

Gaga case study

Business



The other option is to go for a smaller theater tour. Usually in the music industry upcoming artist do not attract large crowds and that is why they team up with established or well known artist in doing big arena tours. This is a marketing tool which is used to expose them and as a result they gain experience and a huge fan base.

Therefore this option seem alright given the fact that Lady Gaga was still an upcoming artist and the cost of reworking the tour was going to be \$6 million less than using the big venue. However, looking at he economic side of this second option, as Troy I would think otherwise.

This is because doing a small venue tour means a reduction of seats and ticket prices which negatively lowers revenues and eventually affects profitability especially if expenses incurred exceed revenues gained. As a result the artist then gain a lower share of profits so as her agents, promoters and record label. Exhibit 1 below shows the economics of the big and small venue.

The small venue tour is not profitable as shown by the loss of profit/show (due to high cost incurred) and overall show profitability loss of \$ 3, 450, 000 against \$6 million start up costs.

However the big arena tour is profitable because if promoted well, it attracts large crowds who are willing to pay a high price for the ticket and most importantly they have large capacity. Exhibit 1 shows the profitability of the big venue which is far much higher than the small venue tour, The revenues gained amount to \$ 2, 1 87, 500 and profit per show is \$ 1, 437, 500 which is higher than the variable cost of \$750, 000 and overall show profitability is

<https://assignbuster.com/gaga-case-study/>

\$18, 546, 875 against \$12 million start up costs. These numbers justifies the reason for pursuing the arena tour instead of the other two options. For the small venue tour Lady Gaga will have a loss of \$138, 000 which is less than the start up cost/ show.

Since the big arena tour has large capacity and high ticket sales than the small venue tour, she will gain about \$741 , 875 in profit/show which is more than the start up cost/show of \$480, 000. Even though the big arena venue cost of \$12 million are very high, this investment is worth it because it is profitable as compared to the small venue tour. The big venue tour will help improve the brand image of Gaga and as a result more revenues In other areas like endorsements and appearing on TV Shows can be gained In the long run.

Of late, Gaga had already made buzz by winning three awards at the VIM. So this Is an opportunity to take advantage of because it comes with great rewards, hence the need to invest in the Log arena tours. In order to reduce ten rolls AT pursuing a solo tour, teen can take on more dates in one venue.

This will allow them to cut on costs like traveling expenses and advertising and promotion among others. Carter and his team can also engage in intensive promotion through the use of internet ads, billboards and social media like Backbone, Twitterand Youth.

More so they can take advantage of TV Shows with high viewers rating for example Gaga can appear on Today's show, The Talk and Jay Leno late night show. This will give the tour a wide coverage and by so doing the risk of

pursuing a solo tour can be reduced 3) Yes Saga's main partners will have the same preference regarding the three options.

This is because their incentives are aligned to Saga's share of profits as well as ticket sales. Record label and promoters enter into an agreement known as "360 deals" with artist.

This deal enables them to have a share of all the artist revenue streams including concert ticket sales, music sales, merchandising and endorsements among others. More so Agents whose main job is of booking concerts, commercials and tour sponsorships get at least 10% commission deducted from Saga's gross profits. So since the small venue tour is not profitable Live Nation, WOMEN, and Hew record label Interstice are likely to go for the arena tour because it has high ticket sales and large capacity and it means high profits if the percentage of ticket sold is 100%.

More so to WOMEN it means more money to them due to high gross profit gained by Gaga. The success of the tour results in Saga's increase of fame which can bring in more revenues from other avenues like merchandising, immemorial or endorsements. So at the end of the day these three partners has a lot to gain hence the reason why they have the same preferences of going for the big arena tour in spite of the risk involved. 4) Saga's launch as an artist up to 2009 was a success. Her talent and unique personality opened doors for her. Since it was hard to get new artist music on radio, Gaga began touring in small venues so as to gain popularity.

She gained a huge fan base as well through optimizing social media sites and Saga's team organized some interviews with about 50 popular music <https://assignbuster.com/gaga-case-study/>

floggers. As a result the interviews reached 0 million impressions in that timeshare. All these efforts were fruitful, her first two singles Just Dance and Poker Face topped in the Billboard Hot 100. In 2008 her album "The Fame" became a hit and was launched in Canada, Australia and lastly in the US. As of September 2009 The Fame's album sales amounted to and 11, 262, 000 in track sales which is not bad for an upcoming artist who is trying to establish a big name in a competitive market.

By late 2009 Gaga became one of the most recognizable names in pop music and she made had an opportunity to perform at the Vans and she also won three awards which includes video of the year and best ewe artist.

All these live performances, album/single success and social media presence created a huge fan base which made her a successful artist. Saga's team can best further develop her touring and recorded music sales by having as many local and global tours and having her music on different distribution meals Like Il ones Ana MPH.

I en team must work towards getting near music on ten top 10 best selling artist and number one on Billboards charts. Before going for tours, intensive marketing should be done so as to maximize profits and get fans excited about the tour. They must also have viral videos and music uploads on Youth and engage fans where ever possible for instance inviting one or two fans on stage and involve them in tour costume design among other things. Gaga must be involved in charitable activity so as to get good publicity.

Saga's team can best leverage her social-media presence by working towards increasing the number of fans on the social media cites. This can be <https://assignbuster.com/gaga-case-study/>

done by continuously updating fans on the artist activities, engaging fans by asking them to create or suggest a concert costume for Gaga. The best creative costume can win a free ticket to Saga's tours. Saga's team should also consider fans feedback and implement it in their event preparations. They should also optimize the search engines and come up with the right keywords so that fans can easily find the artist information online.

They can also link Saga's website with other popular websites and this will help in increasing traffic to Saga's website.

5) According to exhibit 1 in the case, recorded music revenues has continued to decline since 2000-2008 whereas live music revenues has drastically improved from 1999-2008. As an upcoming artist concert ticket sales are important to Gaga because it helps her gain popularity, market her music so as to improve her record music sales as well and gain more money in the process as compared to recorded music sales.

Artist share in recorded music vs.. Concert ticket sales is different. In recorded music an upcoming artist get an advance of and after other costs and advances are repaid, they get royalties which is about 15% of sales.

However a label can deduct a number of costs from artist royalties which can cause an artist to end up owing their label a lot of money (even if the album sells a lot of copies) in unrecorded royalties. Furthermore recorded music sales can be less as compared to concert ticket sales.

For instance an album with 10-12 songs can be sold for \$10-\$15 and individuals tracks for \$0.99-\$1.29 both yielding \$3-\$4 in profit.

For concert ticket sales, an artist can earn \$5, 000 – \$50, 000 per night depending on ticket prices. They can also receive a share of revenues with guarantees against those shares of \$10, 000 and \$25, 000 per show. In other words the more shows or nights an artist do and the more tickets sold at a relatively high price, the more money an artist is bound to get.

Even though an artist can sell millions of albums it is incomparable with having big venue tours with large capacity and high ticket prices. So in this case, lady Gaga will gain more money from concert ticket sales than recorded music sales hence the importance of concert tickets sales than recorded music sales. In the future, Lady Saga’s team should focus on improving and maintaining a strong presence on social media sites so as to improve Saga’s social media ratings which can help in gaining more fans.

Focus should be put on getting Gaga on the top 10 of selling recording and touring artist.

Fans usually want to be associated with a successful artist so this will be good publicity which can help in increasing both concert and touring sales. They should also focus on global tours and reaching out to fans all over the world through the internet. Social responsibility is another good way to gain good publicity. Saga’s team should focus on getting Gaga to be involved in charitable events.

This can be Notating money too good cause or vaulting a Tan In nationals I en goal newer give tense TV shows something good to talk about the artist which increase Saga’s brand image.