

Feasibility Study of Marketing Channels in the Music Industry

A Thesis

Submitted to the Faculty

of

Drexel University

by

Joseph Christopher Terry

in partial fulfillment of the

requirements for the degree

of

Master of Science in Television Management

September 2012

© Copyright 2012

Joseph C. Terry. All Rights Reserved

Acknowledgements

This thesis would not have been possible without the guidance and the help of several individuals who in one way or another contributed and extended their valuable assistance in the preparation and completion of this study.

First and foremost, this thesis would not have been possible without the guidance of Albert Tedesco, the Program Director of the Television Management Graduate Program.

I would like to show my gratitude to Mary Cavallaro, Esq. for her support and guidance while writing the thesis.

I wish to acknowledge Larry Rudolph, Adam Leber and Rebecca Lambrecht of Reign Deer Entertainment for showing me how the entertainment industry works on a worldwide scale.

Finally, I want to thank my family and Kate for supporting me while writing this and giving me the encouragement to complete the thesis.

Joseph C. Terry

Table of Contents

LIST OF TABLES	v
LIST OF FIGURES	vi
ABSTRACT	vii
CHAPTER 1: Feasibility Study of Marketing Channels in the Music Industry	1
CHAPTER 2: Literature Review	5
CHAPTER 3: New Media, New Litigation	13
CHAPTER 4: New Media and New Demographics	19
CHAPTER 5: New Media and a New Definition of Piracy	24
CHAPTER 6: New Media, New Advertising Platforms	26
CHAPTER 7: The Business Plan	29
7.1 Executive Summary	31
7.2 Business Plan Introduction	35
7.3 Market Need	36
7.4 Pop Star Experience Solution	40
7.5 Target Market	43
7.6 Solving Distribution Issues	44
7.7 Positioning	47
7.8 Start Up Expenses and Pricing Strategy	48
7.9 Marketing and Sales Operations	52
7.10 Growth and Expansion	56
7.11 Competition and New Media Outlet Developments	59
7.12 Facilities and Equipment	61
7.13 Operation Logistics	64
7.14 Senior Leadership Team	67
7.15 Board of Advisors	68

7.16 Key Hires	70
7.17 Revenue Models and Financials	72
7.18 Initial Funding.....	73
7.19 Pro Forma.....	75
7.20 Conclusion	77
LIST OF REFERENCES.....	78

List of Tables

1. Start Up Requirements	48
2. Service Rates	50
3. Sales Forecast.....	50
4. Sales Forecast Graph.....	51
5. Three Year Inclusive Sales Forecast.....	58
6. Three Year Sales Forecast	58
7. Three Year Sales Forecast	58
8. Projected Income Statement	62
9. Pro Forma.....	75

List of Figures

1. Record Label Search: United States	38
2. Record Label Search: Philadelphia.....	39

Abstract
Feasibility Study of Marketing Channels in the Music Industry
Joseph C. Terry

The Feasibility Study of Marketing Channels in the Music Industry examines the current relationship between recording artists, and the television networks as compared with the relationships that they once had with networks before the digital revolution and the resulting ability to have media at your fingertips. The concept of a record label signing an artist, producing a record and using television for promotional purposes to reach maximum exposure has essentially become an obsolete business model. The digital revolution provides opportunities for businesses looking to capitalize on the availability and user-friendly nature of new media, and this revolution also provides the artist with a relatively simpler and cost-effective way of distributing their work.

Through an analysis of the onset of this new media revolution, this thesis will argue that the time is right for a new business model in the music industry. AJ Music Group, a music production and marketing company aimed at the production and distribution of pop music. The company's strategy and approach within the entertainment industry could ultimately change the way artists pursue the promotional aspects of their career. Instead of making the traditional record label the business entity in charge of all career and creative decisions for the artists, AJ Music Group will approach an artist's career from a different point of view.

The "Tween" demographic, the age bracket of nine years old to sixteen years old, is a highly sought after demographic because it appears to be capable of producing a

consistent revenue stream for companies. However, tweens notoriously move on quickly from one interest to the next and tend to have a shorter attention span than other demographics (Gerber, 2011). The new media revolution has done much to foster this demographics habits and tastes.

In the current digital landscape, the black box, a term used to describe the vast distribution of media, has become an essential media tool. Users have the ability to listen to music, watch music videos and even create music from their cell phones, tablets and televisions. When it comes to the tween demographic, it is extremely important to appeal to this demographic through the use of new media. The AJ Music Group approach will be able to provide constant streaming updates and connections with the artist as well as allowing the user to listen to as much content as they desire in order to share it with their friends. This model will ultimately be the force behind the content eventually going viral which will be a means of giving the artist the exposure that they need to move their career forward.

The AJ Music Group will have the vision and resources to work with an artist who wants and needs the control to determine how their career unfolds as they envision it allowing the artist to explore many different creative channels through new media. This strategy will allow for the company to explore many media outlets and strategies to foster for maximum exposure for the artist rather than being stuck in the traditional music industry promotions construct. From the artist's viewpoint, this strategy will allow for the artist to work with experienced industry professionals using new ideas and innovation to gain an entire "pop star experience."

Artists who want to work with AJ Music Group will have the ability to record and write an original song, and create and star in their own music video. The artist will even be able to retain copyrights.

This thesis analyzes the new media revolution and the struggle that artists go through to obtain their goals, and this analysis, will ultimately show that the approach that AJ Music Group will take with new media tools is an approach that is worth exploring for artists.

Chapter 1: Feasibility Study of Marketing Channels in the Music Industry

While there never was a set formula for a pop artist to break in to the music industry, there was a traditional path – the major record label. However, over the last several years, there has been an overwhelming creative response to the music industry's various players being adversely affected by technology and the economic downturn (Collins, 2009). The formula for an upcoming artist to break out has become increasingly complicated even with the availability of new media with unlimited distribution and there are many paths without the financial support and creative support from record labels. The impetus of this change was a result of many factors over the course of a couple of decades, but it did not start with new media.

One of the largest contributing factors to this music revolution pre-new media has been the rebranding of MTV. With the recent rebranding of MTV, the network no longer focuses on music. The importance and relevance of this change is that for three decades, MTV was known as Music Television (Collins, 2009). The network was essentially a one-stop shop for pop artists where they would deliver their latest music video, promote the video on various programs that air on the network, and ultimately see an increase in album sales from all of the promotion on one network. However, since the network has shifted in the programming focusing to shows that are either reality based or competition reality based, there really is not much room left for artists to promote their music (Collins, 2009). This comes at a time when promotion has become more difficult because the artist can get lost in the wealth of new media outlets.

The music industry is not in the position that it was several years ago, where consumers could only purchase their music at retail locations. Promotion is an absolute necessity for a pop artist to reach maximum exposure (Becker, 2012). However, without the formula that was so widely used in the past, record labels as well as artists are essentially struggling to find the right creative and distribution outlet for their music content (Sowambur, 2011). Therefore, the question is whether or not there is demand for a company that will work with pop artists to guide their careers, help brand them and allow them access to many different outlets that they would not necessarily be able to do on their own.

With the challenges facing artists looking to find a means to break out, more and more artists have chosen the economical and technologically available “Do-It-Yourself” route. By completely eliminating the need for record labels, artists are now able to establish more creative control and freedom when it comes to creating their music and how they want to distribute it. There is the option for artists to copyright their material on their own and distribute it on their own if they are not working with a record label. However, the “Do-It-Yourself” approach to the industry can provide some trouble as well (Gregor, 2011). For many of these artists they lack the necessary skills and experience to take their talent to the next level and to perhaps develop that talent professionally and that is where AJ Must Group will come in. AJ Music Group will work with the artist to create the song and the music video concept. From there, AJ Music Group will utilize all forms of media such as, but not limited to, social networking, video sites, television and cellular phones.

It is the researcher's goal to create a company that specifically works with artists to create the entire creative and business package for their music. The business starts with providing access to a recording studio, a place for pop artists to be able to explore their creativity and develop a unique sound. However, the critical elements of the process include professional guidance from someone with experience in the music industry, and the guidance of a skilled musician colleague. It is the researchers goal to combine knowledge as well as vast experience in the entertainment industry to essentially mentor and guide the careers of upcoming artists with the support of those with the technical and creative skills necessary for an artist to achieve the best with their creative abilities.

In addition to meeting with and working with upcoming artists, the goal of the company would be to market its service to the "tween" and teenage demographic, specifically to artists in of that demographic who desire to get a taste of the entire pop star branding experience starring themselves. The reason for working with the tween demographic is because the music abilities and styles of the members of AJ Music Group is geared towards creating pop music acts.

The consumer's experience would include producing a song, including writing and recording the music with an experienced musician, having their experience filmed in a documentary, educational style to air, on Mind TV (thanks to fellow TVMN graduate, Rebecca Abboud)¹, and ending with starring in their own music video. This concept stems from the introduction of one of the year's biggest break out acts, Rebecca Black, a

¹ MiND actively promotes creativity, innovation, diversity, imagination, service to under-served audiences, and an active role in community problem-solving. We believe in the power of media to change communities, tell important stories, and transform the way we think about ourselves and our world. MiND gives voice to communities not often seen on television. MiND is inclusive--we teach people to use media, and then provide extensive distribution. (*MindTV: About mindtv.com*)

product of Ark Music Factory. Ark Music Factory is a Los Angeles, CA based music company that works with aspiring tween musicians to help them create a song and a music video (*Ark Music Factory, 2012*).

Chapter 2: Literature Review

A feasibility study of a new creative content and distribution model for the music industry would not be complete without an analysis of both the foundational business entities of the industry as well as the recent development and/or changes in the industry which have yielded way to new ideas for creating and distributing new content. While well-entrenched corporate players remain on the scene, they do so with an increased focus on using new technology at every step in the process from creation to distribution, and they do so with an understanding that newer players are entering the market using new media tools that make the old business models somewhat obsolete.

Video and Audio Communications, better known as Viacom, is a media company with significant influence in today's wide entertainment landscape. Viacom describes itself as "a leading global entertainment content company" and that statement is accurate as Viacom is the parent company to various brands that appeal to every generation. In television, the Viacom home encompasses brands MTV Networks, BET Networks, VH1, Nickelodeon, Comedy Central and Rock Band. These brands are essentially associated with the Media Networks segment of the Viacom Company.

Taking in to consideration that Viacom is such a large company, there are naturally many businesses associated with the Viacom name. Aside from the Media Networks segment, there are the following: MTV, VH1, Nickelodeon, Nick at Nite, COMEDY CENTRAL, CMT: Country Music Television, Spike TV, TV Land, Logo and approximately 155 networks around the world. In addition, digital assets such as Neopets, Xfire, Atom, Harmonix and Quizilla offer compelling and interactive content, providing

an even deeper connection with devoted and focused demographics (*Viacom; Our Brands*). BET Networks presents the best in Black media and entertainment featuring traditional and digital platforms. Brands including BET, BET J, BET Gospel, BET Hip Hop, BET.com, BET Mobile, BET Event Productions and BET International deliver relevant and insightful content to consumers of Black culture in more than 100 million households (*Viacom, 2012*). And with Paramount Pictures Corporation, audiences have access to a huge library of top films through brands like Paramount Pictures, Paramount Vantage, MTV Films, Nickelodeon Movies and Paramount Home Entertainment (*Viacom, 2012*).

One of the most significant changes to occur to the Viacom Company in 2010 is that MTV made the executive decision to remove the “Music Television” tagline from its corporate logo. The change is significant because it shows that the brand known as MTV: Music Television is changing and reimagining itself. As of August 1, 2010, MTV will have been on the air for twenty-nine years. On August 1, 1981 MTV went on air with the statement “ladies and gentlemen, rock and roll” with the music video, *Video Killed the Radio Star* by The Buggles. According to the article, *Music Television: The Museum of Broadcast Communication*, the author states that over the next couple of decades, the network would dramatically change their focus from being a network that played music videos to a network that appealed to the tween demographic by airing reality program after reality program (2011). It is safe to say that the generation growing up with MTV today would never even know that they were at one time a network dedicated to music videos. "The people who watch it today, they don't refer to MTV as music television," MTV's head of marketing, Tina Exarhos, told The Los Angeles Times (Collings, 2009).

Perhaps the change is a bit overdue. With MTV Networks being the home to many tween oriented networks such as Nickelodeon, VH1 and most definitely MTV there is a need to satisfy the appetite for content of the demographic that has the potential to bring the network a lot of revenue. A tween is “vaguely defined as a prepubescent between the ages of 8 to 14, 9 to 12, or 8 to 12. Regardless of the exact age definition, most agree that the breaking point of a "child" becoming a "tween" is by the American fifth grade (approximately ten years old), when he/she rejects more childlike images and associations and aspires to be more like a teen” (De Mesa, 2011). The tween demographic is something that many programmers aim to please because according to 360 Youth, an advertising and marketing company that focuses on young people, tweens independently spend \$51 billion annually and have "considerable sway" over another \$170 billion annually spent on them by parents and family (Seymour, *Tweens are Shoppers*).

In Viacom’s 2009 annual report for Viacom, the Media Networks segment is a strategic business set to essentially conquer all of the needs of the coveted tween demographic. According to the annual report, Media Networks works to acquire programming, video games and other content for nontraditional distribution. The distribution is set to appeal to those who want to interact with the content either on television, the Internet, game consoles, mobile devices or through purchasing related themed content.

Of course, generating revenue is a key component to the operations and success of any company.- For Viacom, with an emphasis on the Media Networks segment, there are three categories in which revenue is generated (Baine, 2009). The first is the most

obvious category is the sale of advertising time. Advertising time is sold on as many outlets as possible, such as on the programs that air on all of the networks associated with Viacom and the Media Networks segment, as well as on those programs digital properties. However, as of February 10, 2010 Viacom was still struggling in this section of generating revenue. Domestic ad sales were down 4%, the same as in the third quarter. Management said it is "cautiously optimistic and expects to deliver sequential improvement." On a consolidated basis, the company ended the year with revenue down 7% to \$13.6 billion, and operating income up 1% to \$3.0 billion. The Media Networks division finished the year with a revenue decline of 5% and a decline in operating income of 3% to \$3.01 billion (Baine, 2009).

After producing several programs that did not have significant ratings success on the air, Viacom can thank MTV for producing some recently successful programs in 2009 and 2010. MTV had four of the top 10 original cable series in its target 12-34 demo in January 2010. Those programs were *Teen Mom*, *Real World: Washington DC*, *Randy Jackson Presents: America's Best Dance Crew* and *Jersey Shore*. *Jersey Shore* broke series records, with the finale bringing in more than 4.8 million viewers (*Tuesday Cable: Lakers/Suns Dominate "Law & Order: CI," "Justified" and Others*). Considering the fact that there have been quite a few misses on the network as well as ratings dropping on staple program *The Hills*, dropping from a series high of 4.5 million viewers, to an average of 1.998 million viewers a week now, there is much hope from Tony DiSanto, President of Programming at MTV that the *Jersey Shore* hype will continue and be strong in order for the network to generate a good amount of revenue from the program (Kurutz, *"Jersey Shore": MTV Programming President Tony DiSanto Defends the Show*). It

should be noted that their four most successful programs have absolutely zero relation to music or music videos, making the dropping of the Music Television tagline seem appropriate (Carter, 2011).

SNL-Kagan states that although there have been reports of a weak advertising market for children's programming, Viacom CEO and President Phillippe Dauman stated that Viacom is "The market leader in children's programming. And while there's been some softness in categories such as toys, when scatter dollars came in at the end of the fourth quarter, as they were in advertising, we believe we captured the bulk of those scatter dollars — 80% and up of the dollars that were available. Nickelodeon, along with its night time programming known as Nick at Nite has been successful for Viacom and the Media Network's segment (Baine, *Viacom Cable Networks Post Another Down Quarter in Ad Revenue*). In 2009, Nickelodeon and Nick at Nite finished as the number one basic cable network for the fifteenth year in a row. In the fourth quarter, it was first among basic cable networks in total viewers, kids and tweens. SNL-Kagan essentially labels the Nickelodeon, Nick at Nite combination as the cash cow for Viacom and the Media Networks segment. It produces more than \$1 billion in cash flow per year through up years and down, and consistently posting margins in excess of 60% (Baine, 2011).

According to the Viacom Annual Report, the second of three revenue categories here is from the "receipt of affiliate fees from cable television operators, direct-to-home satellite operators, mobile networks and other content distributors. Of course, the revenue here that is generated from the receipt of affiliate fees as well as subscriptions is going to make money for any media broadcasting company. For Viacom, Nickelodeon is again the

cash cow for the company in terms of advertising as well as subscription fees (De Mesa, *Marketing and Tweens*). The channel charges subscription fees to pay TV operators like Time Warner, Comcast, and DirecTV for providing its programming to their subscribers.

It is necessary to keep in mind the fact that Viacom's Media Networks segment is aggressively going after the tween demographic within all of their programs.

Nickelodeon has branded itself as a diverse network with a lot of potential to grow.

According to Trefis, a company which is led by MIT engineers and Wall Street analysts showcases how a company's products, that you touch, read, or hear about every day, impact its stock price (Team Trefis, 2011).

Nickelodeon was recently analyzed by Trefis, a company that is a meaningful financial community structured around trends, forecasts and insights related to some of the most popular stocks in the US (Team Trefis, 2012). The results proved that the network is most definitely going to continue to grow and continue to be Viacom's Media Networks cash cow (Becker, 2009). "We expect Nickelodeon's fee per subscriber to continue to rise at rate of about 2 to 3 cents per year and reach about 61 cents per subscriber by the end of our forecast period primarily due to the fact that, there are multi-year contracts with cable providers involve periodic fee increases negotiated in advance (Team Trefis, 2011). Additionally, given the high demand for Nickelodeon, programming providers will need to ensure access to its programming for customers. This increases the negotiating power of Viacom against the providers and will help the company in ensuring pricing growth and finally, Disney Channel's subscriber fee is almost twice that of Nickelodeon. This gives Nickelodeon ample room for pricing growth given that the

channel maintains its quality content and continues to be an attractive TV channel for children” (Team Trefis, 2011).

The third revenue generator is known as ancillary revenues. This section essentially includes the creation and publishing of video games, primarily under the Rock Band section of the Media Networks segment. The respective video games known as *Rock Band* and *Guitar Hero* are considered ancillary revenue generators (*Marketing To "Tweens" Going Too Far?*). There is also the sales of programming and the licensing of the content to third parties as well as the distribution of content for home entertainment purposes, for example DVD's. And finally there is the licensing of the brands for consumer products, for example licensing *The SpongeBob Square Pants* brand for backpacks, lunch boxes, etc (*Survey of Tweens' Shows Considerable Brand Savvy Among 8-12 Year Olds*).

Based on these three-main revenue generators, again Advertising Sales, License and Subscription Fees and Ancillary Revenue, Viacom can begin making money. The Annual Report and letter to stockholders includes much discussion of the difficult economic conditions of the last few years, but Viacom states they are going to recover from the bad economic times. According to the Viacom Annual Report, the Media Networks segment is essentially combined with the other company divisions, including the association with Paramount Pictures. “Overall revenues for the year declined 7% to \$13.62 billion as growth generated in affiliate revenues were offset by the decreases in feature film, as well as ancillary and advertising revenues (2011). Driven by a \$148 million increase in the Filmed Entertainment segment, our operating income was \$3.0

billion, a gain of 15%, or 1% on an adjusted basis (2011). Additionally, the Viacom Annual Report states that net earnings from continuing operations attributable to Viacom grew 29% to \$1.59 billion, or \$2.62 per diluted share, a 33% increase over the prior year's results. Adjusted net earnings from continuing operations attributable to Viacom rose 5% to \$1.56 billion, or \$2.56 per diluted share, an 8% increase (2011). "We significantly strengthened our financial position in 2009, restructuring our debt profile, increasing our operating free cash flow by 17% to \$2.0 billion and expanding our operating margins. At Media Networks, the reallocation of capital from overhead to new programming has begun to bear fruit while restructuring and other cost-cutting initiatives, as well as fewer films and more tent pole pictures, at our Filmed Entertainment" (Weprin, 2012).

Chapter 3: New Media, New Litigation

Even though MTV and Viacom were aware of what was occurring on the web and that the company needed to adapt to change, it did not deter the company from following through with their legal action against a newer player in the industry - YouTube.

YouTube is a social media component that will be an integral part of creating a well-rounded brand. However, by creating content and uploading it to the Internet, there is the risk of being accused of copyright infringement. The new media revolution and the resulting connection to increased instances of copyright infringement is essentially the cause of the music industry having to reshape its entire approach to business. For example, the sale of records has significantly decreased. According to Billboard Magazine and the article, *U.S. Album Sales Dropped 12.8% Last Year, Digital Tracks Post Small Gain*, during the 52 weeks ended Jan. 2, album sales in the United States fell 12.8% to 326.2 million units from 373.9 million units in the prior year, as the sales of CDs fell by nearly 20% for the fourth year in a row (Christman, 2011).

Therefore, going in to a new business venture within the music industry it is essential to be aware of issues that have occurred in the past.

The introduction of YouTube to the world wide web occurred on February 15, 2005, and not only changed the way that users could interact with the internet, it also created a place for users to essentially become video stars. YouTube was purchased by Google in the fall of 2006 for 1.65 billion dollars (Lewin, 2009). Since the purchase, the company has continued to grow, and users have continued generating content. However,

with user generated content comes the complication of copyright infringements (Lewin, 2009).

Essentially, the lawsuit that stems from Viacom's claim says that YouTube built traffic and ad sales by allowing users to post clips they had taken from copyrighted movies and TV shows, including *The Daily Show* and *The Colbert Report*. From the article, *The Juicy Details behind the Viacom-YouTube Lawsuit*, Google says Viacom could have asked that the clips be taken down but wanted them there and surreptitiously posted many itself to ultimately create viral marketing campaigns for its entertainment (Lewin, 2009). In an age where almost everyone is connected to the internet in one way or another, whether it is via the internet on their personal computer, or walking around looking at their smart phones, creating viral campaigns has become an essential part to successfully building a brand. Google has acknowledged that that is exactly what Viacom was doing with the videos that were posted to various YouTube accounts.

However, it is ~~the~~ thought that one of the reasons why Viacom pursued the lawsuit in the first place is because during the 2006 Google acquisition of YouTube, those at Viacom were adamantly against the acquisition (Lewin, 2009). During that time period, there were allegedly many emails sent back and forth between executives that outlined the issues with YouTube and how it is made up of almost 80% pirated material. In an article that dates back to October, 2009, before any decisions on the case were made, there were many implications that the employees of Google who worked for YouTube were aware of pirated material being uploaded and did nothing about it. The article, *Did YouTube Employees Upload Pirated Videos To Bump Up The Site's Traffic*, states: "Internal YouTube e-mails indicate that YouTube managers knew and discussed the

existence of unauthorized content on the site with employees but chose not to remove the material. The e-mails, according to the sources who asked for anonymity because of the ongoing litigation, surfaced during an exchange of information between the two sides of the legal dispute. 'If the facts are accurate, Google will have a very difficult time claiming that its staff members don't undermine its protection', notes entertainment attorney Roger Goff' (Lewin, 2009).

Interestingly enough, when it came time to prove that there was in fact awareness within YouTube about the legality of what was being posted on YouTube, a majority of the supporting information and data was somehow deleted. Viacom representatives maintain that Google and YouTube produced "almost none" of the most damning internal emails and documents. For example, YouTube co-founder Chad Hurley told lawyers "that he 'lost all' of his YouTube emails for the key time period of this case" (Lewin, 2009). However, co-founder Jawed Karim, who left YouTube in 2006, kept them on his personal computer and turned them over. "When Mr. Hurley was shown the email chains preserved by Mr. Karim, he developed serial amnesia," according to Viacom representatives (Sandoval 2009). So, apparently, did Larry Page, one of Google's two co-founders. According to Viacom representatives, " Page essentially disclaimed memory on any topic relevant to this litigation, even including, for example, whether he was in favor of Google's acquisition of YouTube, even though it was Google's largest corporate transaction to date and viewed as transformative to its business" (Sandoval 2009).

It seems that the lawsuit was essentially filed after an incident that occurred on February 2, 2007 (Sandoval 2009). Viacom insisted that YouTube take down all of its

copyrighted clips with a stern "By the next business day" warning. Google admits that they agreed to the requests made by Viacom, but despite Viacom's apparent expectations that YouTube's traffic would decrease and traffic to Viacom's own websites would soar after those videos were removed, neither prediction came true. In the article, *YouTube-Viacom, Part Two: YouTube Founders E-Mails Show Struggles Over Copyrighted Works*, Kaplan states that Viacom then turned to litigation, filing this lawsuit on March 13, 2007 and demanding one billion dollars of YouTube (Kaplan, 2009). In the article, *Google Wins Big Over Viacom*, the assumption can then be made that Viacom did not want YouTube detracting hits from their own websites, but wanted to have YouTube readily available to them so users could perhaps discover new content through uploads by individual users (Shami, 2009). This is the point in which questions of what is which fair use come in to play with this topic. The concept of fair use may be defined by a grey line, is a doctrine in United States copyright law that allows limited use of copyrighted material without requiring permission from the rights holders, such as for commentary, criticism, news reporting, research, teaching or scholarship (Shami, 2009).

Therefore, users on YouTube could be uploading videos in such a manner that could fall under any of these above-mentioned categories. When the videos are watched, and a viral buzz is created, there can be redirection towards the original Viacom content (Kaplan, 2009). However, Viacom wanted users to just come to their site. This concept however could prove to be a way to alienate their audiences from content they could potentially want to watch.

Fast forward to June 23, 2010, the court issued a decision in favor of Google in

the Viacom and YouTube case based on the “safe harbor” provisions of the appropriate federal law governing the internet. The ruling by U.S. District Judge Louis Stanton in New York in the *Viacom V. YouTube* case, embraces Google's interpretation of a 12-year-old law that shields Internet services from claims of copyright infringement as long as they promptly remove illegal content when notified of a violation (Kravitz, 2009).

That so-called "safe harbor" helped persuade Google to buy YouTube for \$1.76 billion in 2006, even though some of the Internet search leader's own executives had earlier branded the video-sharing service as "a 'rogue enabler' of content theft," according to documents unearthed in the copyright infringement case (Shami, 2009). Further, when Google was given notice of copyright infringement, it quickly removed the identified material (Kravitz, *Google Wins Viacom Copyright Lawsuit*). YouTube falls under the “safe harbor” policy, therefore causing Viacom to lose their lawsuit that they spent almost four years crafting. Judge Stanton ruled that while Google may have had a “general” awareness that users had uploaded Viacom’s copyright-protected content onto its site, which was not the same as “knowledge of specific and identifiable infringements of individual items” (Melton, 2009)).

Viacom and its Media Networks were not as engaged with new media as some of their newer competitors and had not yet developed their own social media platform for their own brands even though the industry was clearly moving in that direction. Users not only want to watch content, but they also want to interact with it and ultimately be immersed in that content as much as possible. By Viacom taking the lawsuit approach and not adapting to change, it has essentially prohibited their ability to advance as a company (Melton, 2009). An example of this is that the website, Vevo.com, which is

website where music companies have uploaded their content to. Vevo is a subsidiary of YouTube and is essentially its music counterpart.

As of August 6, 2010, Vevo suspended all of its music videos from having any affiliation with Viacom's media networks segment websites. This includes MTV.com, VH1.com, CMT.com and BET.com. The reason stated for the content being pulled from these above-mentioned sites is that there has been a failure in attempting to reach a "fair syndication agreement" (*Melton, 2009*).

Clearly, Viacom was not pleased with the legal defeat, and their statement on the issue was "It is and should be illegal for companies to build their businesses with creative material they have stolen from others" (*Melton, 2009*). The statement made by Viacom makes a lot of sense in the fact that a majority of the content on YouTube is taken from somewhere else. Since it was sold to Google, YouTube has developed a system that helps flag copyright violations when videos are posted (*Shami, 2009*). Viacom argues those copyright detection tools prove YouTube could have done more to keep illegal content off its site. However, if YouTube were to cease to exist, it would be a significant setback in terms of how individual, unique users are able to upload their material and express creativity. There is a considerable amount of content on YouTube created by users who are either performing their own songs they wrote, or reciting poetry they created; yet those individuals are not necessarily out for a financial gain (*Sandoval, 2009*). If the reality is that Viacom's lawsuit was financially motivated, perhaps the company should redirect its focus so they can be referred to again as "a leading global entertainment content company," not the company that sued YouTube because they had not built their own new media platform of distribution (*Shami, 2009*).

Chapter 4: New Media and New Demographics

Viacom has essentially been building their business around the “Tween” phenomenon. Tweens are generally categorized as children between the ages of 9-14. Teen Research Unlimited had found that teens from the ages of 12-19, ages that fall directly in the tween demographic, in 2006 have spent an average of \$102 a week on products, making that number come out to be \$179 billion dollars in one year (Rice, *Superstars of Spending*). “Kids 4 to 12 are today's big-spending superstars in the consumer constellation,” says James U. McNeal, president of McNeal & Kids Youth Marketing Consultants (Rice, 2011).

It would appear as if all media companies are in some way attempting to capitalize on this demographic. For example, McDonalds has changed their advertising approach to tweens by creating a new logo, new interactive website and television commercials specifically targeting this demographic. The cost of McDonalds to advertise is estimated to be around \$600 million (Kramer, 2010). “Only a decade ago, advertisers lumped all kids into one broad category. Now they realize age segmentation is essential,” says Tim Coffey, CEO of WonderGroup, a youth consultancy in Cincinnati.

According to the article, *Tots Join Tweens in Digital Realm*, tweens, ages 9-14 are essentially characterized as the "pioneers" of digital-device and -content adoption, and it should be expected that the younger demographic will only adopt these new media skills over time as well (Bulik, 2010). Therefore, because this important demographic is quite interested in innovation and knowledge in regards to technology, it has become the responsibility of the networks to capitalize on this market and attempt to restructure their

business models to better suit the needs of the tween demographic. This strategy also affords networks, primarily MTV to take advantage of their online counterparts to promote music. The music featured in episodes of every MTV prime time show, is immediately placed online with links to listen to the song, as well as discover the artist. For those who do want to know more about the music that they are hearing on the programs, there are many new media options for them to seek out this information (Brown, 2011).

In order for networks to continue to grow, it is essential to the network that their business model constantly changes and adapts to the new technologies constantly being introduced and to the demographics that continue to evolve with new media. As stated above, the tween demographic is pioneering their way through the Internet. At times, it must be difficult for the networks to be able to change their business models to meet the needs of this ever evolving demographic (Goetzl, 2011). Many networks have produced programs that are aimed at the coveted tween demographic, therefore making the competition quite fierce when it comes to winning in the ratings battle. The Disney Channel, Nickelodeon, MTV and VH1 are all a part of the battle. In order to conduct a more lucrative, as well as technology savvy business, these networks have teamed up with an advertising agency that would attempt to reinvent the networks strategy and approach to a demographic that seems to be one step ahead of them (Goetzl, 2011).

As the tweens and teens become more of a recognizable demographic with its own wants and needs, it is no surprise that networks are forming their own marketing

groups to take advantage of this ever expanding demographic. Rainbow Media is the name of the advertising unit that involves MTV Networks and it offers a “client activation team” that will allow advertisers multi-platform options for shows that are geared towards the tween and teen markets. The VP of marketing at MTV Networks, Sean Moran states, “The tween demo is the one of the most fickle and the most valuable and one we feel we have the best connection with in terms of how they’re digesting media” (Goetzl, 2011). Disney, the company that is without a doubt is the “800 lb. gorilla” when it comes to children’s programming, has established its own marketing team known as Disney Media Advertising Sales and Marketing Group (Larson, 2010). This group is the destination for advertisers who are looking to reach the tween population. It is the desire of the Disney Media Advertising Sales and Marketing Group to really find a way for their advertisers to get their product known in new ways that will reach the teens, by creating “custom opportunities to tie advertisers in a more impactful way” (Goetzl, 2011).

The reason why there is so much attention given to this demographic is because it is one of the only demographics that has the disposable income to purchase or have their parents purchase whatever it may be that advertisers are attempting to sell to them. The concept of an allowance is still prevalent in homes with teens. With little to no responsibilities, the allowance money can be spent on products that have to do with their favorite television show. According to the article, *Teen Spending Shifts to Value; Gadgets and Gaming Hold Firm*, the author discusses a Morgan Stanley study regarding teens and their usage of media. Despite the downturn in the economy, teen spending on digital music rose (Wellington, 2009). Students were polled and the results of the poll showed

that those with any form of an MP3 player do purchase music. This rose from 84% in 2010 to 86% in 2011. In the study *Teen Spending Shifts to Value; Gadgets and Gaming Hold Firm*, a 15-year-old is quoted as saying that members of his generation place an extremely high premium on downloading and acquiring music (2009). Based off of this information, that tween spending has not decreased, it is no surprise that every store you walk into has sections dedicated to characters that appear either on a Disney Channel Show or a Nickelodeon Show. Teen Research Unlimited had found that teens from the ages of 12-19, in 2006 have spent an average of \$102 a week on products, making that number come out to be \$179 billion dollars in one year (Neff, 2010). "Kids 4 to 12 are today's big-spending superstars in the consumer constellation," says James U. McNeal, president of McNeal & Kids Youth Marketing Consultants (Rice, 2009).

In order to truly capitalize on this demographic, it would appear as if all companies are attempting to reach this demographic. For example, McDonalds has changed their advertising approach to tweens by creating a new logo, new interactive website and television commercials specifically targeting this demographic. According to the article, *McD;s Tweaks 'Tween' Marketing Campaign*, the author states that the cost of McDonalds to advertise is estimated to be around \$600 million (Kramer, 2011). "Only a decade ago, advertisers lumped all kids into one broad category. Now they realize age segmentation is essential," says Tim Coffey, CEO of WonderGroup, a youth consultancy in Cincinnati (Kramer, 2009).

For a local independent music company to be a successful venture, a key

component is being aware of whether or not there is in fact a market for such a company. In 2009, a study was conducted that determined that the current generation of children would much rather grow up and become pop stars and celebrities opposed to becoming doctors or lawyers or even the president. The article states, “Girls meanwhile, want to become a pop star, actress or medic. Interestingly, over two thirds 69 per cent of parents surveyed admitted that they had failed to follow their career dreams, many blaming a lack of ambition or qualifications...Children see footballers, pop stars and actors on TV and their lives look exciting, glamorous and fun.” There is absolutely nothing wrong with children having big dreams but these have to be based on reality according to the article, *Children Would Rather Become Popstars than Teachers or Lawyer (2012)*. Parents can think about why they did not achieve their own dreams to help their children to realize their talents. Perhaps they were not encouraged enough by their own parents. But they also need to give them guidance and manage their expectations by letting them know the talent and hard work required for certain careers” (2012).

Chapter 5: New Media and a New Definition of Piracy

Despite the drastic change that has occurred within the industry in terms of promotion and content on television, another major issue that is both a result and a contributing factor to the change within the music industry is the problem of online piracy. Piracy is essentially the stealing of copyrighted work. One of the most significant dilemmas currently occurring within the industry as well as the entire media community as a whole is internet piracy (Riedel, 2006). Any new media venture in entertainment must proceed with caution on the issue of copyright so as to avoid a flawed business model which could fall victim to costly legal troubles.

Music Piracy first became an issue with the introduction of Napster in the late 90's and in to the beginning of the new millennium. According to the article, *A Brief History of Filesharing: From Napster to Legal Music Downloads*, Napster was essentially created to be a program that allowed computer users to share and swap files, specifically music, through a centralized file server (Riedel, 2006). There were many complaints about the difficulty that accompanied finding and downloading music over the Internet. Napster created a solution for this issue by there being a program that combined a music-search function with a file-sharing system and, to facilitate communication through instant messaging. Once this caught on, and files were being swapped for free via a peer-to-peer system (Riedel, 2006). The music industry began noticing that the sales were slipping as people were obtaining music for free.

As time progressed, file sharing became more of a norm, much to the dismay of the music industry that saw its profits shrink as a direct result (Christman, 2011). It got to the point where not only music files being shared, but feature films were becoming available, sometimes before they were even released to theatres. Then, television shows were appearing online, free for download, moments after an episode aired. Internet piracy is really affecting the way that television and new media are able to conduct their businesses and at the same time, finding an opportunity to develop revenue streams by putting content online (Baine, 2011).

The introduction of YouTube to the world wide web which occurred on February 15, 2005, not only changed the way that users could interact with the internet, it also created a place for users to essentially become video stars (Kravitz, 2009). YouTube was purchased by Google in the fall of 2006 for 1.65 billion dollars. Since the purchase, the company has continued to grow, and users have continued generating content. However, with user generated content comes plenty of copyright infringement.

Chapter 6: New Media, New Advertising Platforms

Monetizing online content is becoming an increasingly difficult task because piracy allows for users to either download from countless blogs dedicated to posting the latest episodes of one's favorite programs, or to use a bit torrent program to download episodes. The pirated episodes are essentially the broadcast of the episode with the commercials and all advertising removed. This option is much more appealing to today's internet pirates, because popular websites that do contain these episodes in a streaming format also come with advertising.

If advertising is experience a significant setback from the Internet pirates, and Congress is seeking the ability to regulate a television network's ability to advertise, then there could be issues within the television industry with how money is ultimately made, and that is the most important regulatory issue confronting television and new media today.

The issue is even being discussed by the National Association of Broadcasters in the sense that this issue is showing up in ways that are having an effect on how Congress may regulate advertising. The issue is as follows: "Congress is nearing completion on its work to pass financial reform legislation (2011). The current legislation includes language regarding advertising, and the National Association of Broadcasters has been working closely with House and Senate leaders to ensure that the final bill does not impose burdensome and unfair advertising restrictions that could hurt broadcasters'

ability to serve their local communities (2011).” If advertising restrictions go in to effect on the air, then there really will be an overall impact to the stations because piracy is having an effect on being able to make money off of the content online.

For years, the recording industry has pushed the Performance Rights Act, legislation that would impose a devastating new tax on local stations simply for playing music on the radio – music airplay that provides free promotion to the record labels and performing artists (2012). The Performance Rights Act could financially cripple local radio stations putting jobs at risk, stifle new artists trying to break into the recording business and harm the listening public who rely on local radio (2012). Needless to say, the NAB is not happy about the issue and suggests that it is affecting the future of local television and radio advertising. The article, *FTC: Consumer Advertising Law Blog states that* “had the FTC been granted streamlined rulemaking authority, it would have been easier for the agency to issue new rules, including rules that define and restrict unfair and deceptive advertising for a broad range of products and services (2011).

Included in the final bill is language that will protect broadcasters who receive advertising from another entity or person, in the event an ad is later determined to be unfair or deceptive. While NAB would have preferred stronger language as to intent to engage in an unfair, deceptive or abusive act, we are pleased that the language added clarifies the law and protects broadcasters (2011).”

One of the critical allegations in the Viacom / You Tube litigation was based in an advertising revenue concern and was based on an argument that YouTube built traffic

and ad sales by allowing users to post clips they'd snagged from copyrighted movies and TV shows, including *The Daily Show* and *The Colbert Report* (Kravitz, 2009). Google says Viacom could have had the clips taken down but wanted them there and surreptitiously posted many itself to ultimately create viral marketing campaigns for its entertainment (Kravitz, 2009). Google has acknowledged that that is exactly what Viacom was doing with the videos that were posted to various YouTube accounts. In an age where almost everyone is connected to the Internet in one way or another, whether it be on their personal computer, or on their smart phones, creating viral campaigns has become an essential part to successfully building a brand (Kravitz, 2009).

The massive amount of changes that have occurred within the music industry and the entertainment industry as a whole especially with regard to marketing and distribution of product has opened the door for innovation. The old music industry business model used by many industry executives is no longer working in many instances. Popular artists are becoming “singles artists” and the chances of becoming a popular musician through the use of MTV or similar networks is an increasingly difficult task as proved above. Popular artist, Flo Rida released the first single “Club Can’t Handle Me” in the summer of 2010 (*Many Artists Selling Singles, Not Albums*). The single sold over two million copies, however when his album debuted, it only sold 11,000 units and debuted at number 107 on the Billboard 200 Charts. According to Nielsen Soundscan, the album has sold 62,000 units since its release. Situations like this are constantly being repeated within the music industry. An artist will have a hit single, but will not have a hit album. With this knowledge, AJ Music Group will work with artists to help them create a hit single, because today’s music climate is geared towards “singles artist” (Fekadu, 2012).

Chapter 7: The Business Plan

Given the current climate of the music industry and today's artist's desire to have access to innovative new media distribution models, now is the time to create an opportunity for artists to choose their own paths and explore every avenue available to them. AJ Music Group proposes to work with artists to create a strong single and then work to exploit the copyright in every way possible. AJ Music Group's business model examines what has worked within the entertainment industry, and what has not worked within the industry and thus created a model that will allow for artists to approach their career from a completely different and new perspective. It is a company that is unlike any other in the Philadelphia suburban region. It provides tweens the opportunity to be professionally exposed to a recording studio environment and allows for them to create their own song. It is an experience that is unlike any other being offered in the Philadelphia suburban region.

The investors in the company and the ones who are responsible for working with artists have the knowledge and experience ranging from working in a recording studio to working with global recording artists. AJ Music Group's business plan is built on the evolution of new media and the creative community's desire and need for change and will support artists in their quest to gain control over their careers.

Joseph Christopher Terry

409 Coventry Lane
Glen Mills, PA 19342
215-688-1413

AJ MUSIC GROUP

The Pop Star Experience

PROHIBITION AND DISCLAIMER

This Business Plan is the property of AJ Music Group. Accordingly, this Business Plan, or any part thereof is provided in strict confidence and may only be used for the limited purpose for which it is disclosed. Without limitation, any full or partial disclosure, copying, dissemination, reproduction or reduction to writing of any kind of this Business Plan is strictly prohibited.

Neither this Business Plan nor anything provided for herein constitutes an offer of Securities, or should be construed to constitute an offer of securities, by the Company to any party. Any offer of securities, if ever made, will be made in accordance with all applicable securities laws.

By accepting a copy of this Business Plan, or any part thereof, you hereby acknowledge and accept these terms and conditions

Executive Summary

There is a significant need within the music industry to keep up with how music is being recorded and distributed in today's digital market. As technology continues to advance, capabilities to record music and distribute music from ones living room becomes more of a reality. Music can be recorded on computers, laptops and cell phones. AJ Music Group will allow parents of children who have ambitions to become recording artists and star in their own music videos to make those dreams a reality. AJ Music Group essentially removes the need for a minor child to need to be signed to a record label to produce their own song and music video by allowing them to have creative input. The interest in celebrity culture has significantly grown over the years as shown in the article, *Children Would Rather Become Popstars than Teachers or Lawyers*; making the desire to be a celebrity even stronger for todays "tween" generation (2012). AJ Music Group meets the market need for "twens" from the Main Line community to become a local celebrity with the creation of their own original song and music video.

Our team at AJ Music Group is dedicated to writing, producing and recording original songs and filming their accompanying music videos in order to have people all over the world enjoy and expose the artists to a taste of fame. Our company does not only just record songs; we work with the artist to come up with a song and video concept that they will be involved in executing. Once a parent and their child decide that working with AJ Music Group is the right company for them to experience the music industry, they will be able to to start working on all concepts regarding their original song and their music video. Once an upcoming "tween" artist has access to AJ Music Group they will

have the ability to work with industry professionals and have the potential to *retain a portion of their copyright*.

There are three prongs to establishing the new market for AJ Music Group: (1) individuals who are musically trained and talented; (2) individuals who have an interest in the music industry; (3) and finally individuals who have the financial resources to have AJ Music Group help with their music industry goals. Although, there are a few other companies offering the option to the tween demographic to record a song, and star in a music video, AJ Music Group faces zero competition on the Main Line. The Main Line is a group of suburbs in the Philadelphia metro area located west of the city in Montgomery, Delaware, and Chester Counties. Once the quality of our finished product is available to view by all on the Internet, we would then think about moving forward and expanding outside of the Main Line area.

This fact is something that will inevitably be important to relay to the parents of the individuals who want to utilize the services of AJ Music Group. AJ Music Group has the ability to will also depend on word of mouth from these parents to help the company grow and take shape. This will increase AJ Music Group's clientele beyond the local Main Line area.

There are a few steps to take into consideration as we turn the recorded vocals in to a song and subsequently into a music video that can be viewed from anywhere in the world. Our technical side of AJ Music Group will be in charge of recording, mixing and mastering the music. The business side of AJ Music Group will play a very pivotal role in negotiating with future clients, potential advertisers, recruiting users, as well as working

to place the product on the Internet and ensuring that it reaches maximum exposure. It is important for AJ Music Group to have a strong understanding of promoting and marketing the music that is created. Having a strong background in the music industry, we must be prepared to handle any sort of marketing techniques that are needed to allow the songs AJ Music Group creates to reach maximum exposure.

Luckily for AJ Music Group there is an extremely strong and competent team of individuals who are well versed in all areas within the music industry. The AJ Music Group team is made up of: Ariel Rubin, VP of Music Development and Joseph Terry, VP of Marketing and Operations has a strong background in the entertainment industry.

AJ Music Group, will be a Limited Liability Company (LLC), formed in Pennsylvania and each team member will be donating \$10,000 to the LLC as operating revenue, or \$20,000 from the original members of AJ Music Group. We will be looking for other investors to provide an additional \$100,000 as well. AJ Music Group will surely be successful due to the opportunities it will provide those who are interested in using media to gain industry experience and exposure. The Company already has all of the equipment for recording in place, and so the majority of the money placed in to the company will be used for marketing our services to the customers. The equipment is owned by Ariel Rubin, VP of Music Development. The LLC will not be responsible for providing any money towards the purchase of the equipment. Below is a summary of our predicted financials for years 1, 2, and 3. Our AJ Music Group team is positive that our

business venture will be lucrative and allow for innovation within the music industry that will show that a traditional record company is becoming more and more obsolete.

Business Plan Introduction

AJ Music Group is a full service company dedicated to working with music artists in the “tween” demographic who want to record and star in a music video for their own unique song. The concept of a record label is quickly becoming an obsolete concept with advances in technology. AJ Music Group will allow individuals who desire to learn about the entertainment industry to be a part of the entertainment industry by removing the hurdle of needing the services of a record label. Each individual is offered the chance to become a part of the AJ Music Group family, which gives them access to a recording studio, and a team of individuals who are well versed in the entertainment industry and who will work to give their song maximum exposure.

AJ Music Group offers an experience to the suburban Philadelphia community that was never possible before. This business plan was written in order to propel forward the convergence of simplified and available recording technology and the Internet’s ability to allow entertainment products to reach maximum exposure.

Market Need

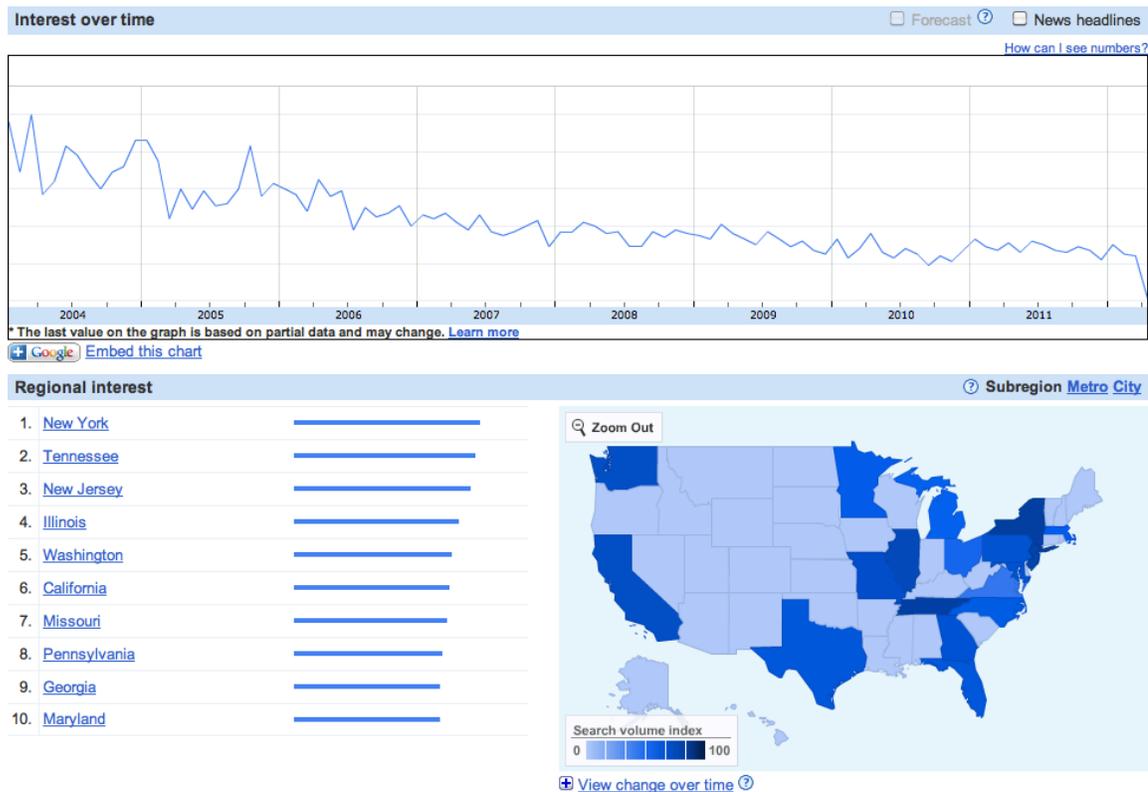
There is a great need within the music industry to revitalize how music is recorded and subsequently distributed as stated in the article, *U.S. Album Sales Dropped 12.8% Last Year, Digital Tracks Post Small Gain*. (Christman, 2011). Clearly, the concept of a record company is becoming obsolete as stated in the article, *Record Labels and Record Stores Are Obsolete In the Internet Age* (Kornelis, 2012,). However, the concept of make music and distributing it is changing and AJ Music Group has the ability to make music and distribute music in a way that avoids the model of the record company. The old model of a record label is no longer proving to be a financially successful model. As technology continues to advance, people have much more access to media and entertainment through the internet, whether it is being accessed through a “black box”, an entertainment distribution tool on ones television set, personal computer, or even mobile phone. The same can be said for how music is being accessed. Music is essentially a media that can be easily obtained as examined in the article *A Brief History of Filesharing: From Napster to Legal Music Download*. (Riedel, 2011). AJ Music Group will not only allow “tweens” the opportunity to record and distribute music, but also release a music video with an opportunity for televised exposure as well.

AJ Music Group removes the need for music industry hopefuls to get signed to a record label. For a set price of \$1,000.00, artists are essentially signing themselves to a record label that will work with them to write, produce, record and make a video all for a song and then take the proper steps to market the material. AJ Music Group will allow those interested in being in the music industry the opportunity to be a part of the industry where they would otherwise not have such an opportunity.

AJ Music Group removes the need to travel outside of the suburban Philadelphia area. AJ Music Group removes the need to be signed to a major label. AJ Music Group removes the need to be told what to do by producers who are only eager to make money off of exploitation of a song. AJ Music Group's primary interest lies within the cultivation of the artist and providing them with enough information to help further their career. AJ Music Group eliminates the concept of auditioning for record executives and being shot down. AJ Music Group will allow people from all over the suburban Philadelphia area to get a taste of something they may not have ever had the opportunity to experience.

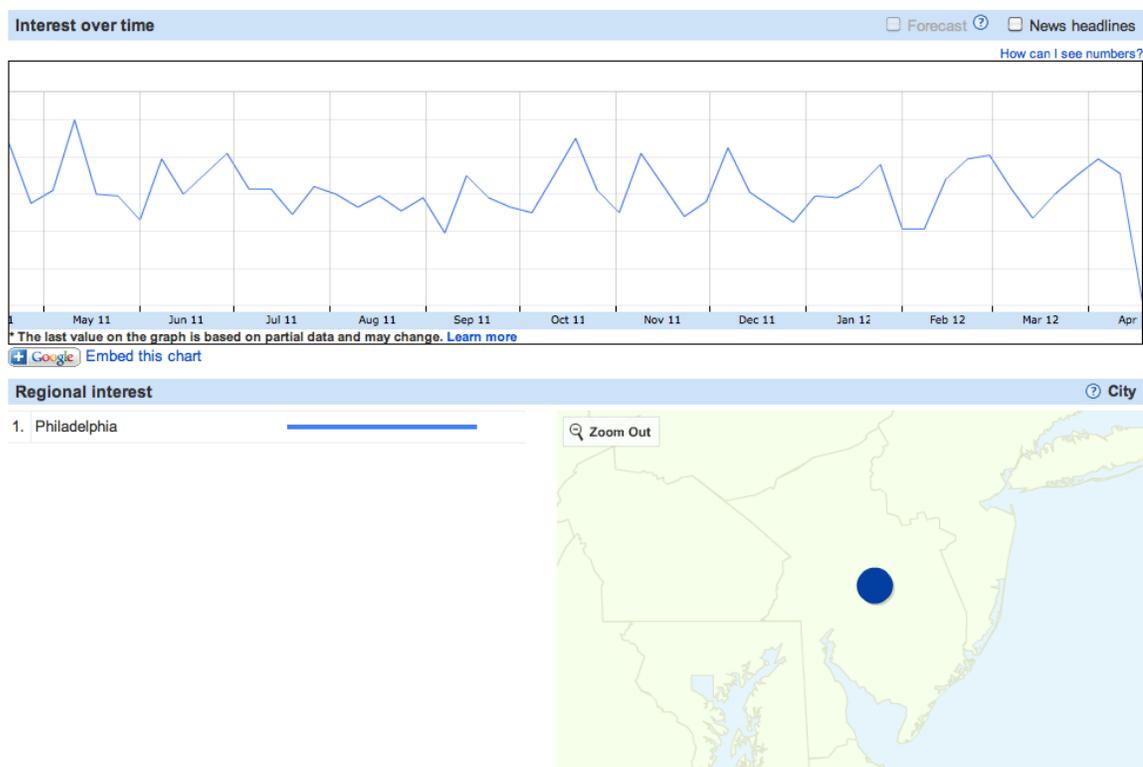
The graph below represents how many people are searching for record labels on the internet and as the graph depicts, that search has significantly declined over the last several years. The graph is predicting a decline in future interest as well. The graph shows locations where people are most interested in the topic of a "record label". Pennsylvania ranks #8 on the list out of all the states in the United States according to Google Trends (2012).

1. Record Label Search – United States:



A closer, more refined search, shows that in Philadelphia, there has been a dramatic search for record labels. Interest spikes and drops rapidly.

2. Record Label Search - Philadelphia:



Pop Star Experience Solution

AJ Music Group meets the market need for suburban Philadelphia who want to be able to record music and star in music videos. Our team at AJ Music Group is dedicated to recording music professional and filming music videos cinematographically in order to have people all over the world enjoy the music. Through the use of television and the Internet, the songs will be able to reach people all over the world. In order to avoid future copyright dilemmas and ensure profitable ventures, it would be essential to have copyright forms discussed, agreed upon, and signed before any work is even started on a single song (Sandoval, 2011). Our company does not only just record songs with hopeful music industry candidates; we film the process all the way to the creation of the music video in order to allow viewers to connect and understand the full process. Our company will offer the ability for the client who would like to participate in the creative process of writing and producing the song to be able to retain copyright information. However, if the artist chooses for AJ Music Group to supply them with a written song, they will not partake in the writing process and therefore they will not be eligible for any claim to copyrights. This information must be relayed before any the creative process can begin.

Once the content is created and uploaded to the company's website, there will be the opportunity for the users of the website to explore everything about the artist and the song and music video they have created. For example, if they want to see the recording process of the song, they will be able to click around on the interactive website and see videos of the entire process that the artist went through. Members of the website will be

notified of when videos are uploaded to the site. With this notification feature, the hope is that it will build hype for the final music video of each artist.

After the videos have been successfully uploaded to YouTube and other video streaming entities, they will be available for free online distribution for users to watch as many times as each unique viewer desires. Users of AJ Music Group website will help the videos go viral by sharing the videos on any social networking site they belong to. The users will be able to search and explore artists and songs. There is absolutely no cost for the user to view and watch and share videos that appear on the AJ Music Group website. It is merely a tool in building hype surrounding each artist and a tool to help the music go viral. By viewing the videos, the user of the site will get a look in to the process that went in to creating the song and the music video. They will get to connect with the artist and get a taste of their personality and feel as if they know them by the time the music video comes out. The video diaries of each artist will allow for this connection to be made. The videos will be stored on to a hard drive and will be owned and retained by the AJ Music Group. AJ Music Group is truly beneficial to both the audience of “tween” pop music and the artists themselves as every viral effort will be made for the artist to reach maximum exposure through the use of media (2011).

When AJ Music Group has acquired enough artists, the goal is to showcase these artists and their talents by having a televised talent show on a local Philadelphia television channel. The options for this aspect of AJ Music Group’s campaign include, but are not limited to, the CW Philly and MYPHL 17. This again will be done by leveraging all of their networking contacts. One effective way that AJ Music Group will be marketing the product and their artists is to line up as many live shows as possible

on local television networks, such as the 10! Show on NBC10, Philadelphia. This will be an opportunity for the artists to share the music they have worked on and for AJ Music Group to showcase what we do to potentially obtain more artists work with. Short montages will be put together of each artists, showcasing their personality and then either a live performance from the artist or a televised look at their music video. Since having music videos appear on television today is almost near impossible (see literature review), this will be an opportunity for the AJ Music Group artists to be showcased on television and have the opportunity to appear on television and complete their “pop star experience”.

Target Market

The highly marketed to and coveted “tween market” is the target market. Tweens are the ages of 9-16 who have disposable income because of allowances from their parents. With AJ Music Group we have the unique opportunity to widely expand on in an industry that has been seen as declining in the last several years. There are two prongs to establishing the new market for AJ Music Group: individuals who have disposable income, and individuals who are interested in the music industry. The beauty of this, is that both of these prongs can be expanded upon in the future. Our service is designed to be a full service operation, allowing the “tween” to accomplish their music industry goals without having those goals interfere with school and other academic activities that their parents believe in. Once our service is fully established we will be able to expand in to other markets and have a portfolio of work completed that can be showcased.

To begin with, however, we must target those who are already interested in the arts, or entertainment based after school activities. These individuals are the ones in the suburban Philadelphia area who will immediately have a strong reaction to the concept of the company. Based upon our extensive research, the general age range we would like to target to would be the ages of 9-16. These users will have zero income a year. Therefore it is essential to market the company to their parents as an excellent after school activity and an experience that no other child in their child’s class at school will have. Despite the “tween” not paying for it, it is their passion that will inspire the parents to let them have the experience.

Solving Distribution Issues

With piracy at an all time high, the music industry has grown into a notoriously stringent group. Gaining access to the products that are ultimately released from each record label has become a seemingly impossible task. If there is no financial gain for those involved who have ownership interests over the products, there is most likely not going to be a way that one can gain access to that product. When it comes to the concept of AJ Music Group essentially removing the record label aspect from the table, it still brings up the issue as to who will retain ownership of the product. Therefore, AJ Music Group is providing its customer with the product of owning a fully produced copy of a song and music video.. AJ Music Group will work with the artist to help them develop, create, and produce the song and music video that will be distributed for the artist. Following the initial song and video launch, AJ Music Group will evaluate the potential for working with the artist to develop his or her career further.

AJ Music Group shall retain copyright ownership of all materials. If AJ Music Group decides that they do not want to work with the artist any further, then the artist has the option to walk away from the situation and look at it as a learning experience, or they can buy their share of the rights of the material from AJ Music Group for a contractually agreed upon price. It is the goal of AJ Music Group to create a mutually beneficial relationship for both parties involved.

The goal of AJ Music Group is to develop a business model to perfect the craft of creating pop music by working with the artist to create a song and an accompanying music video. In terms of music distribution, AJ Music Group must be able to distribute

music for sale using pricing strategies through iTunes, and Amazon, as well as other online music retailers. Music will also be distributed for free to members who sign up for notifications through the AJ Music Group website. However, when it comes to the video content, there is an ultimate goal of obtaining television time for the artists. One avenue to approach television time and what could potentially be a selling point to clients would be the use of Mind TV. Despite Mind TV being a network catered towards educational programming, AJ Music Group can create videos that have an education spin to them and then distribute these video on to the Mind TV network. As a starting point, this would have a lot of marketing potential for AJ Music Group because Mind TV allows the user to send in as many educational videos as they would like. After paying the membership fee for Mind TV, then AJ Music Group can continue to submit content for distribution as well. Of course, Mind TV is just one avenue of distribution and AJ Music Group must continue to explore new and alternative platforms to remain viable.

When it comes to showcasing artists on local television, two networks would be ideal for the target market. MyPHL17 would be an ideal network as well as the CW Philly. Both of these networks would appeal to the target market and would be of use for creating “buzz” to develop a viral campaign that would accompany each artist.

AJ Music Group would need to establish relationships with local programming executives looking to distribute locally produced content. AJ Music Group must also secure relationships within the music industry and television industry to help further the abilities of AJ Music Group in exchange for AJ Music Group’s artists receiving exposure.

AJ Music Group's campaign includes, but is not limited to, the CW Philly and MYPHL 17 as well as other local media outlets. AJ Music Group will also use its networking contacts to market the product and their artists is to line up as many live shows as possible on local television networks, such as the 10! Show on NBC10, Philadelphia. Even though working with tweens and creating pop friendly music with the ability to go viral is the ultimate goal of AJ Music Group, the company may also explore working with bands in the future.

For AJ Music Group, profits will come from a business model that includes a fixed price structure for developing and producing a song and music video for the customer, licensing those products and/or allowing the customer to purchase the final product outright.

AJ Music Group must prove to industry executives the profit potential of this venture.. AJ Music Groups customers will pay for the experience and professional advice as well as a final product. Using professional and social networking strategies, AJ Music Group will work to ensure that the content goes viral. AJ Music Group will also explore mutually beneficial partnerships within the industry to achieve maximum exposure for the artist and ultimately to the benefit of the company's profits.

Positioning

Successfully positioning AJ Music Group in the market place as a vital competitor in the suburban Philadelphia community will be a moderately easy task as we are truly providing a unique service not offered in the same capacity in which AJ Music Group is providing it.

People can certainly use their laptops and attempt to make music and music videos and release them and hope they go viral. But when they realize that AJ Music Group is a full service company that will work to give them the full pop star experience, then they will be more inclined to pay a price of \$1,000.00 to watch their pop star dreams unfold. Potential consumers of AJ Music Group certainly have the option to attempt to create the pop star experience on their own and work with recording studios to complete a song, but nothing will be like the full service experience that will be provided to them by AJ Music Group.

By creating an affordable scenario for both future pop stars and their parents, the music industry will essentially be uniquely brought to them. Nobody else offers what we do at this juncture in the suburban Philadelphia region, and therefore we can excel because of that.

Start Up Expenses and Pricing Strategy

AJ Music Group is similar to many other businesses in the fact that the company is in business to make money. One of the main reasons AJ Music Group has the opportunity to make money is because all of the equipment to run the business on such as the recording studio and film equipment has already been acquired. The equipment has been acquired from an interest in the equipment before the owners of the company decided to create AJ Music Group. Recouping expenses for the equipment is not an issue. This will also keep AJ Music Group's start up costs very low. The only expenses will need to come from legal and marketing expenses. The money put in to the company will be equally shared amongst the owners of the company.

1. Start Up Requirements:

Start-up Expenses	
Legal & ASCAP	\$5,000.00
Office Supplies (Stationary, etc.)	\$500.00
Brochures	\$400.00
Business Cards	\$250.00
Website Development	\$2,500.00
Total Start-up Expenses	\$8,650.00
Start-up Assets	
Cash Required	\$20,000
Start-up Inventory	0
Other Current Assets	0
Long Term Assets	\$2,000.00
Total Assets	\$22,000.00
Total Requirements	\$30,650.00

AJ Music Group offers three types of services for tweens who are interested in gaining entertainment industry experience. Our services range in scope from simply

recording an original song, to producing a song and a music video and releasing the music in to the digital landscape. It is the goal of AJ Music Group to work with 1 artist a week while recording a song.

1. **Recording of a pre-written song:** This option allows for the artist to record a song that has already been written. The artist will work the producers of the song, who are the members of AJ Music Group, to record the vocals to accompany the song. Artist will gain studio time and learn how a recording studio works. The artist will not retain copyrights. The artist will have the option to record a music video for the song. Price: \$500.00
2. **Recording of an original song:** This option allows for the artist to work with the producers of the song to collaborate on a song idea. This will allow for the artist to have their own input in to the song. Artist will gain studio time and learn how a recording studio works. The artist will receive writing credit for the song and will be able to retain a portion of the copyright to the song. The artist will have the option to record a music video for the song. Price: \$1,000.00
3. **Music Video Production:** Developing a music video to accompany the song that the artist recorded is an integral part to experiencing the entertainment industry from the artists point of view. Music video concepts will be made available to the artist to choose from. Upon completion of the music video, the music video will be uploaded on to the internet for online distribution. Price: \$2,000.00

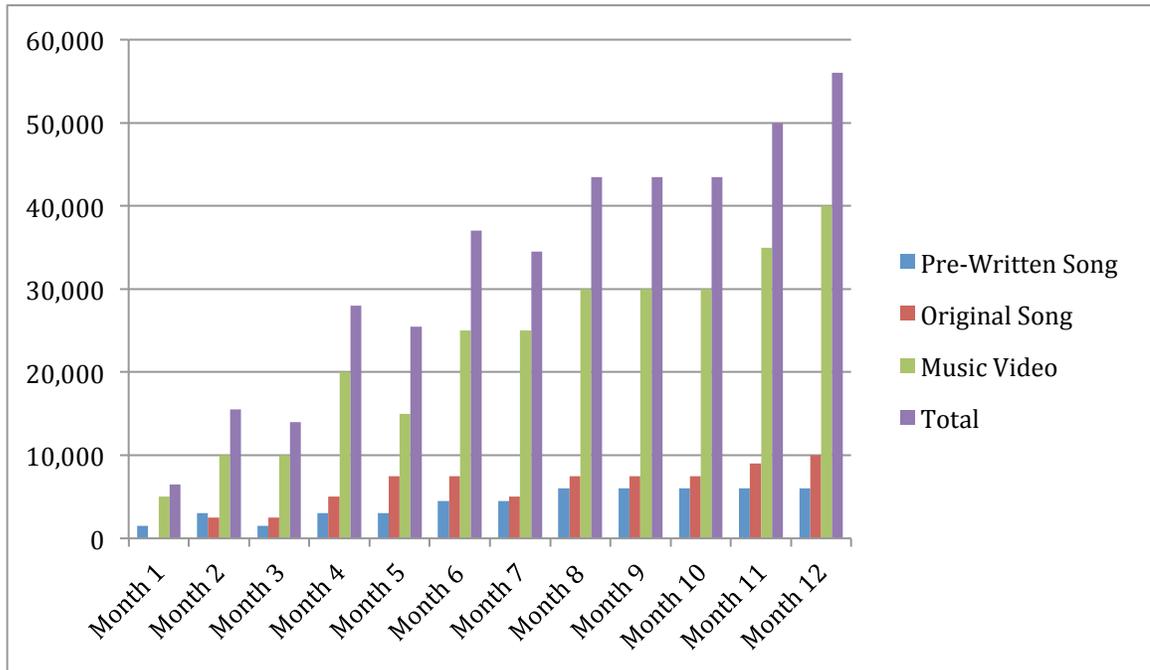
2. Service Rates:

Service	Cost
Record a pre-written song	\$1,500.00
Record an original song.	\$2,500.00
Music Video Production	\$5,000.00

3. Sales Forecast:

	Pre- Written Song	Original Song	Music Video	Total
Month 1	1,500	0	5,000	6,500
Month 2	3,000	2,500	10,000	15,500
Month 3	1,500	2,500	10,000	14,000
Month 4	3,000	5,000	20,000	28,000
Month 5	3,000	7,500	15,000	25,500
Month 6	4,500	7,500	25,000	37,000
Month 7	4,500	5,000	25,000	34,500
Month 8	6,000	7,500	30,000	43,500
Month 9	6,000	7,500	30,000	43,500
Month 10	6,000	7,500	30,000	43,500
Month 11	6,000	9,000	35,000	50,000
Month 12	6,000	10,000	40,000	56,000

4. Sales Forecast Graph:



Marketing and Sales Operations

AJ Music Group is an innovative, Philadelphia, Pennsylvania based music and entertainment marketing company. AJ Music Group is taking a new, unusual approach to the promotion and distribution of songs created by the artists that AJ Music Group works with. Instead of essentially competing with large record labels and indie record labels, AJ Music Group is focused on working solely with acts from the suburban Philadelphia region.

Opting to work with locally based artists, who have an interest in the entertainment industry, will allow for AJ Music Group to offer a much more specialized and attentive level of service to the clients who wish to work with AJ Music Group. This approach is something that is not offered anywhere else in the Philadelphia, Pennsylvania region.

In the first year of operations, the business will grow based on word of mouth from friends and family of the investors of AJ Music Group. AJ Music Group will work with students at local area schools who are eager to gain experience in the entertainment industry. By initially working with friends and family to build a solid reputation and references, AJ Music Group will then be able to grow through networking. Earning the trust of parents is an extremely necessary component to making AJ Music Group work. AJ Music Group will establish itself as a trustworthy company with a solid reputation. This is important because the stronger the label appears, the more attractive the label becomes in terms of being an exclusive promoter for a band.

For AJ Music Group to build its brand and to gain local recognition it is essential to the members of AJ Music Group to work with a variety of individuals and businesses within the entertainment industry in Philadelphia. In the Philadelphia region, there are several college radio stations and even Top 40 radio stations that will allow for promotion purposes of the artists. Securing airplay for the artists is absolutely a key component to the artists success. AJ Music Group will approach local stations management to secure interviews with local station DJ's to discuss AJ Music Group's business. This will ultimately provide opportunities for AJ Music Group's artists to receive airplay.

AJ Music Group will also be working with live music venues so that there will be knowledge of the company and what it does at live music venues and hopefully tweens who attend concerts will be inspired to become a "pop star" themselves. Allowing for the artists to perform live will also be a productive activity for the artist to really have a first hand "pop star experience". Brand recognition is an absolute must in getting AJ Music Group not only noticed but for expanding its business.

As AJ Music Group becomes well known locally, it will become an attractive venture for parents who know that their child is interested in experiencing the entertainment industry. In the first year of operations, AJ Music Group is looking to work with and mold the first stages of the careers of no more than twelve artists. Therefore working and providing individualized attention to no more than four artists per month will allow for that artist to really be able to take full advantage of the experience.

Upon the initial meeting with the tweens interested in the “Pop Star Experience” offered by AJ Music Group, price points will be established. Within the first year of business, AJ Music Group’s rates will be set at as the following: To come in to AJ Music Group’s recording studio and to record a song that has been pre-written by the members of AJ Music Group, the cost will be \$1,500.00. The second price point is to record a song that the artist writes with the members of AJ Music Group. Due to the fact that the artist is writing the song, the artist will be able to retain copyrights. The cost of this is \$2,500.00. The third price point is for the artist to have the opportunity to have their song produced in to a music video. The cost for this experience is \$5,000.00.

Once the artist and their parents agree to the terms and conditions set forth within legal documents of the company, then the creative process with the artist begins. The artist has the option of collaborating on the writing of a song and recording that song. If they choose that option, the copyright of the song will belong to AJ Music Group and that specific artist. However, there are also songs that the artist can choose to record, however not retain any rights to a copyright.

Once the song is chosen, the production of the song will go in to effect. AJ Music Group already owns recording equipment in a formal, professional recording studio. The studio will be used for recording all songs that will be in the AJ Music Group catalog.

One of the most attractive selling points for AJ Music Group is that it is a full service company that will not only record the artists song, but also create a music video

for online distribution. AJ Music Group has purchased the necessary equipment to film and edit a full length music video for each of the artists they work with. The video component is perhaps the most important component in allowing the song to go viral. AJ Music Group recognizes that in the current digital landscape, it is important to create something that will gain attention and then go viral.

The AJ Music Group business model recognizes that there will be little to no profits within the first year. The first year revenue will be an investment in the business to make sure that the company has the right equipment and marketing opportunities and the ability to provide its clients with the utmost in service and professionalism. Creating a strong and solid foundation and reputation is necessary to for the company to increase revenue and generate profits within its second and third years of operation.

Growth and Expansion

After one year of operation, it is our goal to add more artists to the AJ Music Group roster. In order to do this, the members of AJ Music Group will have to build a strong reputation with a visible brand in the suburban Philadelphia market. Ensuring visibility is a necessity, as it will allow for growth within the company. By engaging and participating in community events, the AJ Music Group will have increased visibility, and be enjoying the benefits of key networking opportunities and relationships.

After the completion of the song and the video, the song and the video will be uploaded to the likes of iTunes, and Google Play for sale. The sale of the individual singles and the music video will increase profits for AJ Music Group.

Staging live performances of its artists will be a key method for AJ Music Group to engage the community in its brand. By showcasing several AJ Music Group artists at a semi-annual “talent show” it will allow for the artists to connect with their family and friends and showcase what they gained from their “pop star experience”. AJ Music Group will continue to expand relationships with people in the television industry and music industry through networking in order to obtain more television opportunities for artists. It is the goal to have the semi annual “talent show” broadcast on television. That will help for the artists to gain exposure and for AJ Music Group to gain exposure as well. We will have by then built good working relationships with local suburban Philadelphia businesses for showcasing the music. These relationships and our revenue sharing model with local businesses such as coffee shops, will undoubtedly increase interest and visibility for AJ Music Group.

In addition to AJ Music Group adding more artists to the roster, the goal after one year is to work with artists in a greater capacity and expand AJ Music Group to a full fledged management company. The company will be able to venture outside of creating one song per artist and begin to focus on molding careers of artists. By year two, AJ Music Group would like to produce at least three full length albums and release them digitally.

In terms of expanding beyond producing songs, AJ Music Group will work to manage artists and bands. It is essential for the company not to limit itself to one genre of music over an extended period of time. However, to build the brand of AJ Music Group, limiting the AJ Music Group's focus to pop music is deemed necessary for year one. After the branding of AJ Music Group is at a recognizable level within the community, then the time will come to explore other types of genres to work with. It is the goal of AJ Music Group to work with bands and artists and to help them manage their careers. This will open up new revenue streams for the company, as it will begin to profit from the artists live appearances.

As demand for our services increases, AJ Music Group will begin preparation to expand outside of the suburban Philadelphia region and market itself in other locations. This expansion will be deemed crucial at the end of year two. As the company continues to grow, we will consider working outside of the scope of tween pop music.

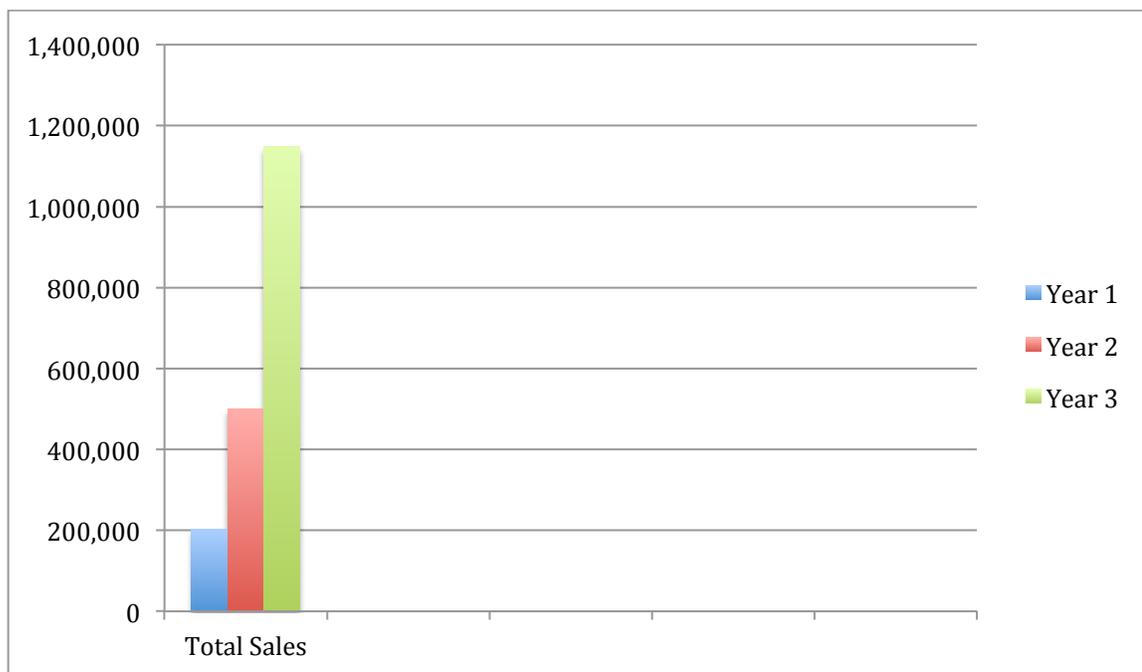
5. Three Year Inclusive Sales Forecast:

Sales	Year 1	Year 2	Year 3
Recordings	\$122,500	\$188,000	\$280,000
Music Videos	\$275,000	\$340,000	\$488,000
Live Performances	0	\$30,000	\$125,000
Management Fees	0	\$25,000	\$75,000
Digital Sales	\$10,000	\$60,000	\$180,000
Total Sales	\$407,000	\$643,000	\$1,148,000

6. Three Year Sales Forecast:

	Year 1	Year 2	Year 3
Total Sales	407,000	643,000	1,148,000

7. Three Year Sales Forecast Graph:



Competition and New Media Outlet Developments

Despite there being various independent record labels in the Philadelphia region, the record labels work as a traditional level in the sense that they work with artists to create full length records and release them. The local competition includes Ovum Records, which is a dance/techno music record label (2012). There is also a company called Da Hood Productions which specializes in urban music development, however AJ Music Group is focusing on pop music, therefore eliminating Da Hood Productions from its competition (2012). The Grooveyard, based in Lansdowne, PA is a recording studio and a recording studio only. They offer eight hour recording sessions at \$600.00 (2012). Their business model is vastly different from AJ Music Group's model as it does not work with artists and the progression of their careers in the entertainment industry.

Small recording studios such as MilkBoy Recording (*Staad, 2012*), offer their clients the ability to record songs for individuals, they do not offer a full service approach from song to music video to distribution. The MilkBoy Recording business model works as a recording studio, and two live music venues and a coffee shop according to the article, *Tommy Joyner: Co-Founder of MilkBoy Recording (Staad, 2012)*. However, AJ Music Group will view MilkBoy as a competitor because they offer recording services and have a solidified recording studio with a reputation that could be a competition for AJ Music Group. However, AJ Music Group will offer a much more detailed approach to recording and not just be a one service only recording company like MilkBoy Recording (2012).

On a national level, the biggest competition to AJ Music Group is Ark Music Factory which is located in Los Angeles, California. Ark Music Factory offers a similar

product pricing strategy and a similar business model, Ark Music Factory is a company that works with boys and girls and will help them produce songs and star in music videos. However, it would be quite difficult for parents and their children who are based in suburban Philadelphia, to work with a company that is so far away from them. AJ Music Group aims to provide quality service that is local and accessible to the suburban Philadelphia community. AJ Music Group will be able to provide a smaller service that is more personalized to each client.

With technology making it easier for people to record their music or video content, your next-door neighbor could potentially become your competition. However competition could also come from companies such as Apple, Hewlett Packard, Microsoft, Live Nation and potentially record companies themselves.

Apple and Live Nation are also two strong music competitors for AJ Music Group. Both of these companies have strong backgrounds in music, whether selling it by song or providing concert tickets. Both companies have also recently been experimenting with live webcasts of concerts in partnership with other companies. Apple, as a technology company, has the strength of programs and products that can be used to view their webcast services. Live Nation already has strong relationships with concert venues and musician managers/agents (2012). They have the potential to tap more into the market that we plan to target, but they still are primarily music providers on a ticket sale and/or by song sale basis. AJ Music Group will need to build a strong brand name, as these two companies have done, in order to compete (2012).

Facilities and Equipment

An integral part of making the recording experience truly work is having the right recording equipment. We want to ensure quality recordings of songs with state of the art technology to make the song sound as professional as possible and ready for radio and television play. Luckily for AJ Music Group, we already have state of the art equipment and space in place due in part to Ariel Rubin's dedication to the craft of recording. The team member section will further outline this information for the reader.

There are zero upfront costs associated with using the space and the equipment. Therefore it is not essential for equipment to be purchased or rented. For the first year we are planning on working with a minimum of 12 artists utilizing recording equipment that is already in place. However, video recording equipment is something that like the recording equipment for the recording studio, is already owned and the original expenses will not be recouped. All equipment is owned by and will be supplied by either Joseph Terry or Ariel Rubin, members of AJ Music Group. However, AJ Music Group will need to obtain the right crew members for each video shoot. In order to obtain the equipment that we will need to make each shoot a success, we plan to work with Video Smith, Inc., located at 200 Spring Garden Street, Philadelphia, PA 19123. For a cost, we will be able to rent the necessary equipment that otherwise is not provided by volunteers who work with AJ Music Group and its artists. We estimate that we would need two additional HD Cameras and two shot gun microphones to pick up sound that will make the final cut of the music video. Finally, to edit the videos, we will need to purchase VideoStudio Pro X5 for \$79.95.

8. Projected Income Statement

[AJ Music
Group]

[December 31,
2013]

Revenue	December, 2013		Year to Date	
	Amount	% of Sales	Amount	% of Sales
Gross sales	\$25,000		\$192,000	
<i>Less sales returns and allowances</i>	2,500		30,000	
Net sales	\$22,500	100%	\$162,000	100%
Cost of Sales	Current Month		Year to Date	
	Amount	% of Sales	Amount	% of Sales
Beginning inventory	\$10,000	44%	\$100,000	62%
<i>Plus goods purchased/manufactured</i>	0	0%	0	0%
Total goods available	\$10,000	44%	\$100,000	62%
<i>Less ending inventory</i>	4,000	18%	18,000	11%
Total cost of goods sold	\$6,000	27%	\$82,000	51%
Gross profit (loss)	\$16,500	73%	\$80,000	49%
Operating Expenses	Current Month		Year to Date	
	Amount	% of Sales	Amount	% of Sales
Selling				
Salaries and wages	\$0	0%	\$0	0%
Commissions	\$5,000	22%	\$33,000	20%
Advertising	\$10,000	44%	\$45,000	28%
Depreciation	\$9	0%	\$1,000	1%
Total selling expenses	\$800	4%	\$10,000	6%
General/Administrative				
Salaries and wages	\$0	0%	\$0	0%
Employee benefits	\$0	0%	\$0	0%
Payroll taxes	\$0	0%	\$0	0%
Insurance	\$417	2%	\$5,000	3%
Rent	\$0	0%	\$0	0%
Utilities	\$200	1%	\$2,500	2%
Depreciation and amortization	\$400	2%	\$1,200	1%
Office supplies	\$1,500	7%	\$6,000	4%
Travel and entertainment	\$3,000	13%	\$28,000	17%
Postage	\$100	0%	\$900	1%
Equipment maintenance and rental	\$750	3%	\$14,000	9%

Interest	\$300	1%	\$900	1%
Furniture and equipment	\$250	1%	\$2,500	2%
Total General/Administrative expenses	\$6,917	31%	\$61,000	38%
Total operating expenses	\$9,000	40%	\$71,000	44%
Net income before taxes	\$6,917	31%	\$9,000	6%
Taxes on income	6%	0%	6%	0%
Net income after taxes	\$6,917	31%	\$9,000	6%
Extraordinary gain or loss		0%		0%
Income tax on extraordinary gain		0%		0%
Net Income (Loss)	\$6,917	31%	\$9,000	6%

Operation Logistics

There are a multitude of steps that need to be taken to make the signing artist turn into a full-fledged music star through the use of the right media channels. The first step will have to be on the business end of AJ Music Group. Before meeting with any clients, AJ Music Group will join ASCAP as their performing rights organization. ASCAP's website states: "joining ASCAP is a critical step in your career in music. By joining ASCAP at a fee of \$75.00, you can begin to register your songs, collect performance royalties and take advantage of many exclusive career benefits. As the only member-owned performing rights organization in the U.S., ASCAP is free from conflicting interests. Everything that ASCAP does, from collecting and distributing royalties to protecting and strengthening copyright to developing and supporting your career, is done to serve you throughout your life in music" (*ASCAP: Join, ascap.com*).

Once that critical step is complete, It is essential for the business team of AJ Music Group to make a compelling and educated presentation to those who are interested in the company and its services. The first thing that will need to be addressed is that AJ Music Group is staffed by a team of professionals with the proper education and industry experience. Portraying to clients and ~~there~~ their families the proper image of the company as well versed in the entertainment will undoubtedly work in the companies favor.

One of the biggest, if not the biggest issue to get over before any recording or filming takes place will be the rights to the music. The issue will be that the clients are paying for a service and a product and therefore they should own the product upon completion of their experience with AJ Music Group. However, copyright law can be quite tricky. AJ

Music Group has decided that for business purposes, the best approach to this potential dilemma will be the following:

- If the artist shows the desire to contribute to the writing of the song and lyrics and decides that they want to be a part of the process, then AJ Music Group will work with the client to write their own song. AJ Music Group and the client will then be copyright owners of the song. This will be determined before the creative process begins and all documents will be signed before the creative process begins. Clients and their families will be made well aware of this decision and will be an integral part of signing as in most cases, the artist will be underage.
- If the artist shows no interests in working on a song and simply wants to record an original song written only by the members of AJ Music Group and a video, then they will have absolutely no claims to copyrights. The products that they will own after paying for the service will be several copies of the CD Single for their song and the music video as a souvenir of their experience. As stated above, before any creative works begins, this will be discussed with all members of the AJ Music Group and the clients and their families. It is imperative that all documents be signed before any creative work begins.

Once all legal documents are sorted and finalized, then the creative process begins with the AJ Music Group technical team. This is the time in which the artist will record a song. As stated earlier, the recording equipment is already in place and has been used many times recording numerous bands, who will have no affiliation with AJ Music Group. The artist is only responsible for providing vocals on a song that will last from

two and half minutes to four minutes maximum. All instrumentals and mixing will be provided by AJ Music Group.

Once the song is complete, the next area for operations to move in to will be the creation of the music video. The music video, like the song itself, is an integral part of allowing the song and the artist to go viral. Music video concepts will be discussed at length within the AJ Music Group. AJ Music Group will also be open to ideas from the artists. It is essential that the music video provides viewers with a look in to the personality of the artist but also leaves them intrigued and wanting to share with their friends.

The technical team established by AJ Music Group, as mentioned above, will work to ensure that the music video is professionally filmed. The quality of the video will need to be pristine as it will have the ability to be streamed on the internet, cell phones, tablets and television. The business aspect of AJ Music Group will play an integral role in negotiating and working out schedules with those who will work to film the music video. The business aspect of the company will also work to ensure the parents of the tweens that they are working with individuals who are well experienced in the entertainment industry and will provide the utmost in service to their child's pop star experience.

Senior Leadership Team

Ariel Rubin, VP of Music Development:

Head of recording at Milk Boy Studios. Holds a B.S. in history and art from New York University. Experience in recording, and playing piano, guitar, violin and drums. Has directly recorded over a three dozen LP's.

Joseph Terry, VP of Operations & Marketing:

Marketing, Video, and artist branding at Larry Rudolph Management, management company for Britney Spears. He holds a B.S. in The Music Industry from Drexel University, and is pursuing a M.S. Degree in Television Management at Drexel University, in the Antoinette Westphal College of Media Arts & Design. Experience in distribution, competitive analysis and product research. He has directly contributed to distribution of online video content for recording artists.

Board of Advisors

A board of Advisors will be an essential resource for AJ Music Group. There are many components ranging from the business end to the technical and recording end that will benefit from having guidance from Advisors. The business components consist of making the right business decisions to help the artists careers succeed. The technical issues will range from the recording to the filming of the music videos. Making sure that all aspects of the website are run smoothly will also be a necessity.

The reputation of AJ Music Group and the ability to network the company and the artists under the umbrella of the company is a very important part of the success of the company. Our board of advisors will be made up of two advisors who are well versed in the field of entertainment, whether it is on the business end or the technical end.

Rebecca Lambrecht, Board of Advisors:

Rebecca Lambrecht has worked in entertainment for over ten years in television, music, and film. She started her career on the award show circuit working with major production companies like Dick Clark productions and the Donald Trump Organization. Some credits include the Oscar's Red Carpet, American Music Awards, Miss USA, and the Golden Globe Awards. Rebecca has worked numerous music shows and specials producing and coordinating performances, creative elements, budgets, and technical details of artists and a-list talent. With that experience, she transitioned into tour management on the Britney Spears' Circus World Tour in 2009 and traveled the world on nearly 100 live shows. Since then, she has worked directly for Larry Rudolph and

ReignDeer Entertainment, a part of Irving Azoff's Front Line Management, (CEO of Ticketmaster and Live Nation). Rebecca has recently produced for "The Gulf is Back" television special on the CW and also "Pac Sun's Beach Ballyhoo Music Festival" on the beach in Santa Monica. In addition to this, Lambrecht's work with Britney Spears includes two album cycles, most recently the production and completion of the *Femme Fatale* CD, DVD, and world tour. Five videos were completed during her time with Spears including "Three," "Hold It Against Me," "Till The World Ends," "I Wanna Go," and "Criminal." Within Larry's company, she worked with other artists such as Lindsay Lohan, Victoria Justice, DJ Pauly D, DJ Skribble, Agnes, Destinee and Paris Monroe, Kelly Killoren Bensimon, Matt Goss, Jacob Latimore, and Dr. Luke's artists Sabi and Sophia Black. Rebecca is launching a hybrid entertainment company in April 2012. Chicane Group will focus on talent relations, artist management, consulting, and travel management/booking. She is currently scheduled as a guest speaker at several colleges and universities. Partners include Opus Beauty, All Celebrity Travel, and in2une Music

Rebecca Abboud, Board of Advisors:

Producers Assistant and Director of Documentary Research at Mind TV. She holds a B.S. in Film & Media Arts from Temple University, and a M.S. Degree in Television Management at Drexel University, in the Antoinette Westphal College of Media Arts and Design. Experience in writing, directing, producing and editing films, and documentaries. Rebecca's work has appeared on many networks and her experience with filmmaking extends over fifteen years.

Key Hires

Between Ariel Rubin and Joseph Terry, there is considerable experience within the entertainment industry. However, one of the most necessary key hires as AJ Music Group grows and expands will have to be an attorney. Before an attorney can be made a full time, salaried employee, AJ Music Group will have an attorney on retainer. With the attorney on retainer, AJ Music Group will be able to move ahead confidently that all documents being signed regarding obtaining copyright or waiving the right to copyright will be done correctly and professionally. The documents will certainly need to be up to industry standards and this knowledge is something only an attorney can provide to the company. Having a competent legal team behind AJ Music Group will ensure investors that this is a legitimate company, and that despite the senior leadership team not having any legal experience, the senior leadership team is still making sure that all necessary areas of expertise are covered within the company. This will be beneficial to investors because they will be ensured that they will not be losing money from any damaging lawsuits because everything will be worked out from the beginning.

As the company grows, another key hire, will be individuals who will work on the production end of the business. The individuals that will work in this department must demonstrate strong skills in shooting, editing, lighting and an overall knowledge of film equipment. These individuals will play a pivotal role in ensuring the quality of the productions that are taken on by AJ Music Group. Within the last several years, the television industry has introduced Dalet into studios. A system that automatically controls

cameras, leaving many experienced camera operators jobless. Experience is a necessity in our company, so we will be looking to fill camera operating positions to those with the highest skill levels.

The senior leadership team has a strong knowledge of the entertainment business including the financials. The senior leadership team has every intention to bring in individuals with the right expertise to make the company run effectively.

Revenue Model & Financials

Legal Status:

AJ Music Group will be incorporated as Limited Liability Corporation. The company will be incorporated in the state of Delaware due to Delaware's business friendly approach.

Initial Capitalization:

Founder's seed funding in the amount of \$20,000 will capitalize the first three artists that AJ Music Group works with. This will allow AJ Music Group to build a growing catalogue of a music. AJ Music Group will rely on the \$20,000 to start the business before seeking a \$100,000 Series A funding round in year one.

Initial Funding

- Equipment Rental:** The equipment that will need to be rented will be equipment that is not already owned by AJ Music Group. This will essentially be on an as needed basis. fAJ Music Group does not estimate exceeding \$560.00 on rental equipment as the vast majority of the equipment is already owned.
- Equipment Purchase:** All recording equipment has been purchased. All that is currently needed are programs to edit music videos in.
- Salaries (Freelance Workers Only):** Founders of AJ Music Group will receive a salary until the company begins making money. Freelance or otherwise independent contractors, will be hired on a per project basis and compensated fairly for the individual project they work on a work-for-hire basis, so that they will have no claim to any copyrights.
- Office Space:** Office Space is not initially needed initially. However, we will eventually need to rent office space to meet with clients. We will rent a virtual office through the company, Regus. We will rent a virtual office in Berwyn, Pennsylvania. The monthly rate for the virtual office is

\$249.00. Therefore, for year one our Office Space expense will be \$2,988.00.

Marketing:

Marketing is certainly the most important factor in the plan for the business to be successful. Proper marketing of the music will certainly ensure that the music will go viral. Marketing expenses will include, but are not limited to, website creation online ad campaigns, Mind TV membership costs.

Legal:

Legal help will certainly be needed as explained in the key hires portion. However, to start AJ Music Group, an attorney will be put on retainer instead of being a full hire. The cost of an attorney is listed in the Uses of Initial Funding at \$5,000.00.

Web Hosting/Streaming Costs:

This allows for us host our website and all of the content. This is perhaps one of the most essential expenses for AJ Music Group.

9. Pro Forma:

AJ MUSIC GROUP
PROFORMA PROFIT & LOSS STATEMENT

	YEAR 1	YEAR 2	YEAR 3
NET SALES	\$244,000	\$720,000	\$975,000
GROSS PROFIT	\$135,000	\$488,000	\$695,000
% OF NET SALES	55.3%	67%	71%
TOTAL OPERATING EXPENSE	\$84,000	\$163,200	\$276,240
% OF NET SALES	34%	23%	28%
OPERATING PROFIT	\$51,000	\$324,800	\$418,760
% OF NET SALES	21%	45%	43%
NET PROFIT	\$37,000	\$84,203	\$165,419
EBITDA	\$54,450	\$352,640	\$466,712

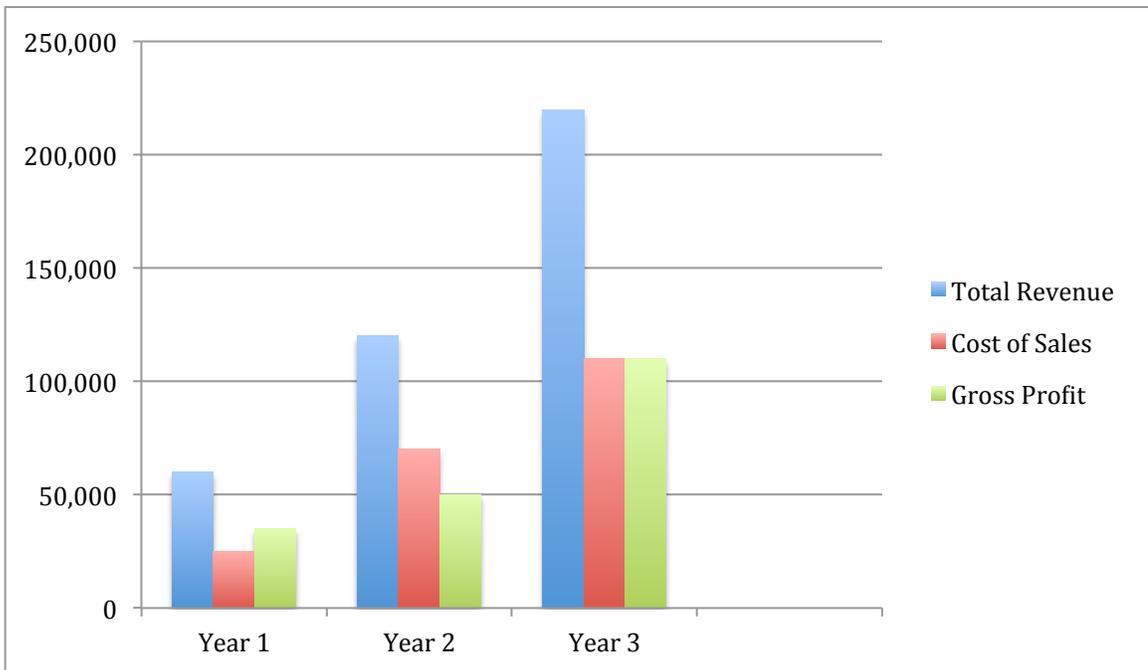
AJ MUSIC GROUP
PERFORMA BALANCE SHEET

	YEAR 1	YEAR 2	YEAR 3
TOTAL ASSETS	\$109,732	\$310,555	\$602,098
TOTAL LIABILITIES	\$2,561	\$7,419	\$13,922
TOTAL LIABILITES AND EQUITY	\$109,732	\$310,555	\$602,098

AJ MUSIC GROUP
PERFORMA STATEMENT OF CASH FLOWS

	YEAR 1	YEAR 2	YEAR 3
NET CASH PROVIDED BY OPERATIONS	\$22,046	\$173,203	\$389,945
NET INC (DEC.) IN CASH	\$74,640	\$322,505	\$525,140
CASH – BEGINNING OF YEAR	\$0	\$74,640	\$310,450
CASH – END OF YEAR	\$74,640	\$310,450	\$576,780

Sources of Initial Funding			Uses of Initial Funding	
Source	Amount	Equity	Source	Amount
Ariel Rubin	\$10,000	50%	Equipment Rental	\$2,500
Joseph Terry	\$10,000	50%	Equipment Purchase	\$6,720
Angel Investor	\$100,000		Salaries (Freelance Workers Only)	\$10,000
			Office Space	\$2,988
			Marketing	\$10,000
			Legal	\$5,000
			Web Hosting/Streaming	\$6,000
			Working Capital	\$77,702
Total	\$120,000		Total	\$120,000



By following this plan, AJ Music Group will not only meet its financial goals, but will meet its professional goals as well. AJ Music Group prides itself on the concept of working for the artist because the concept of a record label signing an artist, producing a record and using television for promotional purposes to reach maximum exposure has essentially become an obsolete business model. The company's strategy and approach within the entertainment industry could ultimately change the way artists pursue the promotional aspects of their career. Instead of making the traditional record label the business entity in charge of all career and creative decisions for the artists, AJ Music Group will approach an artist's career from a different point of view.

AJ Music Group is already in possession of all of the necessary materials to record original songs and film exciting music videos. Something that could potentially hinder AJ Music Group's growth is the current economical climate. Parents may be reluctant to spend money on their child's dream of becoming a pop star due to the economy. However, the members of AJ Music Group have the highest level of credentials to allow the company to succeed.

Following the projections outlined throughout the business plan, AJ Music Group will significantly grow over the years. Once AJ Music Group has established a strong reputation in the community; the company will be able to expand itself outside of solely producing pop songs. Working with artists, and essentially guiding artists careers from the type of songs they sing, to the genre of television shows they appear on, is how AJ Music Group intends to see an artists career grow to full potential.

List of References:

1. Baine, Derek. "Viacom cable networks post another down quarter in ad revenue" SNL Kagan – Economics of Advertising. 11 Feb. 2010. Web. 21 May 2010.
<http://www.snl.com/InteractiveX/article.aspx?ID=10731506&KPLT=2>

2. Baker, Sarah. "'Rock on, baby!': pre-teen girls and popular music." *Continuum: Journal of Media & Cultural Studies* 15, no. 3 (November 2001): 359-371.
Communication & Mass Media Complete, EBSCOhost (accessed December 5, 2009).

3. Becker, Anne. "What a Teen Wants." *Broadcasting & Cable* 135, no. 10 (March 7, 2005): 16-17. *Communication & Mass Media Complete*, EBSCOhost (accessed November 2, 2009).

4. Becker, Anne. "In Search Of A Breakout Hit. (cover story)." *Broadcasting & Cable* 137, no. 21 (May 21, 2007): 11-12. *Communication & Mass Media Complete*, EBSCOhost (accessed November 2, 2009)

5. Brown, Rich. "Programers woo elusive `tweens'." *Broadcasting & Cable* 125, no. 32 (August 7, 1995): 19. *Communication & Mass Media Complete*, EBSCOhost (accessed November 2, 2009).

6. Bulik, Beth. "Tots Join Tweens in Digital." *Snyder Advertising Age*, 00018899, 1/19/2009, Vol. 80, Issue 2

7. Cagle, Jesse. "The Brady Bunch" *Entertainment Weekly*. May, 1992. (accessed, November 2, 2009). <http://www.ew.com/ew/article/0,,310650,00.html>

8. Collins, Scott. "MTV Drops 'Music Television' from Official Logo - Los Angeles Times." *Featured Articles From The Los Angeles Times*. Web. 21 May 2010.
<<http://articles.latimes.com/2010/feb/13/entertainment/la-et-branding13-2010feb13>>.

9. Friedman, Wayne. "Nick block ads rock." *Advertising Age* 72, no. 25 (June 18, 2001): 8. *Communication & Mass Media Complete*, EBSCOhost (accessed November 2, 2009)

10. Goetzl, David. "How Networks Follow The Tweens". *Broadcasting & Cable*, 3/26/2007, Vol. 137 Issue 13, p42-42, 1p; (AN 24832613)
Database: Communication & Mass Media Complete
11. Kaplan, David. "YouTube-Viacom, Part Two: YouTube Founders E-Mails Show Struggles Over Copyrighted Works." *PaidContent*. 04 Apr. 2012
<<http://paidcontent.org/2010/03/19/419-youtube-viacom-part-two-youtube-founders-e-mails-show-struggles-over-co/>>.
12. Kramer, Louise. "McD's tweaks 'tween' marketing campaign." *Advertising Age* 70, no. 6 (February 8, 1999): 4-73. *Communication & Mass Media Complete*, EBSCOhost (accessed November 2, 2009).
13. Larson, Megan. "Disney Channel Grows Tween Scene." *MediaWeek* 13, no. 29 (August 11, 2003): 4. *Communication & Mass Media Complete*, EBSCOhost (accessed November 2, 2009).
14. Lieberman, David "The Juicy Details behind the Viacom-YouTube Lawsuit - USATODAY.com." *News, Travel, Weather, Entertainment, Sports, Technology, U.S. & World - USATODAY.com*. Web. 26 Aug. 2010.
<<http://content.usatoday.com/communities/technologylive/post/2010/03/media-morning-the-juicy-details-behind-the-viacom-youtube-lawsuit/1>>.
15. Neff, Jack "Sleeping beauty: How Disney bested Revlon sales." *Advertising Age* 77.39 (2006): 6. *Communication & Mass Media Complete*. EBSCO. Web. 5 Dec. 2009.
16. Rice, Faye. "'Superstars' of spending." *Advertising Age* 72, no. 7 (February 12, 2001): s1. *Communication & Mass Media Complete*, EBSCOhost (accessed November 2, 2009).
17. Schetting, Catherine. "Tykes, Tweens & Teens. (cover story)." *Broadcasting & Cable* 131, no. 10 (March 5, 2001): 16. *Communication & Mass Media Complete*, EBSCOhost (accessed November 2, 2009).
18. Shields, Mike "AOL Aims at Tweens With 'JSYK' Web Site." *MediaWeek* 19.36 (2009): 4. *Communication & Mass Media Complete*. EBSCO. Web. 5 Dec. 2009.

19. Shields, Mike. "Playing Through." *MediaWeek* 19, no. 10 (March 9, 2009): 5. *Communication & Mass Media Complete*, EBSCOhost (accessed November 2, 2009).
20. Thorpe, Vanessa. Television ignores teen viewers, says Phil Redmond. *The Observer*. September 13, 2009. (Accessed, November 2, 2009).
<http://www.guardian.co.uk/media/2009/sep/13/phil-redmond-television-children-teenagers>
21. Thompson, Robert. "Repurposing the Web." *MediaWeek* 19, no. 35 (October 5, 2009): 13. *Communication & Mass Media Complete*, EBSCOhost (accessed November 2, 2009).
22. Umstead, Thomas. "Noggin to Launch Tween Programming Block" *All Business Daily*. March 4, 2002 (Accessed, November 2, 2009).
<http://www.allbusiness.com/marketing-advertising/market-groups-youth-market-tweens/6289912-1.html>
23. Unknown, "ABC's TGIF 'Wrap Party' Chat Generates AOL's Largest Chat Audience Ever" *Time Warner Newsroom* May 20, 1998 (Accessed, November 2, 2009).
<http://www.timewarner.com/corp/newsroom/pr/0,20812,668152,00.html>
24. Unknown, "Disney's 'Hannah Montana' outsells rock, hip hop." *Post-Gazette.com*. Web. 05 Dec. 2009. <http://www.post-gazette.com/pg/06355/747936-237.stm>
25. Unknown, "FUSE." *Advertising Age* 79, (April 29, 2008): C40. *Communication & Mass Media Complete*, EBSCOhost (accessed November 2, 2009).
26. Unknown, "Marketing to Kids and Tweens - US - January 2008" *Intracks/Mintel Reports*. (Accessed, November 2, 2009).
27. Unknown, Yahoo! News." *Yahoo!* Web. 30 Apr. 2012.
<http://m.yahoo.com/w/news_america/trapped-many-artists-selling-singles-not-albums-133157844.html?orig_host_hdr=news.yahoo.com>.
28. Unknown, "Nick kids '01: Different tastes, but more clout." *Advertising Age* 72.7 (2001): s12. *Communication & Mass Media Complete*. EBSCO. Web. 5 Dec. 2009.

29. Unknown, Ark Music Factory "A Little About Ark" www.arkmusicfactory.com

30. Unknown, "Survey of `Tweens' Shows Considerable Brand Savvy Among 8-12 Year Olds." *Media Report to Women* 32, no. 2 (Spring2004 2004): 7. *Communication & Mass Media Complete*, EBSCOhost (accessed November 2, 2009).

31. Unknown "FTC." *Consumer Advertising Law Blog*. Web. 23 Aug. 2010.
<<http://www.consumeradvertisinglawblog.com/ftc/>>

32. Weprin, Alex, and Claire Atkinson. "Can MTV Get Its Groove Back?." *Broadcasting & Cable* 139, no. 8 (February 23, 2009): 10-12. *Communication & Mass Media Complete*, EBSCOhost (accessed November 2, 2009).

33. "Marketing To "Tweens" Going Too Far? - The Early Show - CBS News." *Breaking News Headlines: Business, Entertainment & World News - CBS News*. Web. 21 Jan. 2010.
<<http://www.cbsnews.com/stories/2007/05/14/earlyshow/series/main2798400.shtml>>.

34. "About Us." *Viacom: About Us*. Web. 24 May 2010.
<<http://www.viacom.com/aboutviacom/Pages/default.aspx>>.

35. "MUSIC TELEVISION." *The Museum of Broadcast Communications*. Web. 21 May 2010. <<http://www.museum.tv/eotvsection.php?entrycode=musictelevis>>.

36. Seymour, Lesley Jane. "Tweens 'R' Shoppers - New York Times." *The New York Times - Breaking News, World News & Multimedia*. 21 May 2010. Web. 21 May 2010.
<<http://query.nytimes.com/gst/fullpage.html?res=9F0CE0D61E3FF931A15757C0A9619C8B63&sec=&spon=&pagewanted=2>>.

37. Shami, Azfar "The Intellectual Property Blog." : *Google's Big Win Over Viacom*. Web. 1 Apr. 2012. <<http://ptoessquire.blogspot.com/2010/06/googles-big-win-over-viacom-safe-harbor.html>>.

38. Sydell, Laura. "How To Succeed In The Music Business (By Trying Really, Really Hard)." *NPR*. NPR, 09 Apr. 2012. Web. 09 Apr. 2012.
<<http://www.npr.org/blogs/therecord/2012/04/09/150287405/how-to-succeed-in-the-music-industry-by-trying-really-really-hard>>.

39. "Tuesday Cable: Lakers/Suns Dominate "Law & Order: CI," "Justified" and Others - TV Ratings, Nielsen Ratings, Television Show Ratings | TVbytheNumbers.com." *TV Ratings, TV Nielsen Ratings, Television Show Ratings | TVbytheNumbers.com*. Web. 22 May 2010. <<http://tvbythenumbers.com/2010/05/26/tuesday-cable-lakerssuns-dominate-law-order-ci-justified-and-others/52538>>.

40. Team, Trefis. "Growing Nickelodeon Subscriber Fees Important for Viacom's Stock « Note of the Day." *Understand How Products Impact Stock Prices -- Trefis*. Web. 23 May 2010. <<http://www.trefis.com/articles/12706/growing-nickelodeon-subscriber-fees-important-for-viacoms-stock/2010-03-08>>.

41. Viacom INC. *Annual Report on Form 10-K*. Rep. no. 2009. Print.

