

A guide to running a business in the **Music** sector.*

* This CIIC Forensic Report focuses on businesses servicing musicians rather than the musicians themselves.

The Creative Industries Innovation Centre (CIIC) supports the business of creative enterprise. The CIIC is part of the Australian Government's Enterprise Connect program, and is supported by the University of Technology, Sydney.

This Forensic Report summarises the insights drawn from our interactions with this sector. Overall, the CIIC has worked with more than 1000 creative enterprises (2009-13).

Talking point

In a market awash with musical content, music creators and performers need services that will lift them above the "pack". Unfortunately, many businesses servicing the music industry lack their own differentiation. Can improved management skills and sales resources help these businesses stand out?

The Australian music-creation industry is facing multiple dilemmas. It is robustly productive but saturated with aspiring artists. The collective audience is perhaps bigger than ever, but is fragmented into infinite niches.

Piracy continues to be a thorn in the industry's side, and monetising creative output (IP) is a major and ongoing challenge.

Emerging Australian music acts are fighting to be heard above the crowd of established international acts with their large marketing budgets and their global popular momentum.

Within this environment there is an emerging breed of micro, small and mid-sized Australian businesses helping musicians tackle these challenges and take advantage of opportunities arising from technological change.

This CIIC Forensic Report looks at the pressures facing businesses that are helping musicians (often emerging artists) stand out in a crowded market place through management, marketing and promotions, music discovery and distribution.

Critically, these businesses must themselves develop commercially compelling unique selling points (USPs).



Music

The GENERATE project, run in 2011 by the CIIC in partnership with APRA AMCOS and AMIN, worked with hundreds of new and established music business ideas:

Music apps that protect the artist's IP but allow listeners to share tracks via social media

Leveraging the NBN to broadcast in new regions

One-stop-shops for emerging artists, providing recording, management, marketing and promotions

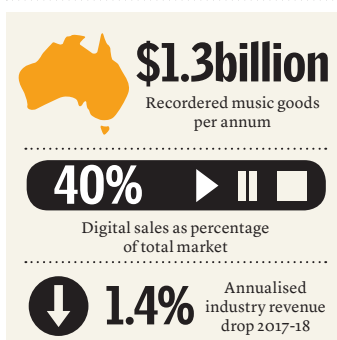
Niche music events and services

Source: IBIS World

As this CIIC Forensic Report reveals, many business operators lack the management skills required to manage a company successfully and profitably, or sell their services in a highly competitive market.

Pressure points

Challenges specifically impacting music businesses:



Source: IBIS World

Business differentiation

Many businesses servicing the music industry lack their own differentiation or a compelling unique selling point.

Weak strategic planning

Many businesses lack a well thought-out sales plan to attract customers, generate revenue and build scale, visibility and market traction.

Limited access to capital

Business ideas often require significant capital to gain critical mass and achieve profitability.

Piracy

Fighting piracy and protecting profit is a costly process and requires significant IP expertise.

Staff retention

With uncompetitive salary levels, businesses in the music industry have difficulty attracting and retaining talented staff.

Product timing

When developing digital products or services, many music businesses resort to "first mover" or minimum viable product (MVP) strategies. These approaches have merit but their chances of success will be greatly enhanced by some early stage consumer and marketing testing.

Steps towards sustainable growth

The CIIC has identified the following steps to help music businesses exploit market opportunities and achieve sustainable growth:

Music Publishing



\$491.1m p/a

According to IBISWorld the music publishing sector (as distinct from the sale of so-called "recorded music goods") generates \$491.9m in revenue per annum.

The largest four firms in the industry account for 70% of market share. But market concentration is expected to lighten over the next five years as large companies lose revenue to individual artists and small independent companies that are leveraging technology for recording, publishing and distribution.

Live Music

\$1.2bn | **15,000**

Live music sector
2011

Full-time jobs
2011

41m | **328,000**

Patrons 2011

Performances 2011

17% of the sector's revenue is generated by ticket sales; 83% is food & beverage sales.

Source: APRA AMCOS 2011 National Live Music Study

Step 1 Develop a Unique Selling Proposition (USP)

Determine what it is that distinguishes your product or service in the eyes of your customers. This must be something more than "a good reputation" or "we're helpful". If your business does not have a compelling USP, it risks getting lost amongst competitors and will struggle to attract capital investment.

Step 2 Devote resources to business development

Formalise your approach to business development by implementing a sales plan, supported by an appropriately targeted marketing plan. Sales plans should include the manner in which customers will be approached, and the offer should appeal to the customer or customer group. This can be supported by customer insights and market research where relevant.

Step 3 Match technology with customer needs

Technology for technologies' sake is likely to be an indulgent investment. Businesses that concentrate on developing technologically-based solutions to consumer problems, or that leverage consumer opportunities, are more likely to succeed.

Step 4 Develop flexible business strategies and contingency plans

Products or services that rely solely on third-

party platforms such as Facebook or iTunes can be susceptible to risks such as rule changes, sudden and dramatic shifts in consumer preferences or usage, or the platform owner becoming a direct competitor. Business plans should be flexible and include a 'Plan B' that can be reasonably easily activated. Business modeling, scenario planning, risk management and contingency plans are vital.

Step 5 Secure a niche

Address a niche market by providing aesthetic and practical differences relevant to that market – ideally as modifications or customisations of a base product. Look for opportunities in untapped, emerging or specialist markets or genres that individually are small, but collectively are substantial.

Step 6 Attain and retain skills

Perform skills audits, map out key roles and collaborators, and engage in succession planning and business management mentoring to mitigate skills shortages and staff turnover. Consider offering benefits that go beyond money, such as flexible working arrangements and performance-based rewards.

Step 7 Access legal services

Accessing legal services can make or break a fledgling business. Resources and advice are available via the Arts Law Centre (www.artslaw.com.au), and industry membership bodies such as APRA-AMCOS (www.apra-amcos.com.au).

Summary

The owners of music industry businesses often have a background in music but lack the management skills required to develop strong business proposals, implement a sales and marketing plan, or remodel their business in line with technological change, or changes within the business environment.

Music is often seen as a "passion" career but it is important that business owners balance their

passion with a sympathetic commercial approach. Solid management skills, an understanding of the customer, marketing resources, sales focus, all rolled up into a business plan, will greatly enhance your chances of success.

No matter how brilliant the business idea is, success will hinge on execution and implementation.