

The challenge of starting up a new internet venture

[Technology](#), [Internet](#)



Lui and Wong had made a good choice in choosing music as their online start up business, because of the nature of music itself is information rich, easy to distribute, consumption experience are indifferent between digital or physical product, also, without the space limitation of a physical store, MusicJuice.net can provide a large amount of selection for user to choose. In addition, internet landscape empowers the business model of Crowd-Sourcing, where millions of vertical interest group can form their own communities, share and support each other on the internet.

And such business model has proven to be very successful in Europe, theoretically, MusicJuice.net should also be successful in North America where the potential market size was approximately 240,000 musicians. However, the company has been losing money month after month since launched in April 2008, only 70 artists has signed up in July 2008 and none of them had reached the fundraising goal, and of course, no premium members at all. The two co-founders have to decide what could be done to save MusicJuice.net or whether they should close the business for good. Before jumping into conclusion, let's examine the situation with the 5 Forces analysis. First of all, the threats of new entrants are too high, just like their competitor - Slicethepie.com was launched one month after MusicJuice.net began its development. Forming such music portal requires relatively low capital investment, and there is no customer or brand loyalty at all, because the users will only loyalty to the musicians. The threats of substitute products for MusicJuice.net is also very high, as people will enjoy and obtain the music they like in many different sources, CD Store, radio, youtube, iTunes, sharing between friends, or even download from piracy websites! Not

only facing the threats of new entrants and substitute, what really bothers MusicJuice. net is the high bargaining power of supplier, i. e. the musicians. The business of MusicJuice. net is bet on the quality of their signed musicians, but what musicians really cares is to expand their fans network, but not to build any relationship with a particular platform.

Even though the bargaining power of customers is comparatively low when the user addicted into any single musician, but such advantage is not sustainable once the musician switch to other platform. And the biggest force affecting MusicJuice. net is the high intensity of competitive rivalry, many companies including those major music labels and big IT corporations e. g. Microsoft also attempted to use MySpace to slice the pie of the profitable music industry, not to mention those giants like iTunes and Amazon.

Even thought in such unfavorable situation, MusicJuice. net can still do something to rescue their business, not just working on marketing campaign or functional enhancement, but to focus on building the pure music community by forming strategic partners with indie band and independent music labels, line up with quality musicians to build few showcases of successful stories, aforementioned, their business is bet on the quality of their suppliers, they should provide a reason for the musicians to sign up on their platform.

After all, people are looking for music as an enjoyment, not an investment, MusicJuice. net should provide more interesting free content for the user to enjoy music, but not just invest on music. (end)