

7th record label
business plan
marketing essay



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My business plan is to set up a music record label (7th Records) that will be based in Lagos, the capital of Nigeria. It will be a corporation whose major focus will be to capture the very talented but financially handicapped artists/bands. 7th record will sign talented but financially handicapped local artists/bands within Nigeria and will be involved in every developmental phase required for the success of these artists/bands from music production, promotion to marketing.

In a report by Dozie Olamide (Fingers, 2009), it is said that one out of every ten local artist have the funding required for an album production and the existing labels do not make matters easy for these financially handicapped majority who may later end up doing street Rap battle instead of making good use of their talent. This category of artist will be our major target.

There are six major record labels presently enjoying 90% of the industry's market share and these labels focus on financially viable musicians for their success (Entertainment weekly, 2008). They also rip off these artist/band by adopting a 50: 50 record deal i. e. for every profit made from the CD sales they will have 50%. This has been a way of extortion from artist on the part of these labels.

7th Record will be an exceptional, goal oriented and unusual but sustainable business model for a record label. Our main strategy will be focused on capturing the very talented locals who do not have the finance to produce an album and we will introduce a 30: 70 record dealing term. As a result, 7th record will also have an in-house studio that will be run by veterans in music production business. This idea is aimed at producing classy and marketable

albums that will not only yield good profit but will also serve as a good means of market penetration.

In the Nigeria entertainment industry, there is no laid down pattern for return on investment; your success depends on your strategies. Popularity and Fans acceptance is the determining factor and key element for sales. 7th record will require a start-up capital of \$23, 580 for the first year. It will be funded by me together with some support from my immediate family members. A breakdown of the financial requirement is presented in the later part of this Business case.

1. 1 Start-up Funding

70% of the start-up fund will be from me and the remaining part will be from my immediate family members who are fully in support of this project.

Required start-up capital

\$23, 580

Izekor Osagie Lee

\$16, 506

Family members

\$7, 074

Total funding

\$23, 580

1. 2 Industry Analysis

The Nigeria Music industry is dominated by a few large Record labels that before now enjoy a monopolistic market share (Fingers, 2009). These record labels control over 90% of the CD (compact disc) sales in Nigeria. A report (Fingers, 2009) shows that Kennis music presently enjoy 32% of the market share, Lockdown entertainment 18% Mo-Hit 14% Question mark 12%, Chops record 9%, Hex records 5% and the other smaller labels share the remaining 10%.

Most of these record labels take the shot gun approach to market penetration i. e. they sign up a lot of different artist/bands hoping a few will make it all the way to the top. On the artists/bands that gained commercial recognition, there are huge windfalls of profits to be made off them by the record label. The remaining 10% made up of junkyard record labels; rely on the junk local artist to make sales. They rarely get patronage by the popular artist and commercially viable bands which lives them without a competitive power in the Nigeria music industry. It is funny to know their market penetration strategy is based on luck.

My findings shows 7th record have a very lucrative market to participate in. Our success in the industry is very achievable knowing we have got a few challenging labels to compete with and these competitors themselves have very weak competitive strategy compared to the strategies we will employ as discussed in the later part of this report.

1. 3 Product and Services

7th record will be a Nigeria based record label for a selected group of Nigeria based artist/bands. The label will also house the 7th studios where all music production work will be done. It will operate as a full record label and will provide everything that is required for producing, Mixing, Mastering, promoting and marketing a music album of any signed artist/band. It will also adopt a business philosophy developed by Fred Okundaye (Fred, 2007) which states that “ for long term sustainable growth it will be more successful for a label to sign up just a few artist/bands and promote them equally than to sign up a bunch and hope one gains commercial success enough to float the rest of the bands”. After careful investigation I bought into this philosophy and have chosen to adopt it although it is quite appealing to a few band or artist. It will create room for both 7th label and the prospective bands/artist to adopt an intimate and specialized focus on what the entertainment market wants.

Instead of competing with the existing labels, 7th records will adopt a flexible, intimate approach where they concentrate on talented local artist/band. By working with only a few bands at once, 7th record will be able to offer a much more specialized and attentive level of service for their customers. This will be their competitive edge against other labels, something unique.

We will enforce the ideology that expression will be the key to producing a good album while hard work will be the key to promoting just a few of them (signed artist/band), as both factor is an essential element that will guarantee success in the entertainment industry.

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Operations will begin first with the production of compilation CD for the signed artist/band. This CD will feature many different local artist/band. There will be no charge for a band to place a single (a track from their previous album) on the CD. It will be an avenue for creating awareness for these artists/bands before they are finally signed. It is essential to do this because the more popular your artist the better.

During the period when this compilation CD is being processed, 7th record will be arranging modalities for networking purposes. Our first target will be local TV and Radio studios. To get air plays for the CD mostly depends on your relationship with the key decision makers at the various stations. 7th records will also be working with major retail outlets developing strong relationships with them so that as some of the bands become popular and consumer interest grow there will be assurance for sales. 7th record will also build relationships with clubs and event companies to provide room for concert placements and gigs for our prospective artists/bands. Bearing in mind that live performance is one major way to win the loyalty of fans and achieve fanfare.

After 7th record attains these heights it will become attractive for well known artists to sign up with the label. We will also embrace diversification in our choice of who and what to produce. 7th record will not only focus on one genre of music and embrace diversity in the music industry. We will focus on the key element of improvisation that is found in a wide range of genres. Improvisation is a way of expressing one's self during a performance. It's a way of adding free flow change or spontaneity to a performance.

Most times improvisation occurs when a band is playing a pre-defined song and each member of the band deviates from the original laid down pattern to do something that they find interesting at that moment. This is a way to please the crowd during a music performance but care has to be taking else the song can be ruined.

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From my visibility studies I found out about some already existing labels but my focus will be on the major key players in the industry and they are Kennis music, Lockdown entertainment, Mo-hit records, Question mark, Chops record and Hex records. Dozie's (2009) article reported that Kennis music presently enjoy 32% of the market share, Lockdown entertainment 18% Mo-Hit 14% Question mark 12%, Chops record 9%, Hex records 5% and the other smaller labels share the remaining 10%.

During my investigation I discovered that all six major labels focus on CD sales and they presently employ the 50: 50 sharing term for all profit made. One of the up-coming stars PC Dre in one of my interviews described this as a term of extortion by most Nigerian label. He said the 50: 50 terms benefit the labels more than it does to the artist/band. 7th record will take advantage of this gap and provide a 30: 70 sharing model as against the 50: 50 by other existing labels. This will be aimed at market penetration and product attractiveness.

Another gap I realized from my investigation was that the major concerts organized by the big multinationals features 80% of foreign artist (vanguard, 2008) because the quality and standard of the available bands seldom meet their own standard for the concerts. This I found to be the inability for these existing labels to fully brand the available talented locals to meet international standard required by such multinationals. 7th record will look beyond the local market and try to penetrate the global entertainment industry but with focus on the Nigeria music industry where it will become a part player.

This idea is to match the standard of any signed artist/band with that of their counterparts oversea.

To further give a clear presentation of our potential competitor and their competitive strength, a table is presented below in that regard.

Competitor Name

Strength

Competitor Name

Strength

Kennis music

Finance & Networking

Hex record

Finance and club house performance

Lockdown entertainment

Networking

Mo-hit record

Finance and popularity

Chops record

Popularity

Question mark

Location

2.0 7th record's Business Model

In order for 7th record to succeed, a lot of sweet equity will be required with little to no revenue stream or profit for the first year. This is very difficult to

adopt by most start-up businesses but for any business to succeed in the entertainment industry it has to create attraction for patronage else people won't have the chance to know what you have to offer.

In the case of 7th record, it will be useful that these realistic expectations are established upfront and it will not be an unwelcome future surprise.

Additionally, the investors (family members) are aware of these parameters and have given the go ahead. I know this will take a lot of effort to pull off, with reasonable expectations up front and the right management to execute on the business model, it will be a reality.

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For a start, 7th records will be owned and managed by me together with 8 other staff members I have carefully selected with regards to their functionality. Their duties will be;

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Manager

To manage all human and material resources to achieve the company goal

Assistant Manager

To assist the manager in decision making and to work in the manager's stead in an event of unavailability

Secretary

To handle all administrative duties

Accountant

To carry out all financial obligations

Public relation personnel

To run logistic assignments and customer care

Producer/Studio Engineer

For all studio production work

Marketing Personnel

For all post production work ranging from promotion to sales

Major qualifications are not actually required but experience will be a key employment criteria. Every employee must have the working experience in the business for a period of not less than 4 years. This is because 7th record

will focus on veterinary abilities of her employees for the success of the prospective artist/band. It will be a very distinct advantage over competitors.

The chain of logistics will be a direct report model where all departments report directly to the Manager or the Assistant when the Manager is unavailable.

2. 2 Objectives

7th records aim at becoming the number one record label in Nigeria

To provide fair contract terms for the signing of local artists/bands

To produce albums that will compete with that of our counterparts overseas

To become a household name in the Nigeria entertainment industry within three years.

To be the first Nigerian record label to sign foreign artist based on the standard and quality that the label will attain within the next three years.

2. 3 Vision

Our vision is to produce artist/bands that will become world icons in the global entertainment world. We will produce albums that can be nominated for Grammy as has never been heard of a Nigerian artist.

2. 4 Mission

Our mission is to bring out the best in local Nigerian artist/bands by providing them with all necessary resources required for quality music production and strong networking for good album sales.

2. 5 Keys to Success

We will choose promising artists/bands to promote

7th record will work hard to, explore and have fun

We will maintain a gradual and flexible approach to profit making.

It will be of no importance to sign up too many artists/bands within a specified period; otherwise the effectiveness of promotion will be diluted.

3. 0 Company summary

7th record is a start-up corporation that will be based in Lagos Nigeria. The location was so chosen because Lagos is a centralized city in Nigeria. It's easily accessed from all part of the country as compared with other cities. This idea is aimed at market penetration and for competitive advantage as against major competitors.

3. 1 Start-up requirements

The label will be run in my house for the first year. All arrangement for start will be that for the first phase of the business, 7th record will obtain a license for owning a label from the regulating body and purchase the following;

Legal (Licensing)

4 Computers

4 printers

Various printed materials

Mixer

Amps

Sound processors

Speakers

Recording software

furniture

Air conditioners

Start-up

Requirements

Start-up proposed Expenses

Legal \$350

Office Stationery \$600

Website development \$1, 200

Insurance \$150

Equipments \$5, 200

Furniture \$1, 350

Other \$230

Total start-up Expenses \$9, 080

Start-up Assets

Cash Required \$12, 000

Start-up Inventory \$0

Other Current Assets \$0

Long-Term Assets \$2, 500

Total Assets \$14, 500

Total Required \$23, 580

Start-up Funding

Start-up Expenses to fund \$9, 080

Start-up Assets to fund \$14, 500

Total Funding required \$23, 580

Assets

Non-cash Assets from Start-up \$2, 500

Cash Requirement from start-up \$12, 000

Additional Cash Raised \$390

Cash Balance on Starting Date \$12, 000

Total Assets \$14, 500

Liabilities and Capital Liabilities

Current Borrowing \$0

Long Term Liabilities \$0

Accounts Payable (Outstanding Bills) \$0

Other Current Liabilities (Interest-free) \$0

Total Liabilities \$0

Capital

Planned Investment

Izekor Osagie Lee \$13, 500

Family and Friends \$10, 080

Other \$0

Additional Investment Requirement \$0

Total Planned Investment \$23, 580

Start-up Expenses \$9, 080

Total Capital \$14, 500

Total Capital and Liabilities \$14, 500

Total Funding \$23, 580

4. 0 Market Analysis

Nigeria has a population of over 120 million people and record shows that at least 85% of this figure patronizes music whether directly or indirectly (Entertainment weekly, 2009). The key factor that controls Market share in the Nigeria music industry is CD sales and Fan loyalty. 7th record will channel her strategies to gaining strong relationship with most record stores and consumers/Fans at live shows. Since these market segments are the main source of revenue in the industry, a clear visibility studies shows that they are also the means of market penetration.

4. 1 Market Segmentation

Record retailers- They have direct link with the end consumers through the selling of CDs. 7th record has indentified the need to build a cordial relationship with Tee Jay the major record retailer in Nigeria. This will create a channel for the marketing of our signed artist/band without fear of pirating.

Consumers at Live Concerts- This segment have the greater market penetration power as it has the ability to affect the sales of CD also. It focus on Fans at live concerts. The number of people at a concert determines the revenue that will be generated from ticket sales. They normally purchase the CD of the bands they are viewing while at the show. 7th record will ensure that her signed artists/bands are well groomed for live performance. The concept of improvisation and meeting the expectation of their fans will not be taken for granted at any level. Fans are attracted to bands that keep the stage rocking. This will be an ideology that will be a watch word for our prospective Artist/Band.

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Market Analysis (pie)

5.0 Strategy and Implementation

7th record have mapped out ways to leverage the available competitive advantage after careful analysis of the gaps in the way and manner other major record labels carry on their operations as well as their terms and conditions for signing an Artist. We will be more flexible in our dealings with our prospective Artist and provide them with better and more profitable terms. We will also create a vast networking means to ensure wider awareness and acceptance from fans. Lastly, we will employ aggressive marketing strategies were record retailers will be granted better discount for every CD sold as against the percentage given by other competing labels.

5.1 Marketing Strategy

7th record have recognized that sales of CD is fan (consumers) driven so we have arranged for series of tours for our prospective artist/band. This will help to create awareness for their albums. We will development our label visibility through the release of various compilation CDs on selected media houses and clubs.

Once our artist/band gains spot light in the industry, the label name will be on the lips of every fan. Gradually the acceptance will shift from the artist to the umbrella (7th record) they are under. In that case 7th record will not only depend on the success of an artist/band like other labels do but on her brand name.

Get artist/band prepared for live performance

Arrange Tours

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Gain fan loyalty

Release compilation CDs

Ensure media and club play

Launch individual signed artist/band's personal albums

Coddle the CD retailers

Arrange for concert fixing

5. 2 Competition Strategy

One of the challenges most labels face is signing too many artist/band at a time. 7th record will cut down on the number of signings that will be done at a particular period to ensure that the needed resources are available to meet requirement for quality delivery. We will also increase the signing term from 50: 50 adopted by the existing labels to 30: 70.

We so chose to adjust the terms for signing because it will not only boost the growth pace of the financially handicap but also create an attraction to the commercially viable artist/bands.

We will take responsibility of the welfare of our artist and give fair attention to every signed artist/band.

Unlike some major labels, 7th studio will be free to all signed artist. It will provide flexible studio times where an artist is not compelled to hurry up production to save cost. They will instead be advised to take their time to produce songs of good commercial value.

7th record will organize talent hunt reality shows to assist financially handicap but talented locals. This will be a tool to create more awareness as a start-up business.

5.3 Sales Strategy

Our sales strategy will focus on the two market segments. We keep close relationship with affiliated record retailers and provide them with more attractive discounts per CD.

7th record will introduce online CD sales as never been adopted before in the Nigeria industry. The idea will go beyond just downloading to online purchase and delivery.

It has been discovered that fans tend to patronize an album more immediately after a concert performance. We will employ this strategy for CD distribution during and after any concert performance.

Another channel for generating revenue will be from contract buyout. At some point there will be possibilities for some of our signed bands to receive an offer from another label for the purpose of profit making. These labels will have to pay an amount that will decide upon if such contracts will be considered. As a result all our singings will be patented to avoid breach in contract at any point in time.

Our studio will be commercialized to labels or artist/band who wishes to do production work. They will buy studio sessions and pay production fees.

Other services would be;

Studio time

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Mastering and Mixing

CD production (recording, labeling and max producing a CD)

Other assisted services

6. 0 Sales Forecast

As I earlier discussed, the success of a record label greatly depend on its popularity and Fan acceptance. As a result, a graphical representation will present a clearer picture of my sales forecast.

7. 0 Milestone

Several procedural steps have been established to achieve all laid down plan. These steps are time framed and responsibilities have shared among the will be staffs.

Milestone

Start date

End date

budget

Staff responsibility

Business plan completion

12/05/10

15/06/10

\$0

Manager

Label licensing

18/06/10

19/06/10

\$350

P. R. O

Signing of artist/bands

25/06/10

Open to decision

\$12, 000

Entire management

Arrangement for Tours

15/07/10

22/07/10

\$0

P. R. O

Production of first compilation of CD and

Networking with key players in the Media industry and record retailers

01/08/10

31/08/10

\$1, 250

Producer, and P. R. O

Promotion and marketing of music albums

02/09/10

continuing

\$6, 200

Marketing personnel

Arrangement for Live concert performance

08/09/10

continuing

\$0

Entire management

8. 0 Monitoring and Evaluation

After the successful establishment of 7th record label, every operation will be under little or no supervision as a result of this fact, before employees are absorbed they will go through an interview where they will be asked to sign an agreement stating their employment will be held on the ground of result delivery i. e. if for any reason gap is experienced in any department drastic measures will be taken that may lead to a staff member losing the job. This is not a way of acting cruel but to enhance seriousness on the part of our employees.