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Entertainment in the 21st Century: Is an Independent Networked Multimedia Production and Promotion Firm a Viable Business Option in the Modern Entertainment Industry?

An honors thesis submitted in partial fulfillment of the requirements for the degree of BSBA, Marketing

By

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Abstract

“Artists are being stifled by the ‘major label’ stance that exclusively demands what’s ours is ours and can only be handled by us. It should be more about creative freedom” (Monstercat Manifesto). Over the past fifteen years, we have witnessed how the internet has changed how entertainment is distributed and consumed. This has led to a change in behavior from major entertainment production firms, and has given way to the surge of independent labels and production houses. Now, entertainers can lead successful careers by reaching their audience through digital platforms, successfully decreasing production and distribution costs. Consumers can find an unlimited amount of ad-supported content that they can access for free. Understanding these change is vital in finding and solving the problems these changes have produced.

Introduction

While artists now need less capital in order to create their projects, some still need a financial boost in order to be successful. Others need help promoting their material. A platform for collaboration and co-promotion could prove beneficial to both the artists that join the collective, and the label who starts it. Another product of this platform would solve another issue. There are few central spaces where consumers can discover new independent entertainment content. The label website could act as that space. The goal of this research is to explore five themes: (1) best practices in the entertainment industry, (2) an analysis of the industry trends as a whole, (3) investigation of the current consumer landscape, (4) an audit of users and customers, and (5) a business plan, all in order to provide a solution to current market problems.

Theme 1: Best Practices

How are current indie entertainment leaders breaking the mold and separating themselves from the major producers? Through a review of interviews, online sources, and actions of indie entertainment firms, I gained an understanding of how smaller businesses and artists are changing the industry from the ground up.

Music

Possibly the most unique player in music today is the Monstercat record label. Primarily, they only sign by the single, as opposed to the traditional label contract consisting of several albums. They also license the master of the track only; “the artist maintains ownership of their copyright” (Interview with Mike Darlington). New tracks are released every week. These singles are then compiled into 30-track album made up of several artists playing multiple subgenres of electronic and dance music. All this music is released for free listening on YouTube, Spotify and SoundCloud. Releasing music in this matter does not mean lost profits. The audience who would have just as soon pirated the albums now will listen online, through monetized platforms. YouTube can pay artists by the view due to revenues from ads. Spotify can pay by the listen because of ad and subscription revenue. Fans of the label are encouraged to “support” the official release through a purchase from iTunes, Beatport and Bandcamp. Bandcamp gives fans the choice to pay a premium on the list price if they wish to donate even more to their favorite artists. Monstercat CEO Mike Darlington claims “the average artist on Monstercat can make enough money from music releases alone to live full-time making music” (Interview with Mike Darlington). The label’s constant support of its network of artists, promotion efforts and strong brand identity has allowed Monstercat to retain many of the musicians they sign. Not only do many consumers enjoy the musical content promoted

by the firm, but they identify with the brand and what it stands for: creative freedom in an industry where labels traditionally haven't supported their artists as they should. Consumer support can be seen in both the fact they have sold over one million singles (The Monstercat Label Model), and the Reddit community for Monstercat (a type of online forum) has over 20,000 subscribers ([reddit.com/r/monstercat](https://www.reddit.com/r/monstercat)).

Many musicians are expanding their creativity to other mediums, but perhaps the most successful of these is Tom DeLonge of Angels & Airwaves. DeLonge's newest IP: Poet Anderson – The Dream Walker has found itself in several installments across 4 mediums. The story, a sci-fi fantasy about a collective dream world and its protectors, has found itself told through a full length music album, an EP, three comic books, an award-winning short film, and a novel. Fans of a story, or particular artist, are more likely to be interested in other projects they are working on, it seems. DeLonge takes it all a step further with "To The Stars Inc.," his media publishing company. Not only does this firm manage the Angels & Airwaves music, book, and film sales, but it also serves as an online publication for media, science, technology, and web store (ToTheStars.media). The millions of fans Tom has gained over his years in Blink-182 and Angels & Airwaves has allowed him to build a personal brand that many follow intently. Facebook page likes makes his popularity evident, with his public figure page clocking in at half a million likes, Blink-182 at 10 million, and Angels & Airwaves just shy of a million (Facebook). This allows him to pursue unique projects, but still be profitable as an artist. Both Monstercat and DeLonge have something very important in common: they produce quality content that people find real value in and are willing to commit their time and income to not only entertain themselves, but support the artist.

There are other firms that are exploring unique strategies in music. Daytrotter is a great example of how indie promoters are helping get musicians into the limelight. They release a couple songs on an album for music for free streaming and sell the entire album. They also offer a subscription service where a monthly fee allows you to listen all you want and includes unlimited free downloads of their library. Janelle Monáe, a critically acclaimed musician, has also helped shift the industry through her partnership with Epic Records, a division of Sony Music Entertainment. She has begun collaborating with other artists in the label she started. Her fame has allowed her to better promote those whom she is attempting to bring to more consumers.

Film

The world of film is changing by the day, and it isn't just the little players who are making waves. Netflix has proven that the streaming of film is a viable business option, for both distributors and content producers. In 2015, they also showed it's more appealing than cable packages. In 3Q 2015 Netflix added 3.62 million subscriptions; 880,000 of those subscriptions were in the United States. "Coincidentally, analysis of the cable industry is reporting that over 300,000 people have cancelled cable in that same time period" (Exstreamist). Netflix has shown the world that you can no longer force the consumer to enjoy the entertainment you air at certain times. Instead of watching whatever is on television, Americans are more inclined to seek out the exact television program or film they want to watch. Instead of charging them by the watch, or charging a rental fee, or forcing them to purchase the content they wish to view, Netflix gives its customers freedom through a subscription service. Now, Netflix subscribers can watch anything they want at a monthly fee. The payment is relatively small, approximately 10% of a cable plan (Bankrate), and it pulls from a credit or debit card. The money is out of sight and out of mind for the customer. Other firms such as Hulu and Amazon are beginning to see the viability of this plan, and have rolled out similar subscription television services at similar prices. The two main takeaways from the success of these firms are that consumers are now more actively seeking out their entertainment options, and subscription services are gaining popularity.

However, streaming isn't the only key to success. Some content producers are selling directly to their fans, without using any label or intermediary distribution. Comedian Louis CK has released several of his standup specials on his website. He has used non-DRM protected files. Simply put, files that are easy to use, but easy to pirate. He has them available at a name-your-price basis (similar to bandcamp music), at a minimum of \$1. His website contains a note from the comedian: "I made these files extremely easy to use against well-informed advice. I was told that it would be easier to torrent the way I made it, but I chose to do it this way anyway, because I want it to be easy for people to watch and enjoy this video in any way they want without "corporate" restrictions. Please bear in mind that I am not a company or a corporation. I'm just some guy. I paid for the production and posting of this video with my own money. I would like to be able to post more material to the fans in this way, which makes it cheaper for the buyer and more pleasant for me. So, please help me keep this being a good idea. I can't stop you from torrenting; all I can do is politely ask you to pay your five little dollars, enjoy the show, and let other people find it in the same way" (LouisCK.net).

Other producers simply create content and give it away for free, monetizing their efforts through YouTube sponsored ad placement and donation capable platforms such as Vimeo's Tip Jar. Short film director Ruairi Robinson has gained momentum in the industry by doing just that. He released his short suspense drama *Blinky™* on Vimeo for free streaming. Exposure through free but high quality content has jettisoned Robinson to a deal with Fox to direct a big budget sci-fi film (Variety).

Podcasts

In 2013, iTunes podcast subscriptions surpassed 1 billion. Adam Sachs, CEO of Midroll Media, tells us that "podcast ads work really well." Part of what makes this the case is that listeners tend to trust the host of the show. "Podcast ads are unique. Unlike advertising on almost any other medium, people *like* the interruption, mid-program... Often, hosts read the ads in the tone and style of the show" (The Fast Company).

The 2GuysTalking Podcast Network takes a unique perspective on the podcast market. Their success comes from their differentiation attempts. In short, the website does not simply host one show (as is the norm in this market). They produce many podcast shows that typically run in tandem with what is happening in their listeners' lives. Several of their shows have revolved around weekly television shows including Doctor Who, Dexter, Agents of Shield, and 24. But the differentiation doesn't just stop at TV. The 2GuysTalking Podcast Network host shows derived from a wide variety of interests, such as MMA, conspiracy theories, food, family, music and business. The strategy this network uses is what I hope I can implement into my own business plan: a wide variety of high quality entertainment. 2GuysTalking finds success because there is a podcast for everyone, and all the shows co-promote each other (2GuysTalking.com). Simply having other podcasts hosted on the same site as a popular podcast will increase visibility of the lesser known programs.

YouTube Entertainment

The 3rd most visited site on the internet, after Google and Facebook (Alexa), YouTube is the go-to platform for online entertainment. For every minute that passes, 300 hours of video are uploaded to YouTube (reelseo), so there is a limitless amount of content available on the video sharing site. But what kind of videos are consumers watching? According to an analysis performed by Sysomos, the most popular YouTube category is Music. Second and third place go to Entertainment and People & Blogs, respectively. This tells us that although individuals will visit YouTube to learn a new skill, understand a math problem or keep up with news and politics, they more often want to be entertained. The seemingly infinite supply of

content on YouTube has led to content creators developing new strategies to differentiate themselves. The demand to stand out amongst their entertainment competition has led to the creation of several firms and partnerships.

Screenwave Media is a firm specializing in developing a YouTube network of high quality content creators. Their primary goal is linking content creators with advertisers. As a Multi-Channel Network, they also develop relationships between channels and media publishers in order to secure usage rights, cross promote programming, foster collaboration between creators and provide general support for their clients. NormalBoots, a video production company, is a Screenwave client. They, too, are a network of entertainers including programs such as Jontron and Did You Know Gaming. Their model includes co-promotion and ad placement (ScreenwaveMedia.com).

Maker Studios, a Disney company, is similar to Screenwave Media but with a technology spin. They, too, offer cross-promotion and collaboration from within their artist community. Partners may also enjoy “development, production, promotion, distribution, sales, marketing, access to royalty free music for content creation, and custom merchandise solutions” (Maker Studio). Another product Maker Studios offers is Maker Max, an analytics platform that measures views, royalties, subscribers, social engagement, and video distribution. But perhaps the most important thing both Maker Studios and Screenwave Media do is allow artists to be themselves. Channels maintain all control over their content.

It's this business practice that has allowed Maker programs such as PewDiePie, the most subscribed YouTuber to date, and Game Grumps to be so successful. Their followers find them funny, and stifling what they do could possibly ruin their brand. The Game Grumps brand is one that is a particularly interesting case study. What is essentially a show where two friends sit on a couch and talk while playing video games has spawned a great deal of fan content including audio remixes from the show, comic strips and animated shorts featuring dialogue from the program. The Game Grumps channel offers several “Let's Play” programs involving independent games and board games. They also collaborated on several music albums which they promoted on their channel.

Rooster Teeth Studios began as comedy YouTube series “Red Vs. Blue” and grew to become so much more. They now produce many shows, including video game Let's Plays, pop culture news, animated web series, a podcast, and live action shorts which film events in slow motion and test video game concepts in real life. High quality content has granted Rooster Teeth a large, brand loyal audience. Where they take advantage of this is providing advertising opportunities for other firms. They offer podcast sponsorships, integration of the product into their scheduled programming, developing a custom mini-series for the product, and sponsorship at their annual internet and gaming convention. Rooster Teeth also boasts an in-house advertising department that can produce commercials and trailers for products and video games. They have found major success in their advertising efforts, and have worked with Verizon Wireless, General Electric, and Activision to generate awareness for their products and corporate projects (Rooster Teeth Business).

Blogging/Collaboration

Collective Bias has built an excellent network they dubbed their “Social Fabric.” This collaboration platform has been vital to their success as a marketing firm. When a client approached Collective Bias with a marketing goal such as a holiday sales lift, Collective Bias reaches out to their community of bloggers. Some of them opt in to help with the marketing plan, and write an article for their popular blog in a creative and unique way. They write about unique ways to use products and give product endorsements. These posts typically lead to sales lifts (Collective Bias). The best practice here is the ability to quickly and efficiently collaborate on projects in order to reach a goal.

Hit REcord is similar in their successful collaboration. Joseph Gordon-Levitt's firm, which has been called an "online collaborative production company" where anyone with the internet can contribute to projects such as short films, music, art and a television show. Artists upload video, image, text and audio. When you do so, you agree to let other artists on the platform use and remix your content. If your creation is used in a money-making production, then you get paid for your contribution (HitREcord).

Best Practices Conclusion

The strategies of successful entertainment firms, no matter what they do specifically, can be categorized in one of three silos: Technology, Promotion, and Collaboration. Louis CK and Tom DeLonge (To The Stars, Inc.) promote themselves through unique marketing strategies such as low pricing or creating a strong brand identity. Maker Studios focuses on technology in order to understand their market. Hit REcord uses technology and collaboration in order to find success. However, the most successful firms create a unique mix of all three silos. Introduce high quality content and a delivery method that the consumer approves of to this mix, and you have a production company that can find success.

Theme 2: Industry Analysis

While conducting research on the companies similar to my own is important, it is vital to understand the industry in which these firms function.

Possibly the most important change to the entertainment industry in recent history is the commercialization of the Internet. This event is hotly debated as to whether it has been good or bad for entertainment media and its creators.

The Internet has made it easier for consumers to discover new music and easily communicate with artists. They can quickly learn about the artists projects. If it's a musical artist, it's easy to find out if they will tour near your city. If it's an indie filmmaker, you can easily watch a trailer and find out how to buy a copy of the movie. It could be said that the quick and easy research the Internet has made possible is a benefit to content creators.

The biggest drawback to entertainment online is digital piracy. However, not everyone agrees on how detrimental file-sharing has been to the industry. While there's no doubt that many albums, movies, video games and other media are being illegally shared, we don't actually know how much of the share data is copyrighted, or economic impact of torrenting. According to Freakonomics contributors Kal Raustiala and Chris Sprigman, many estimates of entertainment revenue losses due to piracy are high. However, they also say "we simply don't know" the real number (Freakonomics Blog). While some consumers would have purchased The Dark Knight on DVD had they been unable to download it for free, others simply would not have. There's no good metric to determine how many consumers fall into the former category, and how many are a part of the latter. To complicate the issue further, many big-name artists are pro piracy. Dave Grohl sees it as people sharing what they love. Lady Gaga says the real money is in touring, so it doesn't really matter how the record sells (Goliath). In fact, piracy can expose consumers to smaller, young artists. If a small-time musician's album gets shared a few thousand times, they may see more fans at shows, which in turn makes them money.

The newest tool for accessing media online may be acting as a piracy suppressant. Streaming of digital content has grown rapidly over the past five years. A study from the University of Minnesota suggests "Spotify displaces piracy" (Wall Street Journal). An NPD survey also suggests music piracy has been declining since 2005. Ted Sandaros, Chief of Content Acquisition for Netflix has been quoted as saying "BitTorrent traffic drops as Netflix traffic grows" (Stuff Magazine). What is successful in the industry is not

so much punishing those who infringe upon copyright law, but providing alternatives that provide more utility to the customer.

Despite piracy, cheaper entertainment alternatives for the consumer and the recent economic downturn, the U.S. entertainment and media market is expected to increase in value from \$595 billion in 2015 to \$723 billion in 2019 ([Statista](#)). Spending in the Internet Advertising segment is predicted to grow 11% by 2019. Video games will grow by 5.5%, filmed entertainment by 4.6% and music by 1% ([Statista](#)). Revenue increases in the industry indicates a healthy market and reasonable opportunity for entry.

The future of almost any media purchasing appears to be through digital distribution, specifically streaming and subscription services for music and film. "In 2014, digital revenue grew nearly 7 percent to \$6.85 billion, while physical sales — of which CDs make up the vast majority — fell 8 percent to \$6.82 billion. Revenue from services like Spotify grew 40 percent to \$1.57 billion" (The Verge). 84% of Internet users are aware of YouTube as an option for music streaming. 68% are aware of iTunes purchases, and 62% are aware of Spotify streaming (IFPI).

In 2013 "digital movie purchases surged 47% to 1.19 billion" (Wall Street Journal). The same year subscription streaming service revenues rose 32%. This pattern continued on through 2014.

The NPD Group released data showing that 52% of video games sold in 2014 were done so through a digital format. That data includes mobile apps, social network gaming, digital add-on content and subscription services such as PlayStation Now (PlayStation Lifestyle). Most indie games never get a physical release, so blockbusters usually line the physical shelves.

Even comic books, a medium appreciated for its physical form, have been affected by digital alternatives. In 2015 digital sales made up more than 10% of total comic book sales. However, increases in print sales are at least matching the rise in digital revenues (The Guardian).

Porter's five forces model offers more insight into the dynamics of the entertainment industry, and the viability of a firm that wishes to compete in it.

Threat of New Entrants

Traditionally, the threat of new entrants in entertainment, specifically film and music, has been moderate. High cost barriers to entry stopped many firms with limited capital from successfully entering the industry. However, the internet and advancements in low-cost equipment has increased the threat of new entrants over the past few years (Dudovskiy).

Threat of Substitutes

Substitutes are especially unique in entertainment. Any form of entertainment can be a substitute for another. There is direct competition, such as which movie to see at the movie theater. Then, there is indirect competition, such as deciding whether to go to the movie theater or a music concert. If there is a particular movie or album I'd like to enjoy, there is no real substitute for that product. There are, however, several competing services which would allow me to consume said media (Dudovskiy).

Bargaining Power of Consumers

The power of consumers in this industry is very high. There are many substitutes and low-cost alternatives in entertainment. There is a wide selection of content available through several easy access channels (Dudovskiy).

Bargaining Power of Suppliers

The power of suppliers is derived almost directly from their “star power.” A famous actor starring in a film from an unknown director would help boost viewership for the movie. A big name singer being featured on a track from a small-time music artist might make it a hit single. Artists that are more famous have a larger following online and are more likely to receive publicity from interviews, thus boosting the success of the project (Dudovskiy).

Intensity of Competitive Rivalry

Larger media conglomerates such as Warner Bros., Disney, and Paramount are compete intensely (Dudovskiy). However, smaller independent firms, such as Alpha Pup Records, are more likely to collaborate in order to compete against the industry giants (MusicThinkTank).

Industry Analysis Conclusion

Despite the previous cutthroat competition in entertainment, the modern dynamic industry offers options to compete with even the largest media conglomerates. The internet allows for lower entry costs and has decreased operating expenses. The popularity of streaming has not only decreased piracy, it also allow independent content creators to compete in the same distribution line as high-profile artists.

The market is expected to grow. More dollars being spent on entertainment is good for those currently operating in the industry and for those who wish to enter it. It also decreases the bargaining power of suppliers, particularly at the independent firm level. On the other hand, it also increases the number of substitutes and therefore the bargaining power of consumers. The best way to combat this is to develop the firm’s brand such that it has a consistent pool of loyal customers.

Theme 3: Consumer Landscape

Who will be buying the product and supporting the firm? Who am I going to be marketing to? A literature review has revealed the two major groups that consume media online: Millennials and Generation Z. Through gaining an understanding of these, I can further narrow down my target markets and develop marketing and sales strategies for the firm’s business plan.

This business plan will eventually serve three types of clients: consumers, artists and advertisers. While the survival of the firm depends upon providing value to each of these stakeholders, those who purchase and support the products are arguably the most important because without their involvement, finding advertisers and new artists would be impossible.

General

Reuven Gorsht collected data on the modern consumer and developed a profile of him/her for brands. Much of the research yielded insights on how they interact with brands, specifically social responsibility and advertising. For example, 92% of today's consumers say they have more confidence in info found online than other sources. 75% don't believe that companies tell the truth in advertisements and "are more likely to buy from a brand that talks publicly about its corporate social responsibility results" (Gorsht). Finally, 88% think companies should try to achieve their business goals while improving society and the environment (Gorsht).

Millennials

Currently the largest generation, the millennial group is made up of both digital dependants and digital natives. The demographics of this particular generation are: 53% female, 47% male, 60% white, 20% hispanic, 15% black, 5% Asian (Entrepreneur).

75% are disconnected for an hour or less a day (Gorsht). 69% are likely to buy from a brand that talks publicly about its corporate social responsibility results. They are price sensitive and are constantly pursuing wellness (Goldman Sachs).

Millennials consume media differently than their parents. They prefer self service and want the product now. They view/listen using multiple screens and devices. Authenticity in a brand and its social media presence is almost a necessity. They value relationships and recommendations, are educated and open to new experiences (Entrepreneur).

How do millennials consume media today? 72% use free streaming such as YouTube and Hulu, 60% use subscription VOD. Why do they choose to view online? 56% like instant access, 49% multitask and 44% like convenient viewing locations. They spend about 5.4 hours a day on social media. Finally, 77% use targeted radio like Spotify and Pandora (Entrepreneur). According to Goldman Sachs, another reason Millennials use these streaming services is that they care about access, not ownership.

According to The Futures Company, there are four marketing modes for millennials:

- Performance Marketing - maximum functional end-benefits & everyday high performance.
- Conscientious Marketing - Emphasis on collectiveness, resourcefulness and creativity
- Identity Marketing - highly aspirational with a focus on status and coolness
- Supportive Marketing - Adding value to everyday life and reducing risk and prioritisation

This is Influential goes on to explain that marketing to Millennials means understanding that they care more about life experiences than possessions. Emotional engagement is key to the advertising, and personalisation and feel-good marketing can be useful.

Generation Z

There are 2 billion of these digital natives, and the number grows every day. They make up 27% of world population (McCrindle). Not only are they the future market, but currently they receive \$16.90 a week in allowance, a total of \$44 billion a year (Intel).

The iGeneration interacts with brands in a very different way than Millennials. 64% are more likely than other generations to trust somewhat or completely the content on mobile apps from brands, as well as text messages from brands (Grail Research). 34% want brands to reach them on social media and only 13% want to be contacted through snail mail (Deep Focus).

Their shopping patterns are also unique, in that 90% of GenZ will make sure their parents feel a planned purchase is affordable before going ahead with it. We have to assume they have influence on family decisions (Sparks & Honey). 43% said their family influences their purchasing decisions the most followed by friends (35%), friends of friends (23%) and celebrities (10%) (JWT).

Generation Z knows now how to find information online (Marketo). They want to be treated like adults, included and engaged (GenZLink). You can better connect with them by educating them and building their expertise (Marketo).

Sparks & Honey (S&H) released data on how best to market to Generation Z. Communicate in images and in shorter bursts of “snackable content.” S&H also advised to tap into their entrepreneurial spirit, collaborate with them & help them collaborate with others, while also giving them control and preferences. We must be able to “tell [our] story across multiple screens” and live streaming (S&H). Talking to them about value of the product and why it costs what it does is effective. Finally, GenZers want you to have a social cause, feed their curiosity, and tease them with puzzles, surprises and games (S&H).

Consumer Landscape Conclusion

The goal for any firm attempting to market to these groups is to make itself available. One needs to be on as many social media platforms as possible, as well as having an app and a mobile site. Another segment of this availability is giving users instant access to content.

Social responsibility is also key. Both groups want your firm to conduct business while simultaneously bettering the community. In everything you do, it's best to be authentic. Share what you're doing on social media in a genuine way; consumers can tell when you're trying to pull the wool over their eyes.

Consumers value relationships. They want to have a two-way communication and engagement with a brand. Their friends and family also matter. Along with reviews online, recommendations by friends and family will directly affect how a consumer shops and whether they will consider your product/service.

For Millennials, your marketing should have emphasis on lifestyle. That can range from a lifestyle of maximum efficiency, collectiveness, creativity, status, and adding value to everyday life. For GenZ, interaction is key. They want to be able to talk to your brand. They want real engagement, such as games, puzzles, conversation and social causes. A good blend of all of these strategies can lead to a successful marketing mix.

Theme 4: Consumer Audit

A portion of the research for this proposal involved the creation and distribution of a consumer audit survey. The link to take the survey was sent to the University of Arkansas Walton College of Business, Department of Music band program, and the art department. It was also shared on social media and a survey response forum.



409 Respondants

The top rated name



Red Husky
Productions

"I consume entertainment content because it provides me with a sense of fulfillment."

Favorite mediums

Music
46%

Film/TV
34%

Video
Games
8%

Books/
Stories
6%

How music is accessed



How movies are accessed

NETFLIX

hulu

The large and varied respondent pool lead me to believe this sample is random. I feel this data can be generalized to the markets the firm would target. 55% of respondents either somewhat or or strongly agree that they are interested in independent entertainment. 53% either somewhat or or strongly agree that they are interested in one website where they can discover new indie music, movies, games and comics.

Respondents were given an opportunity to rank entertainment mediums by interest, the results are as follows: music, movies/tv, YouTube content, publications, visual art, video games, podcasts, comics. They were then given an opportunity to choose their favorite medium. Those results are as follows: music,

movies/tv, video games, publications, YouTube content, visual art, podcasts, comics. Interestingly, those who chose YouTube content as their favorite art ranked their interest in mediums like this: video games, music, movies/tv, YouTube content.

When given the option to describe why they consume entertainment media, respondents overwhelmingly chose "because it provides me with a sense of fulfillment." This choice closely aligns with Supportive Marketing.

Consumers prefer to either find the newest entertainment titles or revisit old favorites, many do not like to go back and discover "retro" titles.

Music

This medium is by far the favorite of the respondents, with 78% saying they have either great or extreme interest in music (making it the highest rated on that question). 46% chose music as their favorite medium, with movies/TV taking second place with 34%. The top three ways consumers discover new music are: suggestions from friends, Spotify and radio play. Pandora, SoundCloud and Reddit also showed up where respondents were given a space to share an option not previously mentioned. The top two ways music is accessed are streaming services and digital purchases.

Movies/TV

The second favorite medium, respondents discover new Movies/Television shows are: suggestions from friends, Netflix and TV commercials. Reddit was once again mentioned in where respondents could type in a source not previously listed. Streaming services, such as Netflix and Hulu, are the top chosen option for how film is consumed.

Artists

Of those who answered the survey, 28% claimed to be artists. Of those, 45% are musicians, 29% are visual artists, and 10% are writers/bloggers. 36% of these artists either wish to or are currently doing their work fulltime.

Artists responded to questions about the business end of their work. The following are the percentages of those who answered somewhat or strongly agree with these statements:

I could use help promoting myself	48%
I could use financial support	46%
Collaboration with artists from either mediums is important	73%
I am interested in joining an artist collective/entertainment label where I can have access to resources such as finances	45%
I am interested in joining an artist collective/entertainment label where I can have access to the knowledge from other artists	56%
I am interested in joining an artist collective/entertainment label where I can have	55%

collaboration opportunities	
I am interested in joining an artist collective/entertainment label where I have co-promotion opportunities	52%

Advertisers/Entrepreneurs

7% of the respondents were advertisers or owned their own business. Of them, 47% expressed great or extreme interest in having access to a network of artists (filmmakers, musicians, game developers, writers, painters, etc.) in regards to advertising and brand development. On the other hand, only 5% and 10% showed great or extreme interest in pre-roll YouTube ads and podcast sponsorship respectively.

Conclusion

The big takeaways from this data are as follows: Music should be the primary focus. Not only is it the favorite medium of consumers, but most artists tend to be musicians. Also, Reddit is a powerful tool for advertising and word of mouth. Not only is advertising there cheap, but it can reach a large audience and users can very easily spread awareness of your content for you.

Finally, the business seems viable and there is actually interest in this firm, as 31% of respondents indicated they were interested in learning more about the project and voluntarily gave their email addresses.

Theme 5: Business Plan

Executive Summary

“The goal of this firm is to collaborate with talented individuals from every medium in order to establish and sustain a network that consistently creates, curates, and promotes engaging art and entertaining media.”

The concept is simple: publish engaging content across the board. Music, film, video games, comic books, short stories, podcasts, television, YouTube shows, blogs/publications, comedy and live shows/events. Each and every project will be housed under the central umbrella, and thus every new product can be cross-marketed and promoted. One large and diverse network of content creators and curators, helping each other become more successful. A collective community where together, we do more.

The content should be of a high enough quality that fans and consumers are willing to purchase and support the release (music, films, comedy specials, novels and television). If the release itself is not (or cannot be) purchased, consumers may be willing to pay for merchandise (posters, stickers, apparel, etc). Even at the point where merch isn’t sold, the goal is to create a fanbase that subscribed to the blogs, YouTube channels, email updates and social media.

Two big problem with running YouTube shows is the possibility of others “freebooting” our original content and digital piracy.

All content will be used to promote other content. Whether it is a podcast featuring a new album, a signed band discussing our new film with their social media followers, or a YouTube show making a comment

about the just-released game. We will use artists in the company community to develop album artwork, film posters, video game concept art, etc.

Finally, with all this promotion and following comes possibly the largest revenue source: the sale of advertising space and professional services. Many of the ventures listed here (and below) have a platform available to sell ads: YouTube, podcasts, blogs/publications, etc. With enough growth, the firm could act as a broker between advertisers and content, and also professionals and businesses. For example, we could connect a YouTube show about food to a particular restaurant chain. We could also provide creative services, such as commercial development, art for their locations, and gamification to other businesses who need it.

Many of the preliminary products, ventures, etc. are either already started or are in the works. They are either my own properties, or projects on which I am personally collaborating with friends. If we find success, others will be brought into the network in order to grow the business.

Goals

- Build a profitable, reputable, and stable entertainment label
- Build a sustainable network that consistently creates new content
- Achieve profitability within the first twelve months of operation

Company & Industry

Red Husky Productions will capitalize on the growing independent entertainment market both locally and internationally. Located in Fayetteville, Arkansas, the company will profit from the sale and streaming of entertainment content. These products will include music, videos, games, podcasts, publications, art and more. RHP will own and control the master copies, copyrights and licenses of music, films, games, and so on. Other content will be housed under the corporate umbrella and available exclusively through RHP channels and digital networks. Over time, RHP will continue to grow a catalogue of products which will be an increasing constant stream of revenue. Events and partnerships will also supplement revenues.

Products & Services

The firm has established music albums, a blog and a podcast currently. RHP has an established network of artists which we will grow over time. These artists, through their high quality content, collaboration, and co-promotion will allow RHP to penetrate and help to develop the independent entertainment label market. Sponsored live events will also grow awareness of our catalogue of music, games, podcasts, film, comics, publications and art.

Music will be readily available on YouTube, Spotify, iTunes, Bandcamp, and Shazam. The film silo will consist of YouTube short-form content, and actual film available on YouTube, Vimeo, and eventually iTunes, VHX, and hopefully Netflix and Hulu. Games will be released either online with ad support or through itch.io and Steam. Comics and other publications will be available through ad supported web platforms, and eventually published through Blurb and Amazon. Podcasts will be available through a podcast network site such as The OAM Network, and supported through sponsorships, advertisements, and the Amazon Associates/Affiliates Program.

The services will consist of three branches: consumer, artist and advertiser. For the consumers, we will develop a portfolio of varied entertainment media so they have a central space to discover new content. For advertisers, we will occasionally help them develop their ads, as well as provide a channel where they can reach Red Husky Productions fans.

For the artists, we will occasionally provide finances and resources within the artist network so that they may successfully complete their projects. Because many albums released under the Red Husky Brand will be compilations, every artist featured on the album will promote it to their social media followers. Co-promotion comes happens when all the artists are successfully promote not only themselves, but others within the Red Husky collective (The Wolfpack). RHP will also provide a platform where artists can collaborate, such as a musician writing the score for a film, or a painter helping to animate for a game in development.

The competitive edge is that no two artists are the same, and RHP currently has a developed artist collective to work with.

Company Summary

RHP is a multimedia entertainment label which will a diverse portfolio of entertainment content to both a specific local community and a diverse international consumer group. Our goal is to consistently create, curate and promote high quality engaging art and entertaining media. The company will develop divisions over time that specialize in music, film, games, etc. but all content will be housed under the Red Husky umbrella.

RHP will begin earning revenue immediately through the release of compilation albums with original music from local artists. Additional income will be produced from YouTube videos, hosting events, video game development and the sale of advertising space. The company will consistently update the entertainment catalogue, growing it into a valuable asset and an ever increasing source of revenue.

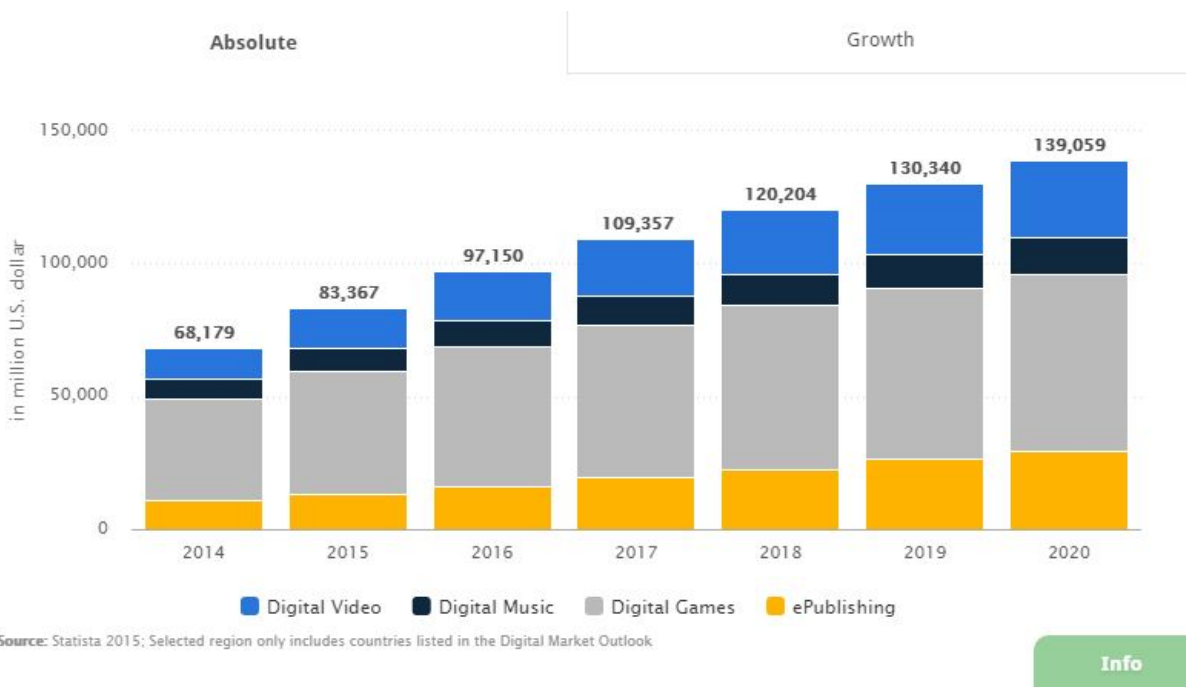
Red Husky Productions will incorporate as an LLC in the state of Arkansas. Early locations will be in Fayetteville, Arkansas, with a plan to expand to several major cities in the United States and possibly internationally. Current assets include a radio podcast, several compilation albums and blogs.

Market Analysis

The Target Market for RHP is diverse in that our events will target Fayetteville, AR local directly, then expand to the rest of Northwest Arkansas. Our content catalogue will be available online, so we plan to compete internationally as well. Our focus will be Generation Z and Millennials, as they consume entertainment online and most of them enjoy music. The Entertainment Market is valued at \$600 billion.

Market Trends

Advances in the market such as digital distribution now allow smaller firms to compete more directly with major labels. The entertainment market size is expected to grow by approximately 20% by 2019. Video games will grow by 5.5%, filmed entertainment by 4.6% and music by 1%.



Strategy & Implementation

RHP has already developed an ever-growing artist network. With promotion from artists, the radio talk show, and more we can begin to convert consumers to our online product catalogue through our digital channels. Our product development will begin with the creation of compilation albums featuring exclusive tracks from local musicians. RHP will gain the ownership rights to these master copies. The artwork for the albums will also be created by local visual artists.

Distribution of product will be primarily available online, cutting physical production and transportation costs to zero. RHP has partnered with local recording studio Iceblink to help musicians produce these tracks. Albums will generate approximately 7/10¢ per YouTube or Spotify stream of each song. Album sales on Bandcamp and iTunes will generate between \$7-\$8 per purchase.

Artists will be paid on either an upfront flat fee basis or they will receive a split of the revenues after the work is published, depending on the project and other costs.

Internet Strategy

An Internet presence is necessary for almost any business nowadays, especially one of this nature. RHP will create an effective web presence through a well-designed website and app. The website will be used to advertise the company and upcoming releases, sell products and merchandise, and capture email addresses for blasts. Users will be able to stream releases, as well as easily find links to financially support the content. Fans will be able to access content first by media type (e.g. music, film, podcasts, games) and then by genre (e.g. pop, drama, comedy, platformer).

We will also create profiles on many popular social media platforms, including Facebook, Twitter, Snapchat, Instagram, Vine and Twitch. These accounts will be used to both connect with fans and advertise upcoming releases and events.

Marketing Strategy

The strategy is made up of two components. The first component is to consistently release high quality content. While advertising is necessary, the product should be able to speak for itself.

Perhaps the biggest segment of the marketing strategy is the cross and co-promotion of artists within the Red Husky Productions Collective. When we release a RHP movie that is scored by a RHP musician, or a RHP video game with animations from a RHP visual artist, all will be publicly credited. Furthermore, each of the artists involved in the project will announce it's release on their social media pages.

The advertising component will utilize the following tools: network promotion, media tie-ins, search advertising, social media advertising, publicity with local and national publications, radio promotion and play, events, and emails.

Risk Mitigation

As with every business, there are inherent risks. The Red Husky risks that are critical and have moderate likelihood of occurring are listed below. They are paired with the plans the firm has in order to either circumvent or lessen the risk overall.

The first, and possibly most detrimental possibility, is that of Wolfpack artists collaborating outside of the label. This would cut out the firm entirely from the revenue stream of that product. While the goal of this firm is to allow for artistic freedom, there must be some provisions in the artist contract that prevent this type of collusion. The other actions Red Husky should take is to consistently provide value to the artist through branding and product sales. Through efficiency, the label should be able to sell an artist's work at a greater volume than the artist. This helps to assure artist loyalty.

Another risk is financial in nature: how best to pay artists for their work. While this business model affords low overhead costs, the artists must receive compensation for their products. Towards the beginning of the life of the label, it may be difficult to pay artists what they would expect. The current strategy to mitigate this is by using our current artist network. Many of them believe in the idea of the label, and are willing to participate for low pay in order to grow the business.

Growth of the entertainment market means many alternatives to our products. We hope to mitigate this risk through a two-step strategy. The first part is our unique co-promotion and cross-promotion strategy, which will further our reach. The second part is the portion that makes Red Husky unique as an entertainment label: the goal of labeling each product with the firm's brand. This is different from the strategy that Sony, Universal or Warner do, where they simply release the albums. This firm's products will be billed as "Red Husky #1" or "Red Husky Presents." This process will create more Red Husky brand loyal customers.

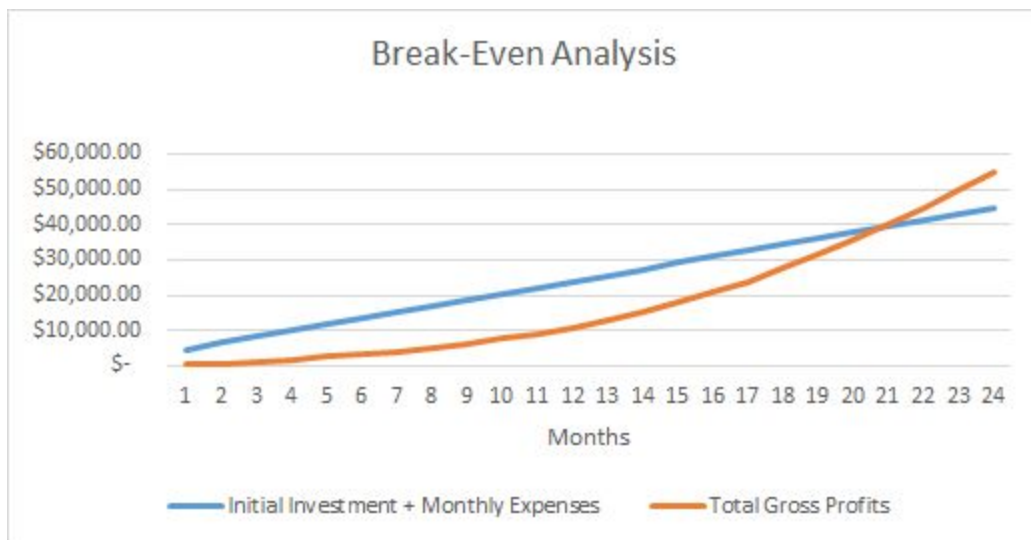
How people consume entertainment is changing, and there is a wide variety of channels consumers use to access their music and film. And while piracy is decreasing, it is still prevalent. We hope to ease this risk by making our products widely and readily available in as many ways possible. Music will be available for

download on BandCamp, iTunes, Google and Amazon. It will also be available to stream on Spotify, YouTube, and Soundcloud. These platforms allow consumers to listen for free, but pay the label through advertisements which are displayed on the page or before the track

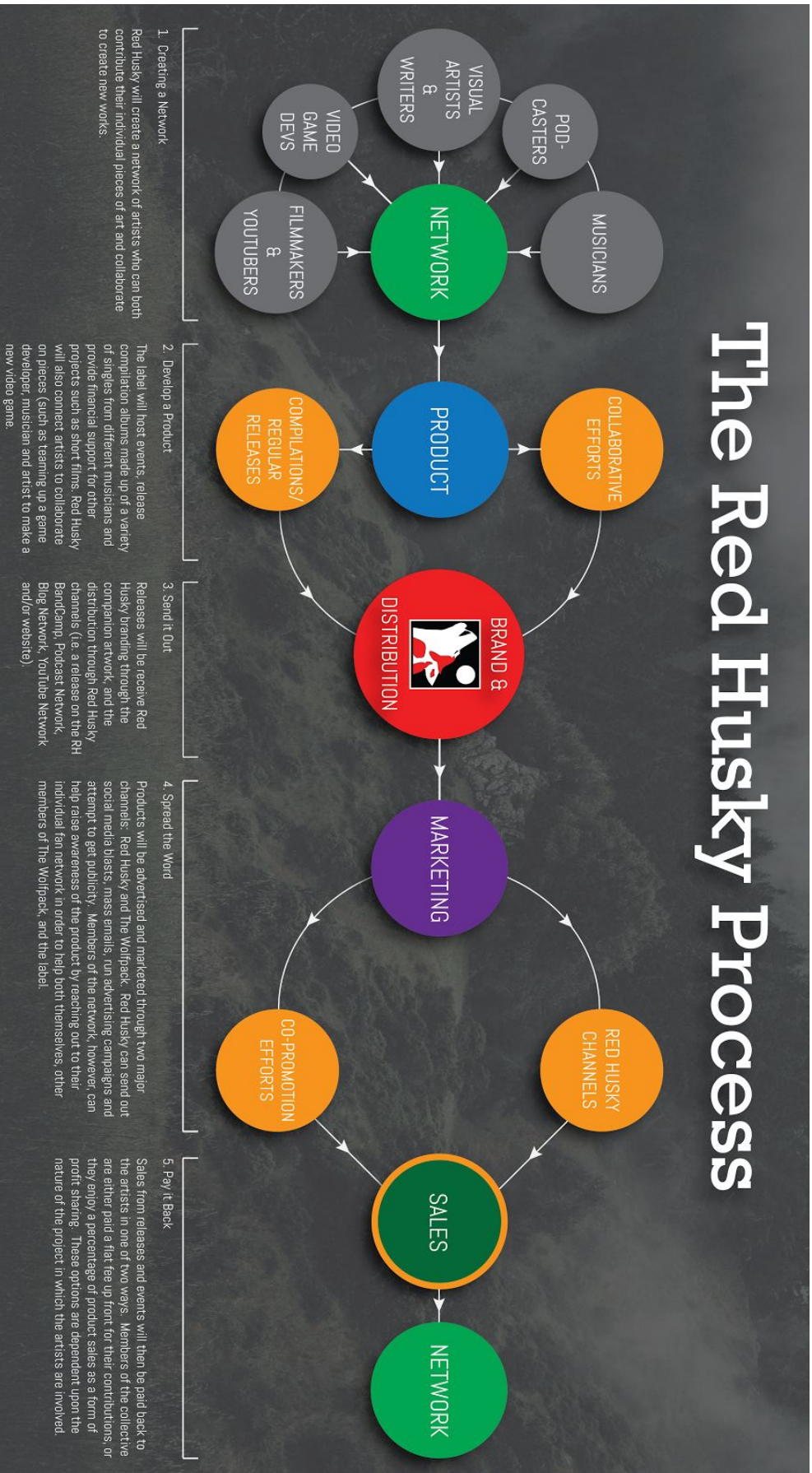
Finally, our most valuable marketing channel, word of mouth, may lack the power needed to grow the label. Our goal is to host many concerts and community events. These events will earn some profits, and will also grow the fan-base and encourage word of mouth through both social media and in-person.

Financial Plan

RHP will generate the majority of its revenue from hosted event tickets and the digital sale of music, games, film, and art. Additional revenues will include content streaming on YouTube and Spotify, and partnerships with advertisers. Initial revenues will come from the release of an initial RHP Compilation album, which will gain revenues from YouTube, Spotify, iTunes and Bandcamp. Several live concerts will be planned to help promote our artists and the compilation albums. The Blog Network will consist of Pop Culture Jukebox and Explaining Film. The Podcast network will consist of Pop Culture Jukebox and possibly Time 30 O'clock. The YouTube network will start with music and a Let's Play channel. We have several short stories and a novel we can publish. We also have a visual artist on board. Overhead costs are very low, as most of the business is digital.



The Red Husky Process



The Business Model Canvas – Red Husky Productions

Published Date: 2/23/2016
Designed By: Alex McGowen

Iteration: 1

<p>PROBLEM</p> <ol style="list-style-type: none"> 1. Artists need financial resources in order to fund their work. 2. Artists promote within closed groups, not taking full advantage of a big collective that provides knowledge, resources and cross-promotion. 3. There is no real central space where consumers can discover new independent entertainment content. 4. Companies are looking for new innovative ways to advertise to their markets. 	<p>SOLUTION</p> <ol style="list-style-type: none"> 1. Red Husky can help fund media projects. 2. RH will partner artists to collaborate on projects. 3. RH will drive consumers to RH website, where fans can find new music, film, games, etc. and where artists can be cross-promoted. 4. RH can create cheaper advertising packages that target more specific markets. 	<p>UNIQUE VALUE PROPOSITION</p> <p>Collaborate with artists from every medium to establish a networked collective. Together, we can consistently create, curate and promote engaging art and entertaining media.</p> <p>Help artists gain exposure, work together to create new content, create a space where fans choose to visit to find new entertainment media.</p>	<p>UNFAIR ADVANTAGE</p> <p>Current artist network.</p> <p>Founder's experience with artists and building artist networks.</p> <p>Founder's experience with small business.</p>	<p>CUSTOMER SEGMENTS</p> <p>Customers Artists Advertisers</p> <p>Users Entertainment consumers</p> <p>EARLY ADOPTERS Fayetteville residents NWA residents</p>
<p>EXISTING ALTERNATIVES</p> <ol style="list-style-type: none"> 1. Some artists will be able to sign to a larger label. 2. Artists will continue to promote in small closed groups. 3. Consumers will continue finding entertainment in the ways they already do. 4. Firms will use current existing (but more expensive) entertainment ad firms such as Rooster Teeth & Maker Studios. 	<p>KEY METRICS</p> <p>Attendance at RH events</p> <p>Advertising revenues</p> <p>Number of streams of digital media</p> <p>Website hits</p> <p>Sales of content</p>	<p>HIGH LEVEL CONCEPT</p> <p>A collaborative record label for every entertainment medium: music, film, games, art, podcasts, comics, and publications.</p>	<p>CHANNELS</p> <p>Blogs, Podcasts, Events, Artist Network, professional network, startup accelerators.</p>	
<p>COST STRUCTURE</p> <p>Hosting costs – Namecheap = \$10/month Online Services – Google/Bandcamp/Shopify = \$55/month Advertising – Reddit/Facebook/YouTube = \$100/month</p> <p>Breakeven Point: 119 Bandcamp album sales/month OR 144 iTunes album sales/month OR 202 event tickets sold/month OR Any mixture of the previous three streams.</p>		<p>REVENUE STREAMS</p> <p>Bandcamp Album purchases @ \$10/sale iTunes Album purchases @ \$10/sale Event tickets @ \$5/each YouTube ad views @ \$0.0065/each Spotify streams @ \$0.0072/each</p>		

Conclusions

There have been several firms which have found success by implementing strategies which are in the same vein as what has been researched in this paper.

Record companies sell tracks by releasing compilations and building a consumer base which is brand loyal to both the artists and the label. They reduce costs by taking advantage of digital distribution. They attract artists by only licensing the master and allowing the artist to retain copyright of their track. Finally, they take advantage of ad-supported platforms where consumers can access their content for free, but the label and artists still receive compensation.

Filmmakers do something similar: they release their works for free but receive payment based on views of advertisements which roll before their movie plays. They also have begun selling their content at a name-your-price basis, which has led to more sales than the classic strategy.

Artists have begun working in multiple mediums to sell the same story. Music from a concept album is used to score a movie that explores the emotional portion of the album. Novels and comic books are being written to tell the background story of concept albums.

The entertainment industry is growing, and firms are finding new ways to connect with consumers every day. Upcoming generations share content more and more online, and are spending more time consuming it.

There is consumer interest in what this firm would be attempting to do. And a firm that takes all of this information into account, along with creating a network of artists that create engaging art and entertaining media for a well-branded label, would be a viable business option in the modern entertainment industry.