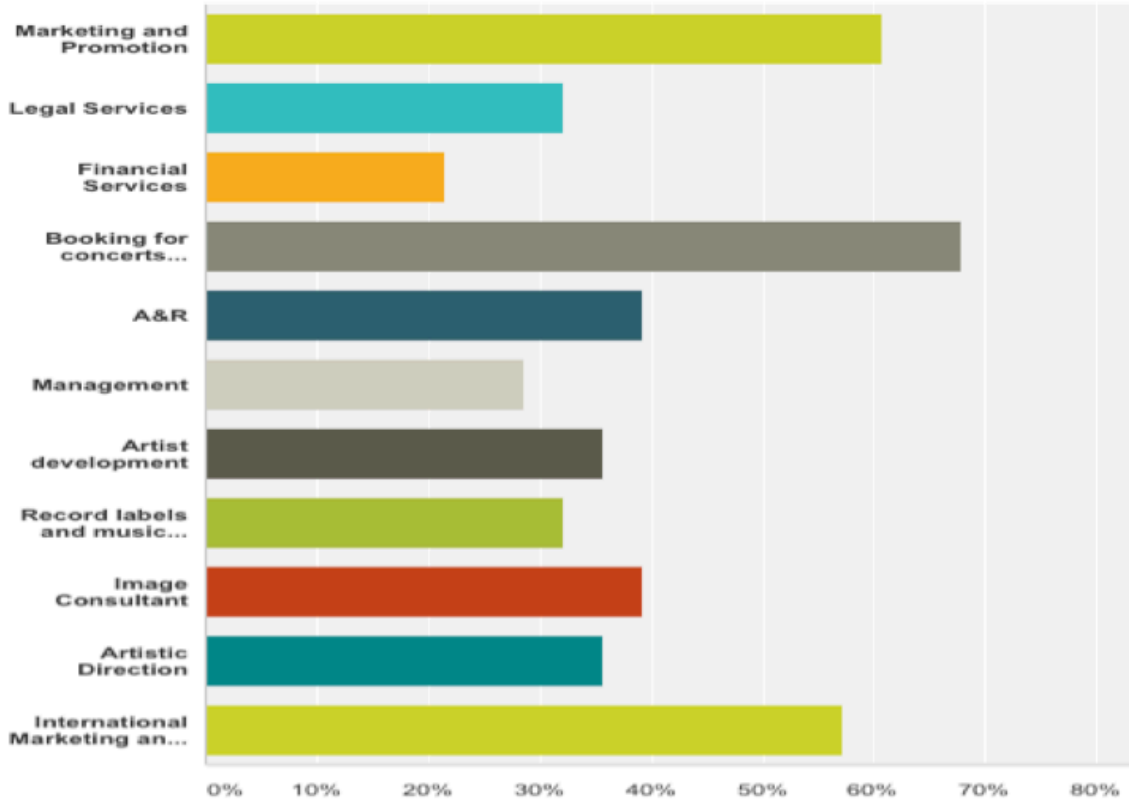
<sup>23</sup> Surveys and it results available at:

1. Management <https://es.surveymonkey.com/results/SM-T2266GD8/>
2. Promotion/Marketing <https://es.surveymonkey.com/results/SM-5JQY6GD8/>
3. Music projects <https://es.surveymonkey.com/results/SM-7LH36GD8/>

<sup>24</sup> Each of the 3 surveys included 10 questions with a total of 30 questions. 61 people responded the survey in a 15 day period. The survey is still online. The fact that we got this amount of responses in a short period, speaks to the relevance of this issue for this group of people.

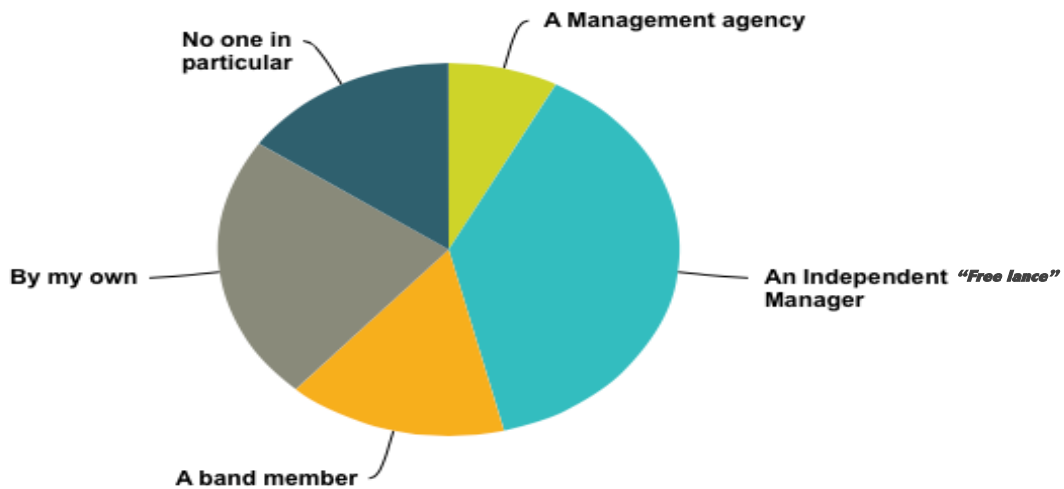
Graph 3

### What are the most important services that a Management agency must provide to help Indie projects?



Graph 4

### When touring abroad, who takes care of contracts and negotiation?

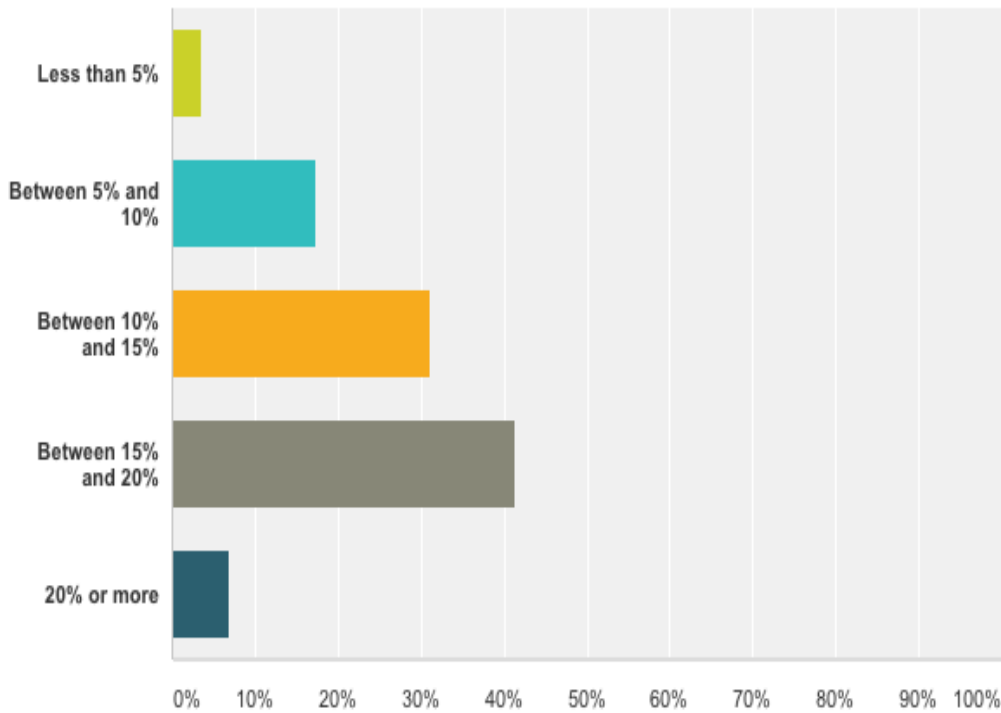




*Affordability:* Knowing that most of the independent projects are not economically wealthy, we investigated their willingness to pay or share for the management services. More than 40% of the participants said they would a fair percentage for the management services will be 20%.

Graph 5

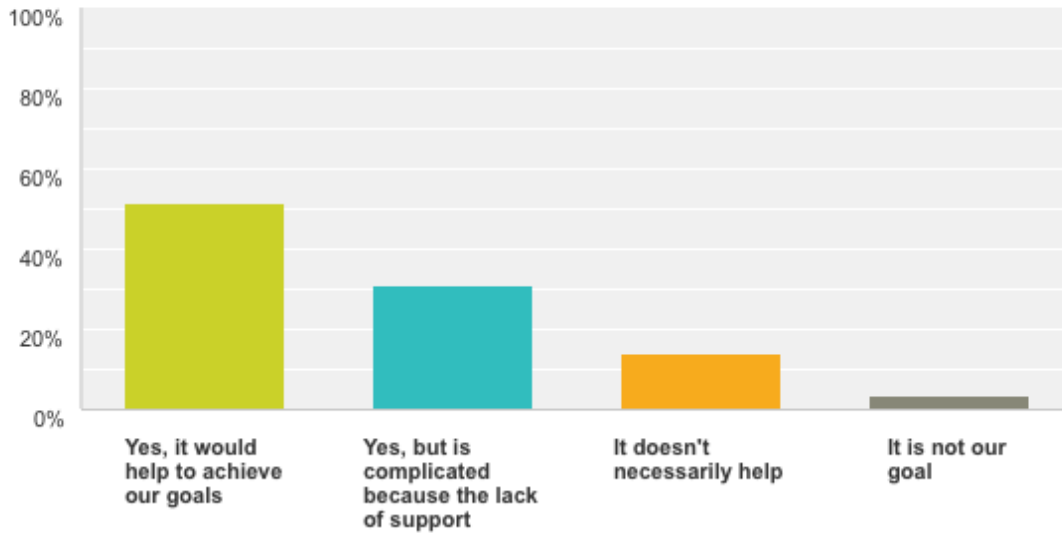
**What do you consider would be a fair percentage share for Management services from artist's income?**



*Estimate of Potential User Numbers:* Based on our research, we considered we are solving a necessity of big number of artists, therefore a big number of clients. Based in our survey, 50% of respondents confirmed that internationalization would increase their chances to succeed.

Graph 6

**Do you think that an international promotion strategy would help you to achieve the goals of your music project?**



**Strategy and Implementation Summary for the Agency**

The primary strategy will be positioning CLU as a professional organization that brings solutions to Indie projects through marketing and promotion strategies within Latin markets attacking international awareness.

CLU's most lucrative market will be the international booking services. In order to achieve this goal, firstly we have to execute a solid marketing campaign and publicity plan in the selected country. The second step will be to develop management activities in order to follow up the connections providing all information, data and content of the artist. The next stage will be to book the projects for small tours, opening acts, and festivals in that country. The objective of the international marketing and sales campaign will be also focused in gain audiences and new fans by consolidating traditional and social media presence in each country. The success of each level will be driven by the attractiveness of the projects, the high skill management execution and the quality of the content and information provided about the project.

Along with the effort of expanding markets for projects based in Mexico, we will also be working in the same way opening the door to Latin-American and

Spanish projects that want to penetrate the most important Hispanic music market, Mexico.

### **Marketing and Promotion strategy**

The marketing strategy is to engage with national and international Indie entertainment industry contacts such as: magazines, journals, traditional media, social media as well as live music planners. The action plan for this strategy is:

- *Partnership and data exchange*: We will establish relationships with the Independent Musician Association in each country in the region and Spain in order to promote our services.
- *Networking*: CLU will have negotiated affiliations with online and print publications, event planners, and selected club, lounge, hotel, bar and restaurant owners in the main Hispanic markets.
- *Local Buzz*: CLU will negotiated promotional opportunities to advertise in local media outlets to enhance awareness and establish a local presence in the area.
- *Word-of-mouth buzz and in-person promotion*: Brand presence at shows, trade shows, conferences and industry events such as the Midem.
- *Social Networking*: social networks through our profiles on Twitter, Facebook and LinkedIn among others. In addition, the links posted in social pages of our clients, artists, partners, and sponsors to maximize the market audience.
- *Technology*: The creation of Webpage with all the information related to the agency. Furthermore, for future stages we consider the creation of an app downloadable for all Smartphone platforms that will allow customers to know about our services, artist roster, events, etc.
- *Search Engine Optimization*: CLU will publish articles and press releases to push its Google keywords, pay-per-click advertising and Google Page Rank.
- Online media sites: YouTube, Spotify and various user-generated audio/video content and streaming music sites

The International promotion will be held and helped by the local Independent associations and partnerships established to help the flow of Indie projects and also to get mutual benefits when they wanted to export their local bands.

## Sales strategy

The strategy for acquiring sales will be:

- To choose the right new projects to market abroad based in our criteria
- Work with existing projects to continue their growth offering the consulting and management services.
- Work closely with our partner and build a strategic alliances
- Constant development of new channels to integrate our management services with the booking activities.

## Strategic Alliances

In order to develop a strong position in the market we will create selected Strategic Alliance Partner Program with main players within the indie scene in Latin American, Latin market of USA and Spain. These strategic alliances will be vital to the CLU's short and long-term success and include premier local vendors, marketing agencies, event production companies, and entertainment entities.

In addition, mutual help and support of data exchange will be done with key indie actors such as Indie record labels, indie management agencies, Independent conferences and prizes, local Independent Musicians Associations, Indie festivals, indie Magazines, Newspapers, Indie webpages and social media, music schools, national institutions, venues, etc. As an example some of these key actors with whom we would have a potential alliances, we enlisted:<sup>25</sup>

### Independent conferences and prizes

Los IMAS (México)

LAMC

Fundación Cultural Latin Grammy

Panamerican festival

Premios de la Música Independiente (Spain)

Latin Mixx Awards

### Local Independent Musicians Associations

Argentina: UMI (Buenos Aires), Qubil (Rosario), SuRock (Santa Fe), AMUISE (Santiago del Estero), MIAS (Salta), Septiembre Rock (Santa Cruz) and AMI Plazoleta (Trenque Lauquen)

Union Peruana de Músicos Independientes

AMIC (Asociación de Músicos Independientes de Colombia)

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<sup>25</sup> Web information list of strategic alliances Appendix C

SCD (Sociedad Chilena de Derechos de Autor, Chile)  
UFI (Unión Fonográfica Independiente de España, Spain)  
MIE (Musikaren Industriaren Elkarte, País Vasco, Spain)  
ABMI (Associação Brasileira Da Musica Independente, Brazil)

Indie Festivals

Vive Latino, Festival Ajusco, Festival Marvin, Hellowfest, Nrmal (México)  
Contemporanea (Alburquerque y Badajoz), Territorios Sevilla (Spain)  
Festival Verde de Cultura Musical (Panamá)  
Rock al Parque, Festival stereo picnic (Colombia)  
Festival Primavera Fauna (Chile)  
Fest by Contrapedal (Uruguay)  
Rock in Rio (Brazil)  
Creamfields (Argentina)

Magazines

Rolling Stone  
Revista Marvin  
Indie Rock  
Lifeboxset  
Rock and radio  
Zona de obras  
Revista Freim  
Arts & crafts  
Haz df  
Indyrock

Indie Web Pages

Red Bull.Panamerika.FM  
Open Music  
Managerdeartistas.com  
Mexicoindie.net  
Scanner FM  
Enderock  
Sol Musica  
Mondosonoro.com  
Musicosaovivo.com  
To be Magazine

Music Schools

Academia de Musica Fermatta  
 Escuela de Música G.Martell  
 STRUM Guitar Center  
 ENM (Escuela Nacional de Musica)  
 Instituto de Capacitación Musical (SUTM)  
 TCSACM (Taller de compositores SACM)

International Management Agencies

Moon Moosic Management  
 KMP artist International  
 Kurtuva music  
 Gigntik music

National Institutions

CONACULTA (Consejo Nacional ara la Cultura y las Artes, Mexico)  
 SUTM (Sindicato Unico de Trabajadores de la Música, Mexico)  
 INAEM (Instituto Nacional de las Artes Escenicas y la Música, Spain)  
 Open Business Latin America and Caribbean

## FINANCIAL STATEMENT

### Expenses

*Cost Projections Year 1* - In order to know how much money we need to invest to start up the agency we made a projection of expenses for the first year. We are talking in consideration *Capital cost, fixed cost and Operating cost*. As part of the projection of this first stage of the agency, we are considering just 3 salaries. One for the Director of the Legal affairs, one for the Financial activities and one for the CEO responsible of management, promotional-marketing and booking services.

Note: All the transactions in the Financial Statement are recorded in US Dollars

Chart 5

Year 1	Activities based in Value chain	Expenses	Details	Cost per Unit	Monthly	Yearly	Total
Capital Cost	Start up cost. One payment	Registration	Mexican Tax authority	\$ 3,000.00		\$ 3,000.00	\$ 3,730.00
		Permits & Licenses		\$ 730.00		\$ 730.00	
Fixed cost	Prepaid Insurance	Insurance		\$ 500.00		\$ 500.00	\$ 500.00
	Monthly wages	wages	3 wages	\$ 500.00	\$ 1,500.00	\$ 18,000.00	\$ 18,000.00
	Equipment	Computers	3 21.5-inch imacs	\$ 1,499.00		\$ 4,497.00	\$ 12,659.31
		Fax	Brother FAX2840	\$ 178.99		\$ 178.99	
		Printer	Canon Pixma	\$ 143.49		\$ 143.49	
		Mobile phones	3 Galaxi S4	\$ 529.99		\$ 1,589.97	
		Office Telephone System	Xblu X16	\$ 699.99		\$ 699.99	
		Audio/audiovisual eq.	Oklahoma Sound	\$ 509.99		\$ 509.99	
Operating cost	Rent	Office space		\$ 4,800.00		\$ 4,800.00	\$ 4,800.00
	Services	Internet, phone, cable services	Verizon		\$ 79.99	\$ 239.88	
	Website	Designer		\$ 3,000.00		\$ 3,000.00	
		Website expenses		\$ 120.00		\$ 120.00	
		Domain Maintenance	Yearly			\$ 1,200.00	\$ 4,320.00
	Marketing and sales	CLU's Marketng		\$ 3,000.00		\$ 3,000.00	\$ 4,000.00
		Miscellaneous Discretionary		\$ 1,000.00		\$ 1,000.00	
<b>TOTAL FIXED COST</b>						<b>\$ 43,209.31</b>	<b>\$ 48,009.31</b>

It is important to note that some of the expenses of the first year will be retrieved or reduced for the *second and future years*. Especially the expenses related to the start up cost. As an example we are doing the following projection:

Chart 6

Year 2	Activities based in Value chain	Expenses	Details	Cost per Unit	Monthly	Yearly	
Fixed cost	Monthly wages	wages	3 wages	\$ 500.00	\$ 1,500.00	\$ 18,000.00	
	Prepaid Insurance	Insurance		\$ 500.00		\$ 500.00	
Operating cost	Rent	Office space		\$ 4,900.00		\$ 4,900.00	
	Equipment	Maintenance and repairs		\$ 800.00		\$ 800.00	
	Website	Designer		\$ 1,500.00		\$ 1,500.00	
	Marketing and sales		Website expenses		\$ 120.00		\$ 120.00
			Domain Maintenance	Yearly			\$ 1,200.00
			CLU's Marketng		\$ 2,500.00		\$ 2,500.00
			Miscellaneous Discretionary		\$ 1,000.00		\$ 1,000.00
<b>TOTAL FIXED COST YEAR 2</b>						<b>\$ 30,520.00</b>	

*Variable Cost Projections*

We are also considering the variable cost of our core activities: Promotion-Marketing and Booking. In essence these costs will be retrieved from the income perceived from the customers.

Chart 7

Year 1	Activities based in Value chain	Expenses	Details	Cost per Unit	Monthly	Yearly	Total	
Variable Cost	Promotion, Marketing Mix	Presskit Development (Design, Material)	Estimated	\$ 75.00	\$ 300.00	\$ 300.00	\$ 1,860.00	
		Mailingshots (Design)		\$ 60.00		\$ 60.00		
		Advertising Promotion	Estimated	\$ 500.00	\$ 1,500.00	\$ 1,500.00		
	Booking		Long distance Phone and Fax Charges	Estimated	\$ 150.00	\$ 600.00	\$ 600.00	\$ 750.00
			Courier Charges	Estimated	\$ 150.00		\$ 150.00	
			<b>TOTAL VARIABLE COST</b>					



## Income

First of all we have to consider that the agency has a wide range of services and therefore many sources and variety of income giving as a result a wide range of possibilities. For example:

- Each of the services could be provided separately having a different percentage of commission
- Some of the services could be provided through external consultants and therefore would have a variation in prices
- We also can have a management percentage in concerts, festivals and other kind of live appearance of the artist if they are not under the tour management's "All-in-house" services
- The set of concerts could be more than six and the prices would be different depending of the artist, country, amount of shows etc.
- Deals with merchandizers and sponsors

In order to have an approach of what could be a real income for our services we elaborated projection's sample under the following framework:

- We are talking our path of services only for one project
- The marketing plan has 3 monthly payments of \$197.00
- We are considering the percentage stated under the "All-in-house" plan
- Tour is considered as a set of 6 concerts at the amount of \$5,000 each. The period of this set is within 30 days
- Each country has a different percentage of VAT deduction<sup>26</sup>. For this example we are taking 15% of VAT.<sup>27</sup>
- Because each country have their own coin, we are using US Dollar to standardize prices of the transactions
- The time of execution of these projections is six months but it will vary in real cases. Here we are including: Advisory management (1), Promotion (1), Marketing (3), Tour (1)

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<sup>26</sup> Wikipedia 'El impuesto al valor agregado' Accessed: June 21st 2014, available at: [http://es.wikipedia.org/wiki/Impuesto\\_al\\_valor\\_agregado](http://es.wikipedia.org/wiki/Impuesto_al_valor_agregado)

<sup>27</sup> Note: Although CLU will be firstly based in Mexico, we are using 15% just an example. Due to the new Tax Reforms Mexico's VAT recently changed to 16%.

Chart 8

Year 1	Activities based in Value chain	Expenses	Income one payment	Monthly	Total
Income Per Music Project	Promotion/Marketing Mix	Promotion plan 1	\$ 350.00		\$ 350.00
		Marketing Mix Plan		\$ 197.00	\$ 591.00
<b>TOTAL PROMOTION/MARKETING MIX PLAN PER PROJECT</b>					<b>\$ 941.00</b>
	Touring (6 concerts)	Income per show	\$ 5,000.00		\$ 30,000.00
		Less Taxes (15%)			\$ (4,500.00)
					\$ 25,500.00
Income	Tour Management	Tour Management 17.5% from Gross Income			\$ 4,462.50
	Booking	Booking 7% from the Gross Income			\$ 1,785.00
<b>TOTAL INCOME PER MUSIC PROJECT</b>					<b>\$ 7,188.50</b>

The amount obtained in this example (\$7,188.50) is only for one project and under the framework stated before and it is just an example to know at what point with this income the agency will break even.

**Break Even Point**

Under this framework and having the projected expenses and income, we would need between 9 or 10 projects to break even in the first year.

**REVENUE= FIXED COST + VARIABLE COST**

$$7,188.5x = 43,209 + 2,610x$$

$$4,578.5x = 43,209$$

$$x = 9.43$$

Using the data of fixed cost in the second year, the break even the next year under this example will be:

**REVENUE= FIXED COST + VARIABLE COST**

$$7,188.5x = 30,520 + 2,610x$$

$$4,578.5x = 30,520$$

$$x = 6.66$$

### Balance Sheet / Income Statement

To analyse the following financial exercise of the first year of operation, we have to take in consideration the following data:

- Because we will have a fixed cost of \$43,209 in the first year in order to start the agency, we will invest \$50,000 as Equity to finance the project.
- For this first year's Balance sheet we are making a realistic projection of having 3 music projects under the stated income's framework:  
Revenue = 7,188.50 x 3 = **\$21,565.50**

Chart 9

CLU Management	Balance Sheet Year 1	
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$	41,746.19
Prepaid insurance	\$	500.00
<b>Total Current Assets</b>	<b>\$</b>	<b>42,246.19</b>
<b>Fixed Assets</b>		
Equipment	\$	7,859.31
License	\$	730.00
<b>Total Fixed Assets</b>	<b>\$</b>	<b>8,589.31</b>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>50,835.50</b>
<b>Liabilities/owner's equity</b>		
Equity	\$	50,000.00
Retained Earnings	\$	835.50
<b>TOTAL LIABILITIES AND OWNER'S EQUITY</b>	<b>\$</b>	<b>50,835.50</b>

Chart 10

CLU Management	Income Statement Y. 1	
Revenue	\$	21,565.50
<b>Expenses</b>		
Rent expense	\$	4,000.00
Marketing expense	\$	4,800.00
Variable expense	\$	2,610.00
Website expense	\$	4,320.00
<b>TOTAL Expenses</b>	<b>\$</b>	<b>15,730.00</b>
<b>NET INCOME</b>	<b>\$</b>	<b>5,835.50</b>
Less Dividends	\$	5,000.00
Retain earnings	\$	835.50

Under this scenario, we are having a Net Income of \$5,835.50 and we are giving back money to retrieve the owner's investment with \$5,000 as dividend. Probably the Net Income could look low for the first year, but we have to consider that fixed cost for the second year will be reduce and also other sources of income as well a bigger number of music projects under the "All-in-house" plan.

**Ratios**

Return on Assets  
 =  $5,835.5 / 50,835.5$   
 =  $0.114$

Return on Equity  
 =  $5,835.5 / 50,000$   
 =  $0.116$

Gross Profit Margin  
 =  $5,835.5 / 21,565.5$   
 =  $.27$

Return on Capital Employed  
 =  $(5,835.5 - 7,859.31) / (50,835.5 - 0) = - 2,023.81 / 50,835.5 = 0.04$

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2. David Byrne, *How music works* (San Francisco: Mc Sweeney's, 2012).
3. Donald S. Passman, *All you have to know about the music business*, seventh edition (New York: Free Press, 2009).
4. Jeffrey Brabec & Todd Brabec, *Music Money and success*, seventh edition (New York: Schirmer trade books, 2011).
5. Jeri Goldstein, *How to be your own booking agent*, 3<sup>rd</sup> edition (Palmyra, Virginia: The new music times, inc, 2008).
6. Joseph A. Covello and Brian J. Hazelgren, *The complete book of business plan*, 2nd edition. (Naperville, Illinois: Sourcebooks, inc, 2006).
7. Music Management Forum, *The music Bible*, (London: Bobcat Books Limited, 2003).
8. Pat Pattison, *Song-writing without boundaries* (Cincinnati: Writers digest books, 2011).
9. Peter Spellman, *The self-promoting musician* (Boston: Berklee press, 2008).
10. Philip Kotler, David Hessekiel & Nancy R.Lee, *Good works!* (New Jersey: John Wiley & sons, inc; 2012).
11. Ray D. Waddell, Rich Barnet, Jake Berry, *The business of concert promotion and touring*, (New York: Billboard Books, 2007).

## APPENDIXES

### APPENDIX A

#### Competitors

##### Big record labels

<http://www.warnermusic.com.mx/>

<http://www.universalmusica.com/>

<http://www.sonymusic.com.mx>

##### Management agencies

<http://www.westwoodent.com/>

<http://seitrack.mx/>

##### Small commercial agencies

<http://fraternitytalent.com/>

<http://matalent.mx/acerca-de-ma/>

### APPENDIX B

#### Indie Management Agencies

<http://www.bunkerproducciones.com/somos.html>

<http://pajarospiedra.com/artistas.html>

<http://losmanejadores.mx/>

<http://mexindiemusic.wordpress.com/2009/07/16/agencias-independientes-mexicanas-de-booking-y-management/>

<http://verbigracia.com.mx/>

<http://www.abolipop.com/Artistas.html>

#### Publicity companies

<http://www.latinmusicwire.com/lm-music-publicity.html>

#### 360 services, booking, management, publishing and record label

<http://www.classgroup.com.mx/booking/>

<http://mexindiemusic.wordpress.com/?s=disqueras+management>

#### Record labels with management services

<http://www.terricolasimbeciles.com/sellodiscografico/>

<https://www.facebook.com/intolerancia>

<http://indiangoldrecords.bandcamp.com/album/rancho-shampoo-el-vuelo-del-golondrino-igcd001>

International Agencies with Mexican projects

<http://moonmoosic.com/es/management>

<http://cookman.com/>

<http://thetalentboutique.fr/artiste.php?id=171>

## **APPENDIX C**

Indie Conferences and Prices

<http://www.losimas.com/>

<http://www.latinalternative.com>

<http://www.latingrammy.com/es/fundacion-cultural-latin-grammy>

<http://bellasartesalliance.org/paf-2013/>

<http://www.premiosdelamusica independiente.com/14/>

<http://www.latinmixx.com/latinmixx2011/>

Local Independent Musicians Associations

<http://www.umiargentina.com/umiargentina/>

<https://www.facebook.com/pages/ASOCIACION-DE-MUSICOS-DEL-PERU/227924987228643>

<http://www.amiccolombia.org/>

<http://www.scd.cl/www/>

<http://ufimusic.com/>

<http://mieelkarte.blogspot.com.es/2013/12/manifiesto-mie.html>

[http://www.abmi.com.br/website/abmi.asp?id\\_secao=3](http://www.abmi.com.br/website/abmi.asp?id_secao=3)

Indie Festivals

<http://warp.la/editorial/desde-el-indie-hasta-el-mainstream-latinoamerica-festivalea>

<http://www.vivelatino.com.mx/>

<http://www.festivalajusco.com/>

<http://festival.marvin.com.mx/>

<http://www.hellohellow.com/>

<http://www.festivalnrmal.net/2014/>

<http://www.contempopranea.com/>

<http://territoriossevilla.com/>

<http://www.fvcpanama.com/>

<http://rockalparque.net/>

<http://www.festivalestereopicnic.com/2014/>

<http://www.primaverafauna.cl/2014/>

<http://www.festcontrapedal.com/>

<http://rockalparque.net/>

<http://www.creamfieldsba.com/>

#### Magazines

<http://www.indierocks.mx/?s=blog&x=-948&y=-2178>

<http://www.marvin.com.mx/perfil>

<http://www.indierocks.mx/>

<http://www.lifeboxset.com/musica-nueva/bands-to-watch/>

<http://rockandradio.net/2014/05/02/michael-jackson-tiene-nueva-cancion-love-never-felt-so-good/>

<http://www.zonadeobras.com>

<http://www.revistafreim.com/>

<http://www.arts-crafts.com.mx>

<http://hazdf.com>

<http://www.indyrock.es/>

#### Indie Webpages

<http://panamerika.fm/>

<http://openmusic.com.mx/>

<http://managerdeartistas.com/>

<http://mexicoindie.net/>

<http://www.scannerfm.com/>

<http://www.enderock.cat/>

<http://solmusica.com/>

<http://www.mondosonoro.com/>

<http://www.musicosaovivo.com/>

[https://www.youtube.com/channel/UCsP9C5\\_N5fRQkxoRfpUMyBA](https://www.youtube.com/channel/UCsP9C5_N5fRQkxoRfpUMyBA)

#### Music Schools

<http://www.fermatta.edu.mx/eng/>

<http://www.gmartell.com/>

<http://www.strumgc.com/>

<http://www.enmusica.unam.mx/>

<http://www.institutodecapacitacionmusical.org.mx/cms/noticias.php>

<http://www.sacm.org.mx/tcsacm/>

#### International Management Agencies

<http://moonmoosic.com/es/management>



<http://kmpartists.com/about/>

<http://kurtuvamusic.blogspot.com.es/p/agenda.html>

<http://www.gigntik.com>

#### National Institutions

<http://www.conaculta.gob.mx/>

<http://www.sutm.org.mx/>

<http://www.mcu.es/artesEscenicas/>

<http://openbusinesslatinamerica.org/contato/>