



Usica Internet Marketing Plan

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1 New Business Idea

1.1 Idea Description and Name

Our new business, Usica.com is a pure play online music store that will change market conditions in the music industry to offer consumers and artists a more valuable experience than current offerings. This is a new model of an online music store, allowing artists to sell their music directly to consumers without record label intervention and thus to retain more, the resulting revenue. Usica will offer an online store that sells music and related products on multiple tiers that allow for greater artists' income. These tiers include items such as a digital downloads CD's, box sets, DVD's, Vinyl's, limited edition content, and autographed memorabilia. Usica will drive traffic by offering several free downloadable tracks from each album, with agreement from the right holders. The focus will be on artists retaining rights to their music and giving consumers a viable alternative to piracy without restrictions.

1.2 Goods/Services Offered

Usica will offer tangible and intangible goods. The tangible goods are CD's, DVD's and other merchandise that will be available to consumers. The intangible goods will be digital downloads of music tracks. The few free tracks will benefit the less well-known artists the most, allowing for greater exposure to consumers (Ernesto 2006). The tangible goods can be delivered globally. Since Usica only focuses and deals with the artists, 70-80% of revenue will go to the artists, while the remaining 20-30% of revenue will go to Usica.

Usica will offer a loyalty program to encourage purchases of higher tier packages and products. Customers will receive points based on the purchases they made which can be redeemed for discounts on tangible goods.

1.3 Research

1.3.1 The Market Need

Usica is filling the need for specialty music products that enable consumers to directly support the artists

1.3.2 Justification of Market Need

- Music piracy is growing as consumers want different ways of acquiring music.
(Study: Music Piracy Rising 2004)
- Research has shown that consumers want their music without restrictions (Digital Rights Management - DRM) and when music is sold without DRM there is an increase in sales (Catone 2008) (Bezos et al. 2007)
- Artist's want digital rights to their music in order to receive royalties
(Thompson 2007)

1.3.3 Literature Search

Independent artists are seeing more success when breaking free from major music labels because they know their fans (Volemers 2008)

When other online music services experimented in cutting prices from \$0.99 to \$0.49 they saw a six-fold increase in business (Levy 2007)

Major artists, such as Madonna are dropping record labels in order to search for different business models (Madonna Joins Forces With Live Nation in Revolutionary Global Music Partnership 2007)

1.3.4 **Informal Research Feedback**

- Response was largely positive
- Added suggestions for features
- See Appendix 1 for more data

1.4 **E-Business Model**

Usica will be a website without a physical location, using the pure-play model.

However, Usica will also use models from other model classifications such as:

- Online sales promotion - Samples of music downloads for free.
- Online advertising - Plan on buying advertising from other websites to promote Usica.
- Pricing strategies - Tiers of buyer's options available to fulfil different customer demand.
- Customer Relationship Management (CRM) - A loyalty program to give better value to loyal customer.
- Supply Chain Management (SCM) - Effectively and efficiently delivering tangible goods to customers.
- Affiliate program - Adding links to artist's websites to 'Buy Now on Usica'.

- Enterprise resource planning - office system of order entry, purchasing, invoicing, and inventory control.
- E-commerce - online transactions on Usica including content sponsorship to contribute extra revenue.
- Manufacturer's agent – Individual who act as a contact point to several artists who are selling their music.

1.5 Revenue Streams

- Sales of advertising on store home page
- 20%-30% commission on sales of tangible sales from Usica.com
- 20%-30% commission on intangible sales from Usica.com
- 20% commission on sales of tangible goods through affiliate program on artist's website
- 20% commission on intangible sales through affiliate program on artist's website

2 Situation Analysis

2.1 Current

2.1.1 Our skills

Wina <ul style="list-style-type: none">• skilled in accounting• skilled in marketing	Nathan <ul style="list-style-type: none">• experience in web design• skilled in new media culture• experience running a small business process model company• experience managing a team of web developers and designers
Rena and Melsa <ul style="list-style-type: none">• skilled in finance• skilled in marketing	Robin <ul style="list-style-type: none">• skilled in web development• experience in Internet marketing

2.2 Environment

2.2.1 Legal Environment

2.2.1.1 Music piracy is growing

- Music piracy has hit new records.
- The increase is assumed to be due to high online prices and a revolt to technology that prevents digital spreading such as DRM.
- Indicators also say that illegal downloading will increase further (The Australian 2007).

2.2.1.2 Music & Copyright

- No registration is required.
- Work will automatically be protected at no cost if is proved to be original.
- A song can have different copyright owners.

If there is a dispute about who owns the copyright of a work, the one that can prove to be the initial creator of the work usually is considered as the legal owner. Disputes of this kind may ease if many artists become independent and sell their music on their own or on a website like the one Usica is planning to create (Australian Copyright Council 2006).

2.2.2 Technological Environment

2.2.2.1 DRM

- Digital Rights Management is a technology used by many record companies and record stores to protect their music, it makes it harder to rip and share music (Layton, J 2008).
- The technology has done more harm than good according to many. (Free Software Foundation 2006).
- According to a study made by Insight Search the maintenance of DRM will cost approximately \$12 billion by 2012. (Greve, G 2007).
- Usica will offer DRM-free download which is much more appreciated among customers; it makes it possible to put downloaded music on any device of preference (Reguilon, J, Wiley, A. 2007).
- Internet use increases
- Number of Internet users in the world has increased by over 265.6% since 2000 to a total of 1,319,872,109.
- The greatest increase in number of users is in Asia where 510,478,743 people have started to use the Internet since the year 2000 (Miniwatts Marketing Group, 2008).

2.2.2.2 Broadband

The recent trend is that more any more people abandoning slower dial up connections and using different high speed broadband services instead (Ferguson A 2007).

Use of faster Internet connections makes it possible to download songs, videos and other content at a very high speed.

2.2.3 Market Related Factors

2.2.3.1 Competitive Environment

Competitor	Strengths	Weaknesses
<p>iTunes Store</p> <p>iTunes is a digital media store in a web application, introduced by Apple for playing and organizing digital music and video files (iTunes 2008).</p>	<ul style="list-style-type: none"> -Wide selection of music (iTunes 7 2008) -Simple, clean appearance (iTunes 7 2008) -Strong vertical market with iPod market dominance -1-Click purchase process 	<ul style="list-style-type: none"> -Can only play music downloads on iPods (Garcia 2007) -Locked into contracts with major record labels -Non-flexible price point (iTunes 7 2008)
<p>Amazon</p> <p>Amazon has an online music store in which customers can download MP3's at a cheaper price of \$0.88 per track.</p>	<ul style="list-style-type: none"> -Customer's can find products at low prices (Amazon marketplace can save you money on everyday merchandise 2006) -Excellent customer services, reliability and security (Advantage for Music 2007) -Brand name recognition: largest internet destination, with tens of millions of customers world-wide (Advantage for Music 2007) 	<ul style="list-style-type: none"> -Can have high shipping costs (Amazon marketplace can save you money on everyday merchandise 2006) -Locked into contracts with major record labels limiting flexibility (Chartier 2007)
<p>Piracy</p> <p>Piracy is an activity where people compress posted and transmit music via internet without permission of the rights holders and customer can get it for free through peer-to-peer file sharing (Internet Piracy 2006).</p>	<ul style="list-style-type: none"> -Free of charge -Unlimited downloads -No limits with files 	<ul style="list-style-type: none"> -Potential risk of virus' -Does not comply with copyright regulations - illegal

2.2.3.2 Global Economy

Two points of view on the global economy:

2.2.3.2.1 Global Economic Growth

- Global economic is now performing in its strongest state for at least 30 years and projected to grow 3-4% in the next 3 years.
- The economic growth is exceeding its three-decade average for the past five years
- Consensus Forecast: IMF is experiencing the fastest growth in economy since 1970

(The Global Economy in 2008)

2.2.3.2.2 Global Economic Downturn

Possible due to significant changes in US condition caused by mortgage crisis, credit crunch, and trade disagreement between US and China (The Global Economy in 2008).

2.3 Usica SWOT

<p>Strengths</p> <ul style="list-style-type: none"> • The idea is brand new, therefore no direct competition. • Usica is flexible towards artists since no contract is involved. • Tiers to allow different charges for different buyers. • Operates and ships globally. • No physical location necessary. 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Usica does not have any brand recognition • Artists who are still in contract with record companies might not be able to associate with our new business.
<p>Opportunities</p> <ul style="list-style-type: none"> • The trend of artists going independent. (Musicians fight for their (digital) rights 2000) • Online transactions are becoming more commonly used (Gluyas 2007) • Consumers want their music without restrictions (Catone 2008) • Artists receive more profits not being locked with record labels (David Byrne and Thom Yorke on the Real Value of Music 2007) • No DRM on music files allowing for greater compatibility and user flexibility 	<p>Threats</p> <ul style="list-style-type: none"> • Indirect competition with major music stores. (iTunes, Amazon, rhapsody, etc) • Risk of online transaction fraud. • Music piracy is growing as consumers want different ways of acquiring music that is not illegal (The Australian 2007) • No DRM on music files potentially increases piracy
<p>Strategies</p> <p>As a new business Usica will get its name out by advertising in different ways such as doing an affiliate program and online advertising with different websites, as well as a loyalty program, pricing strategies, and online samples to attract the public. The loyalty program will also reduce the amount of one-off customer with more loyal reliable customers.</p> <p>Even if Usica is not using DRM restrictions Usica is putting the user's data in the meta-data. Meta-data describes the intangible good's resources. (Taylor 2003)</p>	