

CREATIVE BUSINESS PROJECT

Report

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Business Plan

Gotune

Booking Studios. Made Easy.

Prepared July 2022

Landing Page:

<https://gotune.io>

Mobile Prototype:

<https://xd.adobe.com/view/4d8c7aaf-ed81-4750-9645-e6d1af2448c7-18df/?fullscreen>

Web Prototype:

<https://xd.adobe.com/view/67610562-d7b1-4e41-b8ca-0e9ca408b6d0-3232/?fullscreen>

MVP:

<https://gotuneupdated.bubbleapps.io/version-test/>

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1. Executive Summary

“Great marketplaces do not simply aggregate a market; they enhance it” (Gurley, 2012).

Gotune is an online marketplace for music studios, rehearsal studios and its subsidiary types, featuring an integrated booking function that allows customers to book studios instantly and perform transactions, to reduce friction within the entire booking process. Following the three pillars for marketplace success – content quality, user trust and user experience – we believe that mere technology innovation is not sufficient. Gotune focuses on *value innovation* – creating buyer value by enhancing the existing market through providing features that promote productivity, simplicity, and convenience.

Recording studios and rehearsal spaces are an integral component of the music industry’s value chain, as the origins of the recorded music market’s contributions lie exactly here. However, the supply of studios is highly fragmented, which poses great difficulty for finding studios tailored to individual needs. In addition, the booking process is lengthy, as there is no unified booking system and studios rely on inquiries, creating even more friction. The management of bookings performed by studios is outdated – occasionally, archaic. Trust between studios and artists suffers under overdue payments and forfeiting appointments.

Gotune aggregates a variety of studios and spaces via its online platform using an asset-light model, to provide a one-stop location for hosting and finding studios tailored to the individual needs of its customers. An extensive search function implements specific parameters, which produces user-specific results and increases matchmaking between studios and artists. Inbounding the booking process into the platform facilitates more efficient transactions that would have otherwise not been possible. Instant bookings and payments rebuild trust between studios and artists and enhance the recording studio market by transitioning to a buyer-picks marketplace, in which availability slots are introduced for customers, reducing friction and increasing convenience, higher search to fill rates and more utilisation of idle underutilised fixed assets.

Gotune positions itself as a transactional marketplace, which is facilitated by integrating a booking function. Here, Gotune charges a take rate of 9-15%, depending on the order size, while there is no cost for a studio to list their space. Digital platform models are characterised by their high scalability. Costs associated with Gotune’s growth are marginal – and decreasing for every additional user that is acquired. The asset-light approach allows Gotune to create a tool and a service, in which it takes the role of the orchestrator, who increases new transaction types for customer needs, without relying on high overhead costs associated with its stock. Gotune’s growth is characterised by its collective connotation – as Gotune aggregates more studios, the increase in hosts and guests leverages its value proposition.

The global music industry has increased by 18.5% to a total of \$25.9B in 2021 (BPI, 2022). (Goldman Sachs, 2022) estimates the global music industry’s revenue to increase to \$131 billion by 2030. With approx. 5000 studios yielding an annual revenue of \$1.5B within Gotune’s target market. Gotune expects to generate annual revenue of £703K within its first year and \$3.4M by its third year. With its current marketing strategy and financial model, a capital requirement of £125K is required to achieve all benchmarks and prepare the platform for scaling in the given time frame. Finally, Gotune’s marketing strategy allows it to scale its LTV:CAC ratio from 1.1:1 to over 3.3:1 by its third year, proving its scalability.

2. Product/Service

Figure 1 and Figure 2 visualise different use cases of the platform.

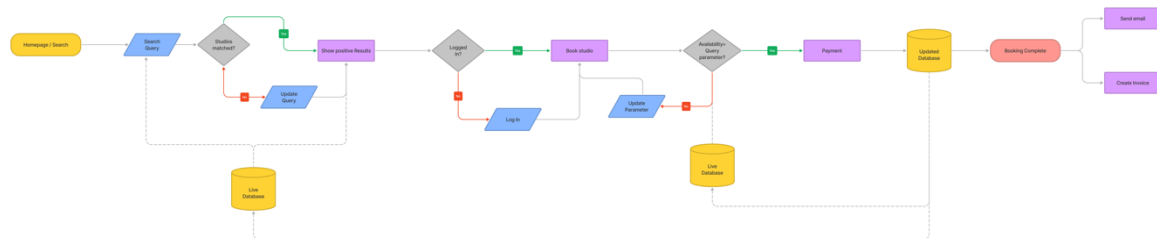


Figure 1 – User wants to book a studio

Gotune functions as an online marketplace, which distinguishes between two types of users: hosts and guests, making up both sides of the marketplace. The backend of the platform involves a dynamic database, which collects user data, studio information, dynamic availability, calendar functions and transactions.

The front-end, from a guest's perspective, requires a query, in which parameters, such as place, date, start and end time, are collected. After a query has been created, the platform performs a search based on those parameters and draws on its database to deliver user-specific results. Based on a studio's availability, a user can book a time slot instantly, which is enabled by availability slots that update themselves once a customer has booked a slot. This process significantly reduces friction within the booking process and leads to a higher utilisation rate. While this requires more information provided by studios, a successful implementation will have a positive effect on their accessibility and chance of being booked.

Featuring instant payments enhances convenience for artists, as well as for studios. The ease of payment facilitates faster transactions and assures studios completed payments before the date of a booking.

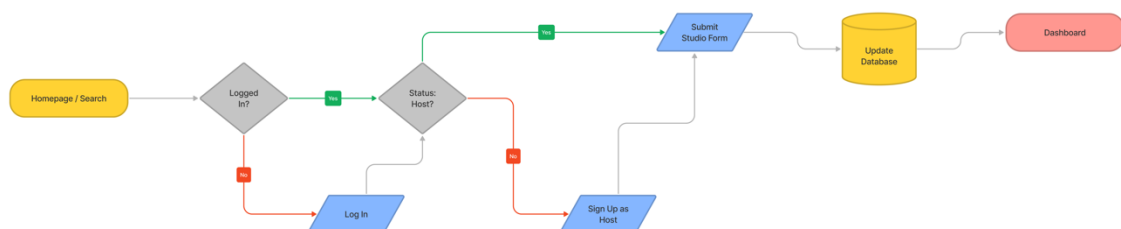


Figure 2 – Host wants to list a studio

Listing a studio is designed to be as convenient and simple as possible. Gotune relies on additional data provided by the studio, such as availability, to leverage its value proposition of instant bookings. Once a studio has listed its space, its availability is added to a live database. If a query's parameters match a studio's availability, the specific time slots are blocked. Through the integrated booking management tool, studios can manage, update and cancel bookings, while keeping track of incoming transactions. Hereby, Gotune achieves one of its main USPs, which reduces friction and provides an added value to both sides of the market.

3. Business Model

This section explains and justifies Gotune's decisions for creating and proposing its buyer value to its key partners and how it can be captured.

"Gotune" is structured as an online marketplace, which enables the aggregation of a fragmented demand and supply side in one common place. Here, we speak of an aggregator business model. Gotune's marketplace acts as an intermediary between the demand and supply side, whose goal is to integrate the whole booking journey on its platform. The value that the platform proposes grows through network effects. Once a critical mass is reached, the platform can build a basis for exponential growth and participants can take advantage of the associated economies of scale (Ziegler, et al., 2022). These can be achieved through marginal costs decreasing the more incumbent the marketplace becomes. Within the value chain of the music industry, recording studios can be attributed to the production stage, which lies between the creation and dissemination stage (De Voldere, et al., 2017).

Music studios are recognised as underutilised fixed assets (UFA), whose utilisation can be increased at no or a minor cost from the host's perspective, which helps to "reduce the total cost of ownership of their property" (Dervojeda, et al., 2013). Due to the nature of fixed assets involving fixed costs, the cost per usage falls as soon as the asset is used more frequently. Considering the fragmented supply of music studios, Gotune sees an opportunity in nurturing the utilisation of this latent supply (Kwok, 2020).

3.1 Positioning: Vertical Marketplace

Gotune uses its product to "leapfrog the liquidity of the incumbent's supply base" (Tavel, 2020). As Gotune focuses on the aggregation of solely music studios (and subsidiary types of music studios, such as rehearsal or podcast studios), it is considered a vertical marketplace. This vertical marketplace targets an under-served use case, which could have already been implemented by other horizontal marketplaces, however, not to an extent where there is no "white space" left to develop it further (Tavel, 2020). Due to the large scale of horizontal marketplaces, they become extremely vulnerable in the sense that specific needs of certain cohorts cannot be met. Gotune identifies this under-served use case, whose needs have not been met by major horizontal marketplaces and identifies a market opportunity upon which it seeks to expand.

3.2 Transaction Ecosystem

Implementing ecosystem-based models has become a promising extension of traditional business models, especially for digital platforms, as "six of the world's top seven companies are ecosystem companies" (Chung, et al., 2020). While Gotune inherits typical characteristics of a platform, such as mediation of transactions, low transaction costs and network effects, successfully implementing an ecosystem-based model can provide various competitive advantages, such as pronounced lock-in effects for users, strong strategic partnerships, the expansion of network effects and an "E2H (Ecosystem-to-human)" approach, which bases Gotune's business activities on relevant needs of end consumers (Rösch, n.d.). Due to Gotune's vertically orientated positioning, whose supply experiences high modularity, implementing an ecosystem-based model can increase the possibility of quickly covering all requirements for a

functioning platform. As the marketplace seeks to bring together two types of key partners on its platform, it is considered a “two-sided marketplace”. Hereby, a transaction ecosystem is created (see Figure 3), which orchestrates the value transaction between the contributor and consumer side in one common platform.

In such an ecosystem, Gotune acts as an orchestrator, which is used by studios as an integrated B2C platform for end consumers to experience an individual booking experience, while it realises its value propositions (Rösch, n.d.). The efficiency of this process is one of the core values that are being proposed.

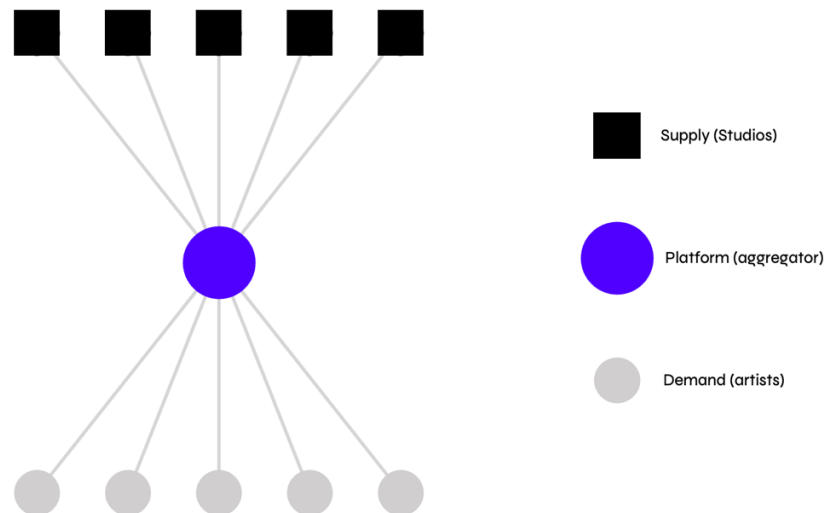


Figure 3 – Transaction Ecosystem

Following the importance of network effects to the platform, a critical factor determining its success is incentives for key partners to commit. Key partners, in this context, are studios or the supply side, as Gotune targets a market whose supply is capped. Such a “supply-constrained” marketplace’s most significant factor counteracting an increase in transactions is a lack of supply. Hence, the current business model follows the notion that a larger increase in supply will lead to a greater ROI than driving demand to the same extent (Rachitsky, 2019). In other words, there will be more incremental revenue from adding one additional studio to the platform than an additional consumer. According to (Pidun, et al., 2020), a transaction ecosystem must provide incentives in the following forms and create the “FOMO” for potential participants, to increase their chance of committing to the platform:

- High relative profit increase from participation
- High competitive risk from non-participation
- Limited investments required for participation
- Limited risk from participation
- Existing capabilities to build on

External interdependencies of the inherent industry must be taken into consideration, as all key participants must be willing and ready to commit to the platform. It is vital to the success of the platform that the adoption risk, which states the extent to which suppliers will need to adapt to the ecosystem before consumers will take advantage of the value that the platform provides, must not be too high (Adner, 2012).

3.3 Platform Model

3.3.1 Asset-light Model

To ensure Gotune's prospective long-term profitability, the business model's strategy requires a decision made upon whether involved assets (which are, in this case, music studios) should be in ownership of the platform or if it should integrate an "asset-light" model. Asset-light models involve "reduced asset-levels, while retaining appropriate control" (Kachaner & Whybrew, 2014). In this context, Gotune refrains from owning studios and, thus, an "inventory" of their studios. Instead, it implements an outsourcing strategy, in which it draws on assets that suppliers bring to the platform, through which "lower profit volatility, greater flexibility and higher scale-driven cost savings" can be achieved (Kachaner & Whybrew, 2014).

In an asset-heavy scenario, in which the platform acts as the effective supplier of studios, the construction of studios would require a relatively large amount of capital investment. Without a high enough certainty of scalability, this strategy would pose a great risk to the long-term profitability of the venture and its success.

Therefore, the implementation of an asset-light model is, in this context, a more suitable strategy, as it can help avoid diseconomies of scale and achieve scale with a significantly less amount of capital invested (Kachaner & Whybrew, 2014).

3.3.2 Matching Supply and Demand

Liquidity is a fundamental factor for measuring Gotune's efficiency in matching the supply and demand and effectively acts as the platform's substrate (Morrongiello, 2019). Building a diverse supply base and providing customers with a range of options to choose from is crucial for the development of the platform. Next to increasing the marketplace's liquidity, it also allows Gotune to "own demand and provide a sticky product" (Winters & Lewandowski, 2021). Considering the twofold environment of Gotune, ownership of liquidity in a marketplace scenario should be segregated into buyer and supplier liquidity. While buyer liquidity measures the likelihood that a transaction happens, supplier liquidity measures the extent to which a space is utilised.

The current market offers "double-commit marketplaces", which require time-consuming commitment from both sides to complete a transaction, leading to reduced liquidity. Therefore, Gotune proposes to transition to a "buyer-picks marketplace". Integrating additional data from studios, such as availability, can increase the platform's liquidity substantially. Hereby, Gotune provides a higher value than its competitors, as selectable time slots allow instant bookings, which leads to a higher utilisation rate for each studio and positive effects on the potential revenue a studio can earn from using such a platform (Morrongiello, 2019).

It is reasonable to assume that every studio is unique in its services, equipment and overall "quality" it has to offer. Due to the differentiated supply that is targeted, larger choice adds more friction to the booking process. Consequently, a strategy for finding better matches is being responsible for curating studios depending on the user's preferences (Golden, 2017). However, user-specific curation of studios requires acquiring a critical number of studios offering different services first. While more choice increases the necessity of effective curation

of the platform, it also increases the marketplace's liquidity and enables better matches. Due to Gotune's prevalence in the choices and the higher chance of matches it has to offer, this can lead to a competitive advantage, as competitors may not be able to scale enough focusing on certain types of studios.

3.3.3 Network Effects

According to (Currier, 2019), network effects have accounted for 70% of the value creation in tech over the past 23 years. The value of the platform increases as soon as an additional user is attracted to the platform, as it depends on the number of other entities using the platform (Prince & Baye, 2020). Within the platform business model, indirect network effects, or "cross-side" effects take place, where the "value of the service increases for one user group when a new user of a different user group joins the network" (Johnson, n.d.). Hereby, Gotune can experience high demand-side economies of scale.

Premature scaling may have negative effects on the success of the business. While the number of studios listed on the platform will have a positive effect on its value in the long run, focusing on too many locations at an early stage may result in "spreading too thin" (Golden, 2017). In order to avoid premature scaling, concentrating the development of the platform on one region first will help put the focus on a sophisticated and working platform in a specific area, on which future expansion to other regions can draw.

Trust is a crucial factor for the success of this venture, as it acts as a lever for increasing active usage of the platform, which can lead to a positive return on network effects. Through initially restricting oneself to one region, high quality of interaction and trust with potential contributors to the platform or early adopters is guaranteed, which builds an indispensable basis for future development.

Due to the uniqueness of each studio that Gotune provides, hosts have an information advantage, which strengthens the importance of trust that needs to be ensured (Sethi, 2017).

3.3.4 Low Marginal Cost

Implementing the platform model into this venture offers promising opportunities for scaling. The costs of starting a platform business include the cost of software production, which is in this context a fixed cost. In addition, variable costs, which define the cost of an additional transaction made, are extremely low, as there are only limited costs involved in supplying an additional studio and achieving an additional transaction. Consequently, Gotune has a significant cost advantage, as the “fixed cost ratio for each service transaction is lower” (Osztovits, et al., 2015). Therefore, the average COGS decrease as the platform grows in active usage, through which economies of scale are achieved, which provides a promising situation for scalability.

The platform, whose growth is defined by its increasing value for contributors and consumers, scales while the marginal cost approaches zero. Due to these economies of scale that Gotune can achieve, “growth is valued over profit in the beginning”, as inheriting a significant market share will lead to a competitive advantage (Kluis, 2016).

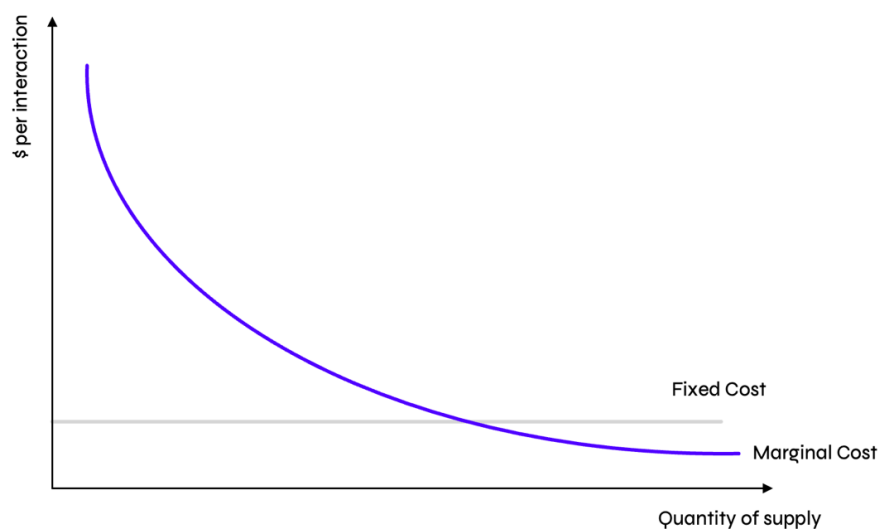


Figure 4 – Marginal Cost Curve

3.4 Revenue Model

One of the ways in which the participation of key partners can be stimulated are monetary incentives. Therefore, the revenue model that is being implemented should reflect the above-stated incentives, which could take the form of participation in the ecosystem at no initial charge.

As stated earlier, network effects are crucial for Gotune to provide actual value for all participants of its platform. This has a significant influence on the choice made on the type of revenue model that is being implemented. How Gotune monetises its business model should not “stifle the growth of the ecosystem”, but rather promote and provide incentives for participation (Pidun, et al., 2020). In this light, a commission-based pricing strategy holds a great opportunity for attracting a critical number of users and value providers, as access to the platform is free and participants are only charged once a transaction is made. Such a monetary incentive lowers the barrier for new users to adapt to the platform.

In exchange for enabling transactions between contributors and consumers of the platform, Gotune keeps a percentage of the transaction, known as the “take rate” (Singh, 2020a). This is justified by the low transaction complexity and relatively low asymmetry between the supply and demand sides of the market. To overcome the “chicken-and-egg-problem”, studios, whose barrier to adopting the platform is greater, should be subsidised in terms of the transaction fee. Consumers, on the other hand, have a lower barrier to deriving the value that the platform provides, which justifies a larger take rate on the supply side.

However, due to the asset-light model that is being implemented, Gotune has no control over the prices that studios individually set themselves and it is up to each studio what price is reasonable for their “service”.

As the ROI of an additional studio on the platform is proposed to be higher than an additional user, a slight asymmetry between both sides is created. Therefore, Gotune focuses on attracting and benefitting studios through integrated management tools, which increase the value that the platform proposes and validate the commission that is being taken (Singh, 2020b).

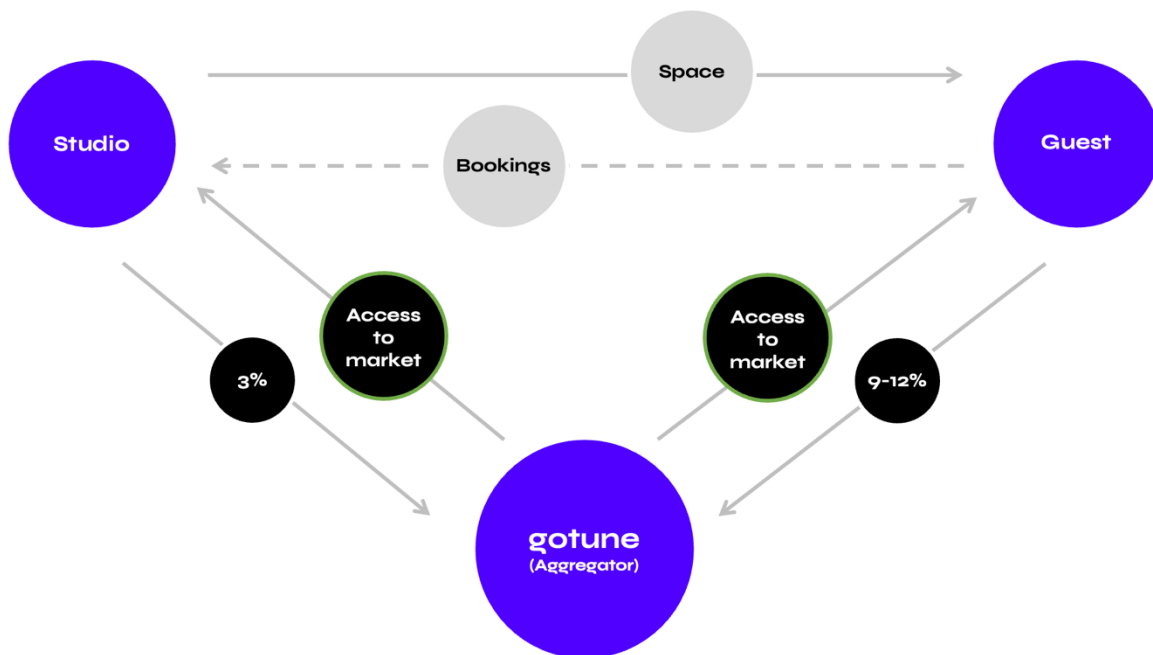


Figure 5 – Gotune’s business model capturing and providing value

4. Market Analysis

4.1 Industry Description and Outlook

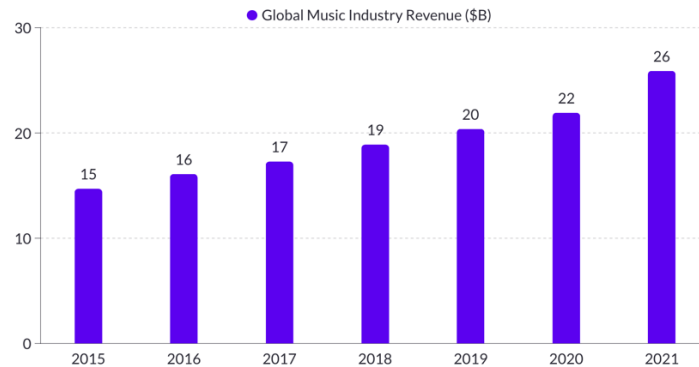


Figure 6 – Global Music Industry Revenue (\$B) (BPI, 2022)

While the global music market has accounted for \$25.9 billion in revenue in 2021 (BPI, 2022), (Goldman Sachs, 2022) estimates the total revenue of the music industry to generate \$131 billion annually by 2030. The UK music industry has generated £5.8 billion in 2019, growing by 11% from the previous year's (UK Music, 2020).

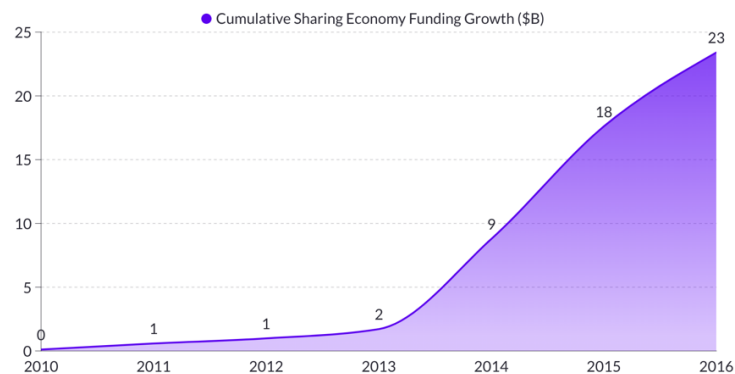


Figure 7 – Cumulative Sharing Economy Funding Growth (\$B) (Wallenstein & Shelat, 2017)

As an asset-light transaction marketplace and booking platform, Gotune focuses on the aggregation of external music studios and enables hosts to share them. There is a consensus among potential consumers to spend more on products that are designed to be shared. According to a survey conducted by (Wallenstein & Shelat, 2017), 87% of US citizens would prefer renting products through a sharing platform.

Considering that the asset-light model that is being implemented is attributed to the “sharing economy”, a study performed by (Osztoivits, et al., 2015) shows that the total revenue of sharing-based companies will grow from \$15 billion in 2013 to \$335 billion by 2025, making it a very promising market for Gotune to enter. (Dervojeda, et al., 2013) calculate that the sharing economy experiences growth exceeding 25%. In addition, (Schlautmann, 2019) states that an estimated \$23 billion have been invested into the sharing economy market through venture capital funding since 2010, where workspace-orientated start-ups account for the third largest investment sector (Wallenstein & Shelat, 2017).

4.2 Target Market

4.2.1 Supply-side

According to (DCMS, 2021), 2,482 music studios have been mapped in the UK, of which 1,858 were open at the time of measurement, where the country's capital has accounted for 44.9% of all studios. In addition, music studios generate an average gross income of £109.7K (DCMS, 2021) per annum. In accordance with the data, a total amount of approx. £272.3 million in revenue is being generated by music studios in the UK on an annual basis, which accounts for 4.7% of the UK's music market and acts as Gotune's total addressable market (TAM) in the UK. However, a significant discrepancy exists between the lowest and highest band of the gross income that music studios generate in the UK: while production-based studios generate £40.1K on average, rehearsal spaces achieve £132.4K in revenue per annum (DCMS, 2021). Therefore, the distribution of the types of studios booked through Gotune will influence its net revenue. Restricting the number of studios to those that were open at the time of measurement and considering the commission fee of 12%-15% that is being taken, the effective total serviceable market (SAM) in the UK ranges between £24.5 million and £30.6 million.

Recording studios contribute to the overall revenue of recorded music along the value chain of the music industry. According to (Statistisches Bundesamt (Destatis), 2021), a total number of 741 recording studios have achieved total revenue of €140.5 million in 2019 in Germany. Germany takes fourth place in the largest music economy worldwide (€1.96B in 2021, 10% YoY), while 10% of the German music industry is based in its capital Berlin (Berlin Business Location Center, 2019). With approx. 136 recording studios and €1.13B revenue achieved through music companies in 2017, the city accounts for a major part of the national music industry (Projekt Zukunft, 2020). In this context, Germany, and in particular, Berlin, is a promising market to enter, whose thriving supply-side can be taken advantage of.

Podcast studios are one of the main subsidiary types of studios that Gotune targets to aggregate. The podcast industry has experienced disproportional growth in recent years, which is projected to climb up to \$4 billion in revenues by 2024, as shown in a study conducted by IAB/PwC (IAB, 2022). As a consequence of the increase of listeners from 100 million to a projected 125 million by 2022 and the surge of podcast episodes from 18.5 million in 2018 to 43 million in 2021, Gotune sees a promising opportunity in providing a lower barrier to entering the production of podcasts, by making studios more accessible (Adgate, 2021).

4.2.2 Demand-side

The annual report of the German CMO (GEMA, 2021) states a 6% increase in music authors, reaching a total number of approx. 72K members. As this demographic represents the main target audience of recording studios, they represent the minimum number of potential customers that Gotune can target in Germany, as far as the demand side is concerned. At the same time, the national CMOs of the UK and US inherit a minimum number of 160K and 1.1M members, respectively. As millennials are the major demographic driving the sharing economy, Gotune is targeting a thriving and persisting market. As 75% of the workforce is going to be comprised of millennials by 2025, purchasing decisions will experience a notable change, which will benefit Gotune's asset-light approach to a great extent (Tabcum Jr. , 2019).

4.2.3 TAM, SAM, SOM

As a top-down measurement, considering the percentage that recording studios contribute to the revenue of the largest music economies (UK: 4.7%, GER: 7%, US: 10%), the average total revenue of recording studios worldwide derived from the music industry's total revenue (\$25.9B, 2021) amounts to approx. \$1.8B. Considering the number of recording studios in our target market and the average revenue they yield annually, a bottom-up calculation amounts to a TAM of approx. \$1.9B.

Large institutions, such as Red Bull Studios or Sony Music Studios, don't fall into the target market as they are solely used internally by signed artists. Approx. 25% of those recording studios have achieved an annual revenue exceeding €2M in Germany. Therefore, around 75% are considered targetable. Consequently, the SAM of our target market is estimated to be approx. \$1.4B. Due to Gotune's commission-based business model, a maximum share of 15% of the total SAM can be achieved, which results in total revenue of approx. \$214M that Gotune can capture in its target market.

Once Gotune reaches a critical mass of participants and achieves its desired flywheel effect, it may promote the expansion of its targeted market, by incentivising new studios to establish themselves and take advantage of Gotune's business model.

Market data at a glance:

Table 1 – Industry Data

Industry Data	Number	Revenue	% YoY
Global Music Industry	x	\$25.9B (2021)	+18.5%
National Music Industry	x	\$18.2B (2021)	+15.3%
GER	x	€1.96B (2021)	+10%
UK	x	£1.26B (2021)	+12.8%
US	x	\$14.9B (2021)	+23%
Studios (regd. at gov.)	>4,916	>\$1.8B	
GER	741	£272.4M	
UK	2,482	€140.5M (2019)	
US	1,693	\$1.5B (2017)	
Artists (regd. at CMOs)	>1.3M	x	
GER	72,000	x	+6%
UK	160,000	x	
US	1.1M	x	

Table 2 – Market Value (TAM, SAM, SOM)

Market Value (Target Market; UK, GER, US)	
Total addressable market (TAM)	\$1.8B
Serviceable available market (SAM)	\$1.4B
Serviceable & Obtainable market (SOM)	\$214M

4.3 Competitive Analysis

The market for platforms targeting music-related studios is characterised by its relatively unexplored potential. While Gotune's direct competitors position themselves vertically as well, incumbent horizontal aggregators, such as Airbnb, may decide to expand, whose threat for Gotune to sustain in its market should not be underestimated. When analysing Gotune's competitors, it is necessary to distinguish between those who exclusively share the same target audience (vertical) and those where studios and artists are solely subsets of their target audience (horizontal).

Current most relevant competitors:

- Musicwise.io
- Milocostudios.com
- Podcastrental.com
- Spacebase.com
- Hirespace.com
- Airbnb.com
- Peerspace.com
- Pirate.com

Table 3 – USP Comparison

	<i>Database Size</i>	<i>Tailored Results</i>	<i>Added Value</i>	<i>Instant Booking</i>	<i>Convenience (UX)</i>
<i>Peerspace</i>	Large	Yes	No	Yes	53.5%
<i>Hirespace</i>	Large	Yes	No	No	34%
<i>Milocostudios</i>	Medium	No	No	No	Low
<i>Musicwise</i>	Medium	Yes	No	No	75%
<i>Pirate</i>	Medium	Yes	No	Yes	High
<i>Airbnb</i>	Very large	Yes	Yes	Yes	High
<i>Podcastrental</i>	Small	Yes	No	No	Medium
<i>Spacebase</i>	Medium	Yes	No	No	47.6%
<i>Gotune</i>	n/a	Yes	Yes	Yes	High

4.3.1 Pricing

Table 4 – Pricing Comparison

	Fee Type	Pricing Strategy	Fee	Positioning
peerspace.com	Commission	Demand > Supply	>15%	Horizontal
hirespace.com	Commission	Demand > Supply	10%	Horizontal
milocostudios.com	Free	Free	0	Vertical
musicwise.io	Free	Free	0	Vertical
podcastrental.com	Subscription	Only Supply	\$29-\$199/m	Vertical
pirate.com	Free	Only Demand	0	Vertical
airbnb.com	Commission	Demand > Supply	14-20%	Horizontal
spacebase.com	Commission	Only Demand	2,5%	Horizontal
Gotune	Commission	Demand > Supply	12-15%	Vertical

4.3.2 Market Penetration

Table 5 – Web Traffic (June 2022) (Semrush.com, 2022)

	Visits	Unique Visitors	Pages / Visit	Avg. Visit Duration	Bounce Rate
peerspace.com	2.800.000	1.400.000	2.8	21:32	53.5%
hirespace.com	223.700	113.900	4	10:03	34%
milocostudios.com	20.300	16.200	3.9	04:46	55.6%
musicwise.io	4.800	3.600	1.3	02:09	75%
pirate.com	516.500	234.600	2.1	15:16	51.3%
airbnb.com	170.000.000	99.400.000	2.9	12:43	43.4%
podcastrental.com	7.060	n/a	2	01:59	48.6%
spacebase.com	82.700	n/a	3.1	05:54	47.6%

Penetration

Table 5 shows the distribution of Gotune's competitor's market share in terms of their web traffic. Due to their solely online positioning, the above metrics reveal how strong a single competitor penetrates the target market and how efficient they transform potential customers into paying customers. Their potential for impeding Gotune's entry into the market can be deduced from Table 5 (Airbnb is considered as the most horizontal positioned competitor with the most traffic, who doesn't function as a direct competitor, however, is still considered in this analysis, due to an overlapping target market and business model).

Excluding Airbnb, Peerspace accounts for the highest number of visits and unique visitors. While this metric indicates the popularity of the platform, the actual value that customers take advantage of is shown by the bounce rate. On the one hand, visitors spend the most time on their website. On the other hand, only half of all page visits are leading to a transaction, which is deduced from the moderate bounce rate¹. A high bounce rate is undesirable, as the goal of a transaction marketplace is to achieve a transaction (which involves viewing more than one page). According to (Lahey, 2020), a desirable bounce rate lies between 26% and 40%.

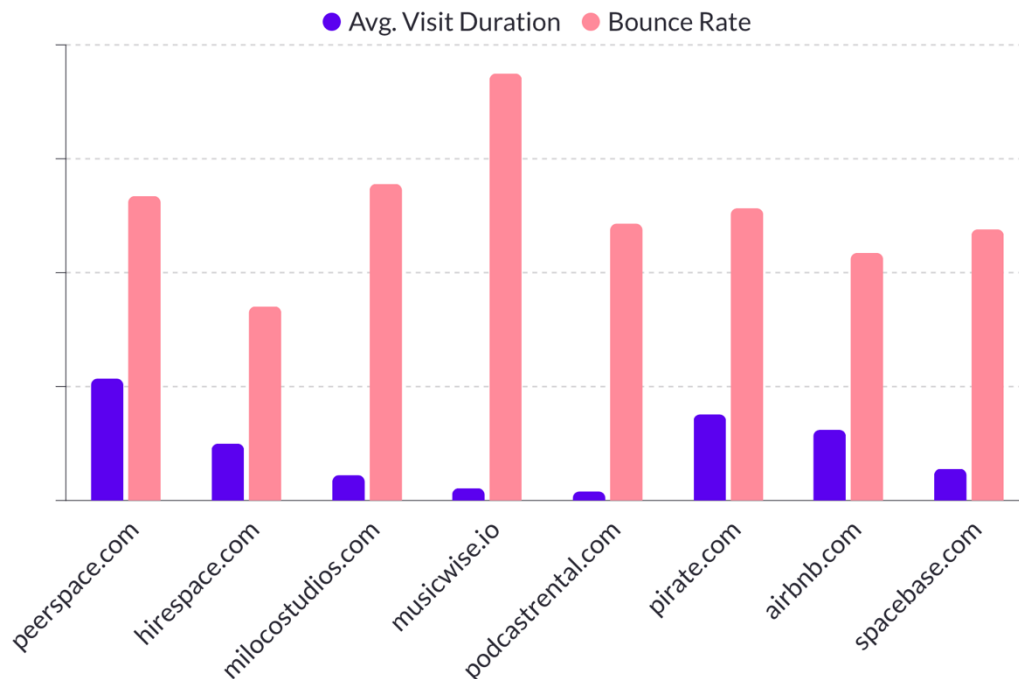


Figure 8 – Avg. Visit Duration vs Bounce Rate

Further, Hirespace achieves a low bounce rate (see Figure 8), which indicates that high efficiency is achieved through the conversion of page visits to desired transactions. Therefore, Hirespace can build upon a trusting and paying customer base. In contrast, Musicwise's success suffers from a high bounce rate and an average of 1.3 visited pages per visit, which deduces a flaw in their strategy to convert their customers into paying customers. Although Musicwise's target audience is analogous to Gotune's, they currently do not pose a significant threat for Gotune to enter the market. The high bounce rate and low visit duration indicate that their customer base may be more prone to adopt to another platform.

¹ Percentage of page visits leading to any form of interaction, such as signup or transaction

4.3.3 Effectiveness of Gain Creators

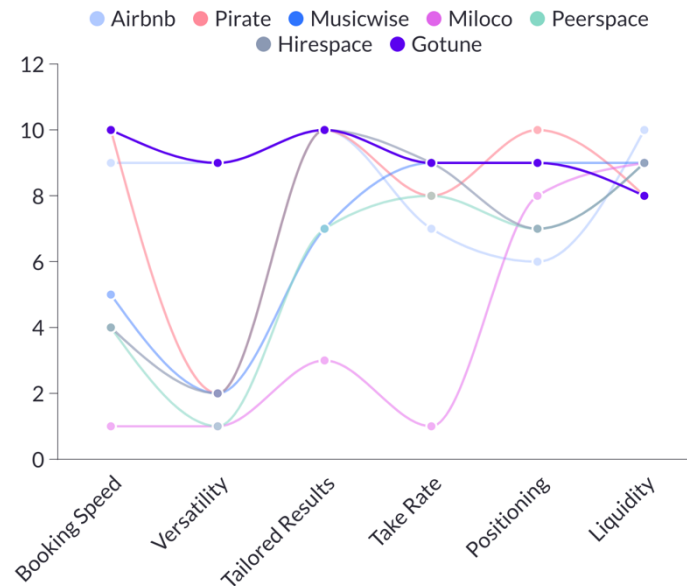


Figure 9 – Gain Creators

Figure 9 shows Gotune's competitive advantage and how its competitors have ranked in accordance with a selection of values a transaction marketplace offers. The values have been selected following the value propositions of Gotune, as these have identified the pains and gains arising from industry-specific tasks present within the target market. Every curve represents a company's performance across mutual factors of competition within the target market (Kim & Mauborgne, 2005).

Two of the main values Gotune proposes are the speed at which a transaction can be fulfilled and its versatility, meaning what additional tools a marketplace offers for its partners. Figure 9 also shows that there is a lack in this field, which Gotune proposes to solve through its integrated booking management tool for studios. Gotune considers this a competitive advantage in its market, which acts as the main USP.

An increased booking speed is achieved through integrating individual availability times and selectable time slots. Due to the reduced friction within the booking process that is being achieved, successful implementation of such features will have a positive impact on the number of bookings performed, leading to an increased buyer value that Gotune has to offer to its customers and contributors.

The curve representing Gotune's performance shows that its current strategy is robust, which is achieved through its strong USP and, thus, competitive advantage. Due to the early stage, factors, such as positioning and liquidity, still hold room for improvement. However, this line solely represents the current state of Gotune's business model and can vary as soon as the platform scales and the ability of its features are demonstrated.

4.3.4 Segment Needs vs. Solution Benefits

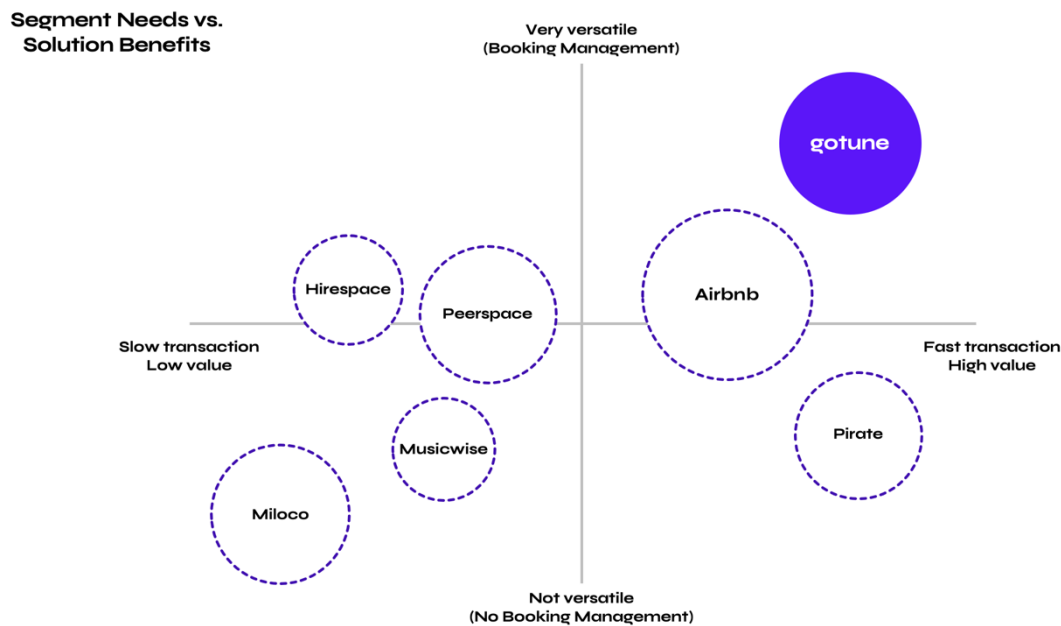


Figure 10 – Segment Needs vs. Solution Benefits

A sufficient comparison between Gotune and its competitors (and the opportunity that becomes apparent through its visualisation) is achieved by focussing on two problem-solving variables, which are key for providing a valuable platform for both sides of the marketplace. Figure 10 compares the extent to which competitors meet their customer segment's needs with the solution benefit that they propose. It is assumed that reducing friction within the booking process through fast transactions acts as a lever for the number of bookings and the integration of a booking management tool optimises the studio's efficiency in its operations.

Gotune identifies a market niche in the lack of its competitors to successfully target the needs of its customer segments. While most competitors own high liquidity in supply, they fail to solve the continuing problem of making studios more accessible. Most competitors solely aggregate a selection of studios without offering availability slots, where customers are still required to rely on time-consuming email inquiries. Through the integration of available slots, Gotune achieves to reduce friction in the booking process, which enables faster transactions and a more accessible recording studio market.

4.3.5 Risks and Chances: Porter's Model

Using Porter's model of competitive industry structure, the competitive landscape's intensity, which Gotune is confronted with, is determined. Here, Gotune's competitive advantages are being assessed in comparison to its competitor's strengths and weaknesses, from which new avenues for market dominance can be extrapolated.

Bargaining Power of Buyers:

- **Bargaining power of customers** is relatively high, as the demand or the number of buyers exceeds the number of studios.
- **Switching barriers for customers** are low. Due to the accessibility of online platforms, customers are multi-homing.
- **Value proposition for customers** is compelling. Gotune scores with its convenience and has a strong USP, which provides added value.
- **Buyer information availability** is high. Customers will compare the prices of other platforms. Gotune counteracts this through reduced search costs.
- **Power of distribution channels** is low. Due to its digital nature, Gotune is very accessible for new and recurring users. However, competitors are equally as accessible. If Gotune becomes the market leader, it becomes the main distribution channel for studios to attract customers.

Bargaining Power of Suppliers:

- **Bargaining power of suppliers** is moderate, as there is not a high number of competitors that provide the same value as Gotune. However, all competitors aggregate studios. Therefore, studios have a choice in deciding where to list their spaces. Providing added value, such as booking management, for studios, can decrease their bargaining power.
- **Switching costs of the supply side** are currently low. Due to their accessibility, it is easy for studios to list their spaces on other platforms. However, other platforms do not provide an added value for studios. Therefore, their bargaining power is moderate.
- **Value proposition for the supply side** is compelling. As Gotune scales, studio hosts can take advantage of accompanied network effects and drive more traffic towards their studio, as well as fill in idle times, in which their studio is not utilised to full capacity (UFA).
- **Barriers to entry for supply** are low. Signing up to a platform and listing spaces is quick.

Threat of New Entrants:

- **Barriers to entry** are moderate. While the actual web development of a marketplace does not afford a high amount of technical expertise, the value creation that is accompanied by scaling factors, such as network effects, requires time and effort to achieve. Therefore, the actual barrier to entry lies within the strategic tactics to provide value in the long run and not within the technical side. As soon as horizontally positioned competitors enter the recording studio market, Gotune must demonstrate a sustainable supply base with a sufficient degree of demand to prevent horizontal competitors from threatening Gotune's customer base with their customers. In addition, CACs may pose to be high for new entrants, especially if customers have accustomed to a certain platform.

- **Economies of Scale** are high. As the platform scales, in the long run, the marginal cost approaches close to zero.
- **Brand Equity** Gotune's focus on strong branding and positioning, which is facilitated by its USP, enables the business to develop high awareness, quality, and sustainable loyalty of customers in the long run (Shariq, 2018).
- **Power of incumbents** is high. Although Airbnb and Peerspace are indirect competitors, they own a high customer base and have achieved the critical threshold of enough supply and demand on their platforms to provide value. However, their horizontal positioning currently does not account for specific needs within the recording studio market, in which Gotune sees an opportunity.

Threat of Substitutes:

- **Threat of substitutes** is moderate. The most prominent substitute is the tendency of insourcing the whole production process, which has promoted a new creator economy of "bedroom producers". Digital plugins allow artists to produce music at home and the necessity for professional diminishes.

Competitive Rivalry

- **Overall rivalry** is moderate.
- Among the market of aggregators that specialise in music studios and their subsidiary types, all competitors are of similar size, which creates a relatively high competitive market.
- However, certain industries, such as podcasts, have grown significantly in revenue, which facilitates new markets to capture and take advantage of its growth. Here, the rivalry is not measured in the sole market share of the growing industry, in which more than one competitor can exist.

5. Marketing

5.1 Digital Marketing

5.1.1 Promotion

The digital nature of Gotune's business model welcomes the use of digital marketing tools. In the long run, in which Gotune has acquired a certain number of users and grows in active usage, advertising spending will follow to a similar degree, as the acquisition of new customers will become increasingly difficult and expensive. Advertising spends are considered as variable costs, that, to a percentage of 2-5% of the marketing budget, can increase as soon as Gotune scales.

As stated in section 3.3.4, a positive side effect of scaling a transactional marketplace are marginal costs approaching close to zero when a transaction is completed. However, this requires showing a receding change in marginal CAC when acquiring the next set of customers during an increase in ad spend, to ensure scalability and overall profitability. Therefore, it is essential to identify channels and platforms that limit the risk of escalating marginal CACs and offer scale. Scalable promotion channels Gotune implements include SEO, Search Ads, through which customer segments can be targeted, acquired and converted.

Finally, a strategy for maximising profit in this context is the comparison between the marginal costs of different advertising channels. To achieve this, it is important to reduce the spending on high MC channels (x) and shift ad spend towards low MC channels (y), until the re-allocation of expenditure will result in $MC(x)=MC(y)$. Due to a sole re-allocation of resources, the number of customers acquired will most likely not. However, as the increased ad spending on low MC channels will inevitably result in a greater return on investment (ROI), digital ad spending will be optimised to a great extent. Hereby, the marginal CAC becomes less dependent on the total marketing spend and

5.2 Pricing Strategy

According to (Shah & Kumar, 2015), an optimal relationship pricing strategy focuses on a significantly large acquisition discount, which is followed by a "shallower discount for first-time renewals". Gotune adapts this strategy by eliminating the cost of signing up to the platform and prioritises accessibility, through which an evitable barrier is eliminated. Costs are then incurred in the form of taking advantage of the platform's value proposition once a customer has been turned into a paying customer. As the business model of transactional marketplaces facilitates marginal benefits, it allows the pricing strategy to focus on sales growth. Here, the pricing strategy follows the objective of acquiring users and implements tactics for leverage (Chan, et al., 2015).

5.2.1 Transaction-based pricing

Gotune's pricing strategy revolves around a commission-based revenue model (as stated in section 3.4), in which a take rate is charged for each transaction. Creating monetary incentives for customers and contributors to the platform is crucial for achieving a critical number of adoptions. In terms of the demand side, the take rate depends on the size of the order value.

Gotune's success predominantly relies on the supply side, as a higher number of studios facilitates a higher chance of successful matches, which attracts more consumers. Due to the constrained nature of supply and the higher value that an additional studio adds to the platform, it is essential to lower the friction towards the side that Gotune seeks to attract the most (Cicero, 2021).

While other pricing strategies, such as membership-based pricing in the form of subscriptions, may equally incentivise users to join, Gotune follows the notion that transaction-based pricing creates the most evoking incentive. Time discounting is a crucial factor in determining the success of a transactional marketplace. Especially within the sharing economy, the benefits of quickly generating revenue include lower financial risk and more investment chances (Kung & Zhong, 2017). While implementing memberships may promote this goal to a greater extent short term, transaction-based pricing reduces the barrier of acquiring new users due to free access, which facilitates achieving a critical mass in a shorter period. As stated earlier, growth is valued over profit during the initial stage, as it can facilitate a significant competitive advantage.

Transaction-based pricing acts as an adequate strategy in the short and long run. Essentially, Gotune's pricing strategy reduces friction as a means to drive growth, which facilitates network effects and scalability.

5.2.2 Value-based pricing

Gotune offers a variety of services within its transactional marketplace. To achieve a transaction, Gotune facilitates this through providing various services, such as discovery/matchmaking, payment options, trust building and risk reduction, amongst others. In addition, the value that the booking management tool offers to studios justifies and entitles Gotune to take a share at a fixed rate from the supply side.

5.3 Margin-based Marketing

Margin-based marketing helps to increase retention by indicating which capital investments in customer acquisition channels are inefficient, by incorporating LTV and CAC data on a per customer base (Mason & Paizanis, 2022).

The lifetime value (LTV) and customer acquisition cost (CAC) are essential metrics Gotune uses, on which it bases its profitability that can be achieved in the long run. Generally, marketers may spend more on acquiring customers that are more prone to purchase pricier products. However, over some time, they may disappear and other customer segments, which purchase less expensive products, recur over a longer period back to the platform and generate a higher net revenue per customer. The uncertainty of what value a certain customer contributes

to the platform and its resulting misallocation of capital may unsettle the marketing strategy and create an unbearable CAC, resulting in a significantly reduced margin.

Therefore, Gotune implements MBM, which makes it a priority to optimally allocate marketing capital to maximise profit. Due to the circulating increase in volatility of customer sentiments, continuously reflecting current CAC and LTV is necessary to reduce the risk of reduced profitability. The iterative or “lean” approach of MBM counteracts this risk effectively and facilitates Gotune’s desired scalability.

MBM requires linking marketing inputs (e.g., pricing, ads, competitive environment, go-to-market) to the bottom-line results (Paizanis, et al., 2021; Shah & Kumar, 2015). This can be achieved by assigning certain values to user actions leading in any way to valuable outcomes (such as signups). The unveiled marginal benefit of expenditure can help Gotune allocate its resources more efficiently and increase its margin between CAC and LTV. Identifying and comprehending the actual ratio between CAC and LTV can help reduce CAC and increase the number of high LTV customers (Paizanis, et al., 2021).

To effectively allocate marketing capital efficiently, CAC and LTV should be analysed on a granular level, based on either acquisition channels or customer behaviours. This requires collected and predicted customer data, which can be gained through the integration of CDPs². This atomistic approach towards LTV, which considers data on a per customer basis, will allow targeting the highest value cohorts with re-engagement. This enables Gotune to focus on acquiring high LTV customers, which raises the overall LTV value, leading to the desired higher retention rate.

5.3.1 MBM: User Acquisition

At the current stage, user acquisition from both sides of the marketplace is crucial for building a valuable marketplace. As the overall retention of users for digital products often takes the shape of a power law, the lowest cost to acquire users often results in a lower number of users with a high LTV. It is crucial to implement automatic bidding strategies³ that generate more conversions. However, infrequent conversions (especially apparent at this early stage of the business) and a limitation towards ad networks, such as Google and Facebook, are common pitfalls (Paizanis & Mason, 2020). To find the right audience and increase the likelihood of conversions, the calculated LTV on a per customer base should be considered in the decision for the ad network’s bidding strategies.

A “roadmap” based on (Paul, 2021) of this concept may look as follows:

1. Define available budget
2. Clear CAC calculation
3. Clear LTV calculation
4. Resulting CAC:LTV Ratio
5. Define customer acquisition goal: increase retention
6. LTV-based segmentation: identify high value customers
7. Create a bidding strategy based on previous steps

² Customer Data platforms

³ Automatically set bids for digital ads based on the likelihood that a certain ad will lead to a conversion

When high-value customers are identified, the marketing strategy can be restructured accordingly, in which CAC is reduced and LTV increased, leading to a higher CAC:LTV ratio and retention.

Due to this strategy's marginal core, MBM offers promising potential for scalability. As the profitability of Gotune's business model highly depends on its scalability, the implementation of MBM can reduce the risk of surging marketing costs once the platform scales. Due to its effective identification of high-value customers, it can filter out unprofitable investments and counteract the risk of cutting all marketing investments of high magnitude at once in unprecedented times that require cost reduction.

5.4 Customer Equity

The platform business model, and more specifically transactional marketplaces, consider users as valuable assets, whose actions significantly affect Gotune's performance. Therefore, customer equity is an integral part of Gotune's marketing strategy. Customer equity is driven by three factors: value equity, brand equity and relationship equity (Shah & Kumar, 2015). Successfully creating and providing customer equity will positively affect the LTV of forthcoming customers. Every marketing decision should consider its effect on customer equity.

5.4.1 Value Equity

Due to the strong dependence on the number of users that actively nurture Gotune's value, it is crucial to adjust the platform's quality, price and convenience to the customer's needs (Shah & Kumar, 2015). Gotune increases its quality by introducing unique features, such as availability slots for customers and a booking management tool for studios. Another value equity driving force is making an extensive and versatile database of available studios one of the main objectives, which reduces the threat of customer heterogeneity and increases the chance of finding matches between studios and artists. The pricing strategy stated in section 5.2 enables flexibility due to the take rate being based on the customer's needs and reduces the barrier for users to adapt to the platform.

5.4.2 Brand Equity

Brand equity is the added value that Gotune equips its "product" with, which determines how users of the platform sympathise with its marketing. A strong brand that reflects its USP well owns high brand equity, as customers are captured by its brand recognition, which facilitates more user acquisition and retention. Gotune's focus on strong branding and positioning, which is facilitated by its USP, enables the business to develop high awareness, quality, and sustainable loyalty of customers in the long run (Shariq, 2018).

5.4.3 Relationship Equity

Following empirical results, (Hamdani, et al., 2019) states that relationship equity provides the least value to the overall customer equity. The perceived quality of customers and the level of trust they show are two subjective matters, which may pose difficult to measure, however, Gotune tackles this challenge by implementing a consumer-centric marketing strategy, in which the needs of its customers are assigned top priority.

5.5 Customer Segments

Figure 11 – Customer Segmentation Strategy

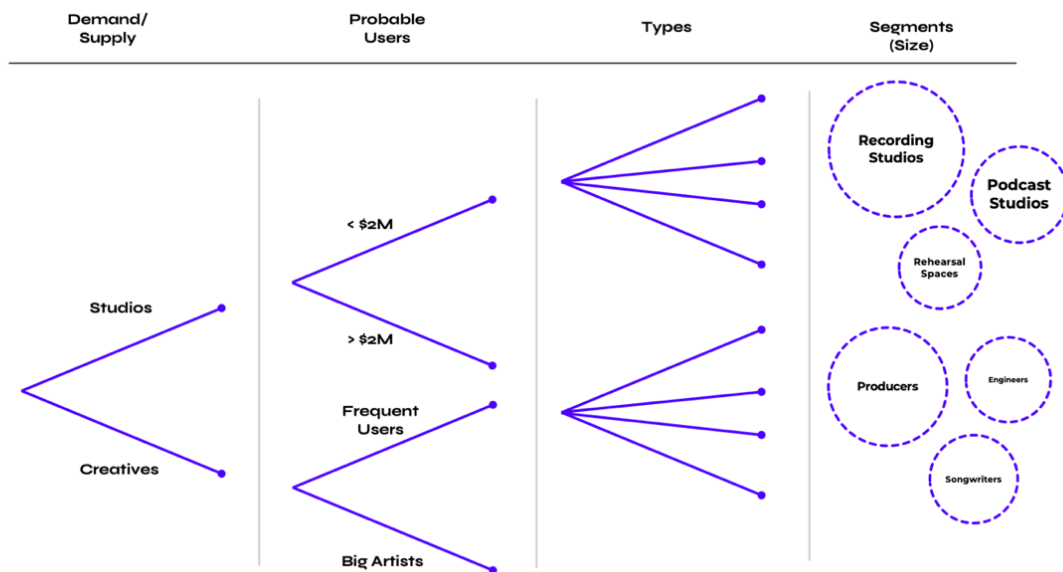


Table 6 – Customer Segments

Studios	Artists
Podcast	Songwriters
Recording/Mixing/Writing	Engineers
Rehearsal	Producers
Expensive (Large)	Session musicians
Affordable (Small)	Podcasters
	Vocalists
	Signed (Big)
	Indie (Small)

5.5.1 Niche Marketing

Several strategies can be implemented for targeting segmented audiences. While differentiated marketing may appeal more to specific segments, more than one tailored promotional strategy may incur high costs, which are not viable at this early stage due to budget constraints. Due to the niche market that Gotune targets, the marketing strategy is structured accordingly. As stated in section 5.3, the focus on a per customer base, which margin-based marketing facilitates, enables the implementation of niche marketing strategy, which allows Gotune to compete against major horizontal competitors, such as Peerspace, as the customer's specific needs can be tackled with more emphasis. Hereby, Gotune can achieve a strong competitive advantage within its niche market, which more horizontally positioned competitors fail to achieve.

While artists act as different customer segments, the different types of studios that Gotune aggregates are considered as its product base or portfolio. According to **Error! Reference source not found.**, Gotune operates in 5 segments. Identifying and reviewing all segments individually are means to promote growth opportunities in the long run, as certain segments may prove more valuable, while others may have more potential for development. Assigning certain values and plotting all segments within a BCG matrix will aid in visualising each segment's value for the business and determining marketing spending on different product segments.



Figure 12 – Gotune Portfolio BCG Matrix

Cash Cow: Recording studios build the basis for Gotune's portfolio. As the supply is constrained, the amount of additional recording studios that can be targeted and its growth is limited. The objective is to aggregate as many cash cows within the marketplace as possible, as its market is considered mature with stable brands, whose revenue Gotune can rely on.

Dog: Expensive and large recording studios use their facilities for contracted work and maintain relationships with labels, whose artists directly book time slots with studios. The market is considered saturated and other competitors, such as Miloco, specialize in aggregating them. Currently, Gotune does not anticipate covering its costs by focusing on aggregating large studios and allocates its resources accordingly.

Question Mark: The market for podcasts, as stated in section 4.2.1, experiences high growth. Thus, the demand for facilities offering podcast recordings is influenced accordingly. Due to the prospective market growth and its relatively short history, Gotune's market share for podcast studios is still small, however, eligible for investing a higher share of the marketing budget. However, the emphasis on this market should be reviewed continuously and marketing budgets adjusted accordingly.

Star: Smaller recording studios and rehearsal spaces may respond to Gotune's value propositions to a higher degree than large studios. Due to the relatively long history, but fragmented characteristic of the market, this segment offers more options for capturing. Smaller studios and rehearsal spaces are the types of studios Gotune invests the majority of its marketing budget.

The ultimate goal is to convert all segments either into cash cows or dogs. Continuously reviewing and adjusting the BCG matrix for Gotune's product portfolio allows to re-adjust marketing budgets. By investing a larger share of the marketing budget into podcast studios, whose market experiences high growth, and maintaining the aggregation of recording studios, which currently function as an integral part of Gotune's product line, a sustainable portfolio of a variety of products is created, by which Gotune can achieve a robust and resilient business model.

6. Operations

6.1 Roadmap

Date	July 22 – Sep 22	Oct 22 – Dec 22	Jan 23 – Jun 23	Jul 23 – Dec 23
Name	Version 1.0	Version 1.2	Version 1.3	Version 1.4
Goal	Validate MVP through sign ups and active usage. Adjust features to user's needs.	Aggregate critical mass of users	Expand user base Optimise marketing strategy	Partnerships
Features	• Sign Up • Onboarding process • Functioning Database • Search Function • Booking Tool • Payment processing	• Invoices • Email automation	• Personalised feeds • + Email automation	Featured studios (Monetisation)
Metric	> 350 sign ups High retention	High retention Low churn	Increasing LTV:CAC Increasing share of wallet	High overall liquidity Increasing LTV:CAC

6.2 Further KPIs for Growth

Growth Multiplier

Gross Margin (per order) / Cost per Order ≥ 2

CPO is the sum of marketing costs required to achieve order, for either the demand or supply side. A ratio of < 2 would result in being unable to cover the overhead. Therefore, a ratio > 2 will generate enough profit to reinvest in acquiring another customer.

12-month paid-only CLV/CAC ≥ 2

As all customers are acquired differently, paid customers acquired through paid channels to need to be distinguished from organic customers, to determine the actual margin that is left over from direct costs incurred by acquiring paid customers. This acts as a lever for growth, as Gotune can invest the profit into acquiring another paid customer, without any *additional* investment (Valentini, 2018).

Increase Share of Wallet

It is essential to determine the minimum share of wallet that is required for the supply side to actively integrate the platform into their daily operations. As the target market is predominantly characterised by smaller businesses, which have limited purchasing power, a reasonable share of wallet to aim for should lie between 80 and 100%.

Churn/Retention (by cohort)

In the long run, it is crucial to distinguish between different cohorts when measuring the retention or churn rate, as the metric may differ among different cohorts. Cohorts should be distinguished by their respective AOV, specific types of customers or revenues. Positive effect of increasing retention is an increase in order frequency and AOV. Per customers, the retention of a specific month of all cohorts should increase over time.

Increase Liquidity

By increasing search to fill rate, supplier utilisation, speed of service and supply-to-demand ratio. This leads to higher number of successful matches between studios and artists, on which Gotune bases its value proposition.

Payback Period

The time required to recoup CAC. Assuming that the frequency of transactions performed through Gotune are moderate, the payback period should be less than twelve months (Specht & Woodman, 2021). Shortening the payback period is an essential factor for increasing overall profitability.

7. Financial Plan

Gotune targets a conversion rate of 5% for the supply side. With a starting marketing budget of £500 for studios, the initial CAC for studios is £20. Gotune forecasts that organic traffic will start three months after launch, which will have a positive impact on the CAC in the forthcoming months. The marketing budget for the supply and demand side is currently identical. As the friction in the onboarding process for buyers is less, a 20% conversion rate is estimated for the demand side. Therefore, the CAC of the demand side is initially £5. Hereby, 100 new buyers can be acquired, while 25 new potential sellers will be converted into active users.

Key metrics:

Assuming Max. Take Rate of 15%

Transaction Fee: 12-15%

AOV: £135

CAC per seller: £20

CAC per buyer: £5

Avg. GMV in 1st Year: £390K

Avg. Buyer to Seller Ratio 1st Year: 4:1

LTV 1st Year: £325.6

1 Year LTV:CAC = 1.1:1

3 Year LTV:CAC = 3.3:1

Initial Marketing Budget Sellers: £500/m

Traffic converting to sellers: 5%

Initial Marketing Budget Buyers: £500/m

Traffic converting to buyers: 20%

The AOV of music studios is estimated to be £135, considering an average of 3h * £45 per booking. Following the max. take rate of 15%, Gotune can achieve a gross profit of 20£ per order. The take rate also defines the gross margin that Gotune can yield per order (15%).

Considering the number of customers that can be acquired with the above-stated marketing parameters and orders that may be generated from studios directly, the number of transactions per month can be increased from 150 to 1400 per month within six months after launch. As a result of the predicted AOV and number of transactions, the initial GMV that can be achieved amounts to £20K after one month. Considering the marketing parameters, the GMV per month may increase to £188K after six months.

With a capital requirement of approx. £125K, a critical mass of the demand and supply side can be targeted, to facilitate network effects and an increase in the marketplace's liquidity. Thereby, higher chances of matchmaking are enabled, and the utilisation rate of studios is increased, in which Gotune identifies opportunities for increasing its added value and providing an enhancement to the marketplace.

Table 7 – Order Breakdown

Reference > order breakdown		
Average order size	GBP	135
Fees to buyers (flat)	GBP	0
Fees to buyers (percentage)	GBP	16.2
Total billed to customer	GBP	151.20
Commision taken from sellers (flat)	GBP	0
Commision taken from sellers (percentage)	GBP	4.05
Total earnings to seller	GBP	131
Gross profit for company per order	GBP	20
Gross margin	%	15.0%

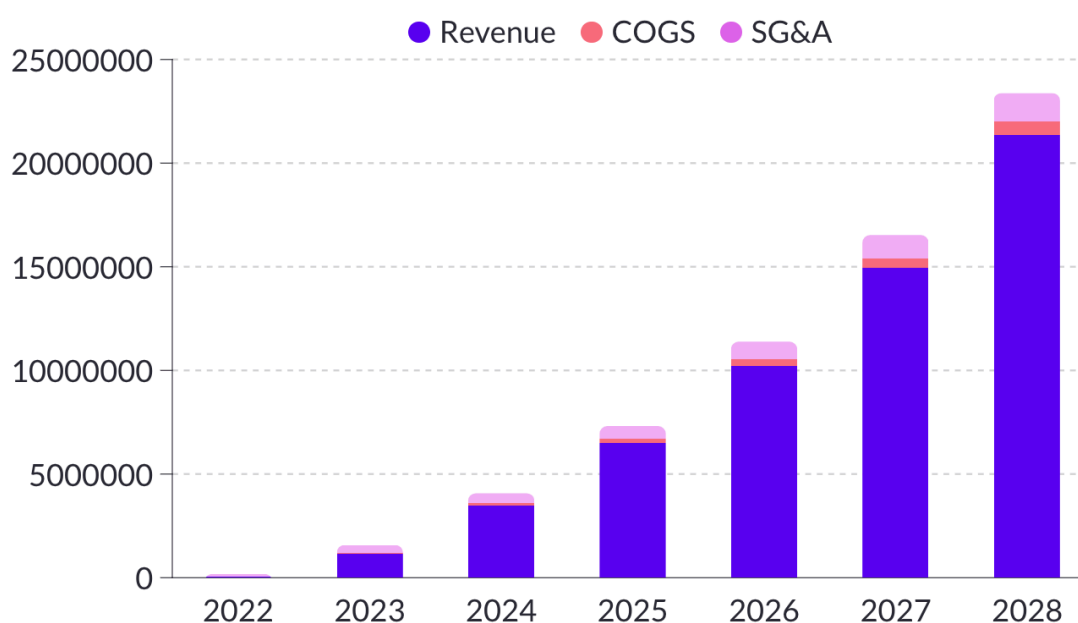


Figure 13 – Annual Projected Revenue

Assuming launching as of Q4 2022, Gotune expects to generate a revenue of £33K, yielding a gross profit of £22.8K, which is facilitated by an initial gross margin of 68.2%. Adhering to its current marketing strategy, Gotune forecasts a net income of £714K in 2023, followed by £2.7M in 2024, which can be achieved through low marginal costs and implementing a sustainable strategy focusing on raising the LTV:CAC ratio (see Financial Model).

INCOME STATEMENT

		2022	2023	2024	2025	2026	2027	2028	
Revenue	GBP	33,372	1,141,169	3,454,691	6,474,087	10,213,047	14,951,021	21,325,599	43.9%
Sellers	GBP	6,674	228,234	690,938	1,294,817	2,042,609	2,990,204	4,265,120	43.9%
Buyers	GBP	26,698	912,935	2,763,752	5,179,270	8,170,438	11,960,816	17,060,479	43.9%
Third-Party Logistics	GBP	0	0	0	0	0	0	0	-
Revenue Source 4	GBP	0	0	0	0	0	0	0	-
COGS	GBP	10,601	72,635	142,041	232,623	344,791	486,931	678,168	36.7%
CATEGORY #1: Services	GBP	9,600	38,400	38,400	38,400	38,400	38,400	38,400	0.0%
Third Party Logistics	GBP	0	0	0	0	0	0	0	-
Payment Processing	GBP	1,001	34,235	103,641	194,223	306,391	448,531	639,768	43.9%
Gross Profit	GBP	22,771	1,068,533	3,312,650	6,241,464	9,868,256	14,464,090	20,647,431	44.2%
Gross margin	%	68.2%	93.6%	95.9%	96.4%	96.6%	96.7%	96.8%	
		2022	2023	2024	2025	2026	2027	2028	
SG&A	GBP	143,975	338,854	466,064	629,690	828,641	1,072,098	1,390,212	24.4%
PAYROLL	GBP	134,750	274,954	358,964	479,390	636,641	849,198	1,138,512	26.0%
MARKETING & GROWTH	GBP	9,225	63,900	107,100	150,300	192,000	222,900	251,700	18.6%
ADVISORY & PROF. SERVICES	GBP	0	0	0	0	0	0	0	-
RENT	GBP	0	0	0	0	0	0	0	-
TECH SUPPORT & SERVICES	GBP	0	0	0	0	0	0	0	-
INSURANCE	GBP	0	0	0	0	0	0	0	-
UTILITIES	GBP	0	0	0	0	0	0	0	-
OTHER EXPENSES	GBP	0	0	0	0	0	0	0	-
EBITDA	GBP	(121,204)	729,679	2,846,585	5,611,774	9,039,615	13,391,992	19,257,219	46.6%
EBITDA margin		0.0%	63.9%	82.4%	86.7%	88.5%	89.6%	90.3%	
D&A	GBP	222	1,415	1,887	2,639	3,790	5,038	6,874	29.5%
EBIT	GBP	(121,426)	728,264	2,844,698	5,609,135	9,035,825	13,386,954	19,250,344	46.6%
EBIT margin		0.0%	63.8%	82.3%	86.6%	88.5%	89.5%	90.3%	
Interest expense	GBP	0	0	0	0	0	0	0	
Income taxes	GBP	0	13,645	138,370	540,493	1,065,736	1,716,807	1,716,807	65.5%
Net income	GBP	(121,426)	714,619	2,706,328	5,068,643	7,970,089	11,670,147	17,533,538	45.3%
Net margin		0.0%	62.6%	78.3%	78.3%	78.0%	78.1%	82.2%	

CASH FLOW

		2022	2023	2024	2025	2026	2027	2028	
Initial cash balance	GBP		(125,200)	589,835	3,296,053	8,360,291	16,329,848	27,998,258	116.4%
Cash infusions	GBP	0	0	0	0	0	0	0	-
Operating change in cash	GBP	(125,200)	715,036	2,706,217	5,064,239	7,969,557	11,668,410	17,525,075	45.3%
Net income	GBP	(121,426)	714,619	2,706,328	5,068,643	7,970,089	11,670,147	17,533,538	45.3%
(+) D&A	GBP	222	1,415	1,887	2,639	3,790	5,038	6,874	29.5%
(+) Change in WC	GBP	0	0	0	0	0	0	0	-
(-) CAPEX	GBP	3,996	999	1,998	7,043	4,322	6,775	15,337	50.3%
(+) Change in debt	GBP	0	0	0	0	0	0	0	-
(-) Dividends	GBP	0	0	0	0	0	0	0	-
Ending cash balance	GBP	(125,200)	589,835	3,296,053	8,360,291	16,329,848	27,998,258	45,523,334	69.1%
Total capital requirements	GBP	(125,034)							

BALANCE SHEET

		2022	2023	2024	2025	2026	2027	2028	
Operating cash	GBP	2,500	2,500	2,500	2,500	2,500	2,500	2,500	0.0%
Excess cash	GBP	(127,700)	587,335	3,293,553	8,357,791	16,327,348	27,995,758	44,694,119	68.5%
Accounts receivable	GBP	0	0	0	0	0	0	0	-
Inventories	GBP								-
Prepaid expenses	GBP								-
Current Assets	GBP	(125,200)	589,835	3,296,053	8,360,291	16,329,848	27,998,258	44,696,619	68.4%
PP&E (net)	GBP	3,774	3,358	3,469	7,873	8,405	10,142	18,604	39.9%
Intangible assets	GBP								-
Other assets (net)	GBP								-
Non-Current Assets	GBP	3,774	3,358	3,469	7,873	8,405	10,142	18,604	39.9%
Total Assets	GBP	(121,426)	593,193	3,299,521	8,368,164	16,338,253	28,008,400	44,715,224	68.4%
Common equity	GBP	0	0	0	0	0	0	0	-
Net earnings	GBP	(10,877)	131,289	332,902	587,944	902,668	1,310,594	1,879,006	41.4%
Retained earnings	GBP	(110,549)	461,905	2,966,619	7,780,220	15,435,585	26,697,806	42,836,217	70.6%
Total Equity	GBP	(121,426)	593,193	3,299,521	8,368,164	16,338,253	28,008,400	44,715,224	68.4%
Total Liabilities + Equity	GBP	(121,426)	593,193	3,299,521	8,368,164	16,338,253	28,008,400	44,715,224	68.4%

8. Reflective Analysis

As part of the MA Music Business degree, the final assignment required students to complete a business plan that incorporates stakeholders within the music industry and proposes a certain value, which would eventually create an added value for a certain target market. Throughout the development of the business, I encountered a variety of unforeseen challenges, as this venture was a completely new experience. While I continuously developed the platform over the past months, performing extensive research and writing its accompanying business plan, provided valuable insights into the industry, which had a positive impact on the decisions I made.

While I pursued an exciting project, for which I developed a strong and lasting interest, it was a humbling exercise at the same time, as I learned how extensive such business developments have to be, to justify initial ideas and develop them into functioning and viable ventures.

Initially, I applied a technique, known as “design thinking”, which is a specific approach to proposing solutions to identified problems. Moreover, it is characterised by three characteristics: desirability, viability, and feasibility. While framing a research question, I explored the needs of key stakeholders of the music industry and other factors their success depends on. My background, which lies within the creative side of the industry, enabled me to empathise with the needs and problems that stakeholders of the music industry are confronted with on a day-to-day basis.

As music studios and similar facilities are such an integral part of the industry, I developed the belief that an enhancement would have the potential to create a valuable benefit for studios and artists. The thought that initiated the design thinking process emerged from personal obstacles I have dealt with in the past. By applying creative problem solving I was able to grow my innovation capabilities, which helped me to understand the business case to a greater extent. A technique that leveraged this was segmenting different customers that are part of my target market. Moreover, creating a user persona document helped me receive an overview of what a typical customer is confronted with and how he/she feels about it, which would become useful in deciding what features the platform should include. While I created a flowchart depicting Gotune’s infrastructure in terms of booking a studio, an additional user journey map would have been an avenue for further research and identification, which would have helped me in realising weak points within the booking process to a greater extent.

Therefore, taking on this project was a personal matter. Seeing myself as one of the potential customers that would use Gotune, I knew from the beginning that such a platform would bring social benefits to the industry as well. In the past, I have struggled with booking studios. I always found the booking process lengthy and time-consuming. Currently, the majority of recording studios require booking inquiries via email – many not even disclosing their rates and availability. This has led to a lot of friction within the booking process in the past, and on several occasions, I thought that there was a high potential for optimisation. Therefore, the idea of creating a platform that aggregates studios, and artists and integrates a booking function in form of a transactional marketplace arose from personal frustrations. While I validated the idea based on my frustrations in the first place, I was lucky to speak to friends and experts from the industry who share the same frustrations.

Being based within a community of creative people allowed me to easily gather feedback and achieve early validation for the idea. Beforehand, I only assumed that there was an underlying problem in the recording studio market and how accessible it is. When implying certain aspects of the platform in conversations with members of the community at Tileyard, I was able to gather the overall sentiment towards the idea, without necessarily talking about the idea. I found it interesting that people from different areas of the industry addressed different obstacles they associated with the recording studio market, however, pleased me to the same extent, as it validated that a platform model would integrate well into the value chain. As part of validating the idea, I created two surveys, which targeted both sides of the market: studios and artists. While creating the surveys was an easy task in the first place, soon, I realised that how I would ask questions to extract valuable information for the development of the platform posed to be a challenge. To ask the *right* questions, it was crucial to identify Gotune's USPs in the first place. Without disclosing the main USPs within the survey, I tried to ask a set of questions that would validate them. Hereby, I was able to reduce the risk of influencing people who took the survey in their answers, to receive fully objective results.

Building the platform posed to be a challenging aspect of this assignment. I set myself the goal to not just create a prototype, but a working MVP of the platform, that could, in fact, be used and be able to demonstrate the value proposition that Gotune promises. As I don't have a technical background in coding, I was forced to find a low/no-code solution. Based on the features that I have identified for the platform, I researched several no-code solutions. Due to an integrated dynamic calendar that is required to enable bookable time slots, I quickly filtered out the tools down to only two, which would be qualified to solve this problem. This small number of no-code solutions that could solve my use case provoked an intimidating feeling, as it was down to their features and versatility if I could implement my goals. Luckily, one tool posed to be sufficient enough to offer the features I needed to solve the problems that I have identified beforehand.

I contacted Federico, who worked on Beebop, which is a platform that features booking options and a dynamic calendar as well, to learn more about the infrastructure of such platforms. It was an enlightening and inspiring experience, as I was able to nurture my interest in the overall business model and find answers to specific obstacles that I have already encountered. While I performed extensive research on the infrastructure of such platforms, talking to an expert was a crucial step I took, on which I can draw until today and beyond. At the time of the video call, I already had a partially functioning platform, which enabled me to show the infrastructure to an expert and receive opinions and valuable suggestions for its optimisation. In retrospect, seeking advice from experts from various backgrounds is an essential part of venturing into new regions, such as starting my own business, and I will increasingly seek those conversations in the future. Sadly, it was not within the bounds of possibility to meet with the mentor I have been assigned to as part of the MA degree, whose relevant expertise, I believe, would have benefitted the business I have ventured into to a great extent. However, while I actively appreciate seeking advice from experts, I have learnt that the success of a business does not rely on one missed opportunity.

The proposed idea arose relatively early over the course of the master's program, which enabled me to create an extensive Notion page over a long period, in which I continuously gathered notes, experiences and ideas that would be relevant for this assignment and as a whole. Over a period of six months, I gathered a variety of sources, diagrams, business models, key metrics and other useful assets that would help me write a business plan and work on the prototype.

This helped me feel committed to the project and I felt that I was pursuing a serious and viable business.

Before I started using Bubble.io as a low-code tool for building a functioning platform, I referred to a book about being a professional product owner. Here, the emphasis was laid upon the BML cycle – build, measure, learn – which proposes a user-centric approach to new ventures, to eliminate the risk of adding features to a product that does not provide any added value to its users. Therefore, I initially focused on creating a prototype using Adobe XD, to visually lay down the UI and UX concept for potential users. Here, I referred to extensive research that I performed, in which I analysed a large number of existing MVP designs via dribbble.com. Soon, I realised that convenience and simplicity were the building blocks of modern UI and UX design.

After I implemented all features of the business model canvas into the prototype, I created a landing page, which summarises all key features of the platform for potential customers. Landing pages are used to collect sign ups and information about potential customers, which is an important metric for future marketing campaigns and overall interest or sentiment towards the idea. It was an easy task, which did not require a large amount of time. However, will still be used in the future to capture leads and acquire more users. The creation of the landing page also functioned as the first iteration of the go-to-market strategy and how I would sell the product, which was extremely enlightening and helpful. In addition, I learned how to deal with certain regulations set by search engines and how to improve SEO ratings. I believed that a landing page would be more adequate at an early stage of the business, as it is an efficient way of demonstrating the platform's capabilities to a potentially wide audience, without investing too much time. I would have liked to experiment with key metrics associated with the landing page through a small paid advertising campaign, which would have also benefitted the creation of the business plan and help validate the idea. However, it will only be a matter of time that I will implement the landing page for creating some traction through marketing campaigns.

Creating a prototype prior to building the actual platform entailed great opportunities for me to have a clear vision of the layout and design once I was ready to build the platform. Without the prototype, I would have not been able to build the platform as fast as I did, and I wouldn't have had a clear vision of the business I ventured into throughout the whole planning process. I extended the creation of a business model canvas to a lean canvas, which allowed me to exactly identify how I can tackle certain needs and transform them into unique USP. In addition, I was able to show the prototype to friends and experts at an early stage, which enable me to gather feedback and implement suggestions that I have received from the beginning. In retrospect, I believe that this was an essential driver for me to pursue the project continuously over an extended period. While a high number of start-ups have implemented the lean model of creating an MVP first before investing valuable time into building a product, I was not able to comprehend its benefits before I started working on Gotune. Retrospectively, I can assure that it was a beneficial and time-saving decision, which facilitated fast development next to other required academic commitments.

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Business Model Canvas

It is a visual artifact with elements describing a service's or product's value proposition, infrastructure, customers, and finances

KEY PARTNERS

The network of suppliers and partners that make the business model work

Studio hosts

Artists/Creatives

Labels

Payment providers

Investors

KEY ACTIVITIES

The most important activities a company must do to make its business work

Reduce friction of booking process

Achieve high conversion rates

Engage participants

Scale beyond critical mass

Learn from data and adapt

KEY RESOURCES

The most important assets required to make the business work

Brand

Platform architecture

User-generated content

Listings

Network effects

Healthy use of platform

VALUE PROPOSITION

Product, service, features and aspects that create value for a specific customer segment

For hosts:

Easy booking system

Availability slot system

Transaction ecosystem

Calendar/booking management

Income generation

Drive traffic

Maximise use to capacity

For guests:

Easy transactions

Access in one place (greater choice, value, efficiency)

Query-specific filtered results

Fast booking process

CUSTOMER RELATIONSHIPS

The types of relationships you establish with specific customer segment

Self-service

Personalised recommendations

Customer support

Safety/security

CHANNELS

How you communicate or deliver value proposition to your target customers

Digital ads

Word of mouth

Referral

SEM/SEO

Host advertising

Display ads

Social, messaging

Platform

Partnerships

CUSTOMER SEGMENTS

The different groups of people or organizations you aim to reach

Guests:

Creatives

Podcasters

Artists

Engineers

Labels

Hosts:

Studio hosts

Private studio hosts

COST STRUCTURE

The costs incurred to operate a business model

Platform development + maintenance

Marketing

CAC

Employees

Payment processing

Customer support

(Freelance photographers)

REVENUE STREAMS

The revenue you generate from each customer segments

Transaction fee:

Host: 3% (cost of processing guest payments)

Guest: 6-12% (service fee for using the platform, depends on “size” of reservation)



Find, book and host **music studios**

Booking Studios. Made Easy.

Location



Berlin, Germany

Date



Choose a date

Time



Start

End

Search

Dashboard

Bookings

Calendar

Listings

Reviews

Account

Settings

Bookings
6

Revenue
8500

July 2022

Su Mo Tu We Th Fr Sa

Recent Transactions

Customer	Date	Check-in	Hours	Total	
Jan Dittrich	06.07.22	08.07.22	##	+2,000.00 EUR	Invoice
Jan Dittrich	04.07.22	21.07.22	##	+2,000.00 EUR	Invoice
Jan Dittrich	01.07.22	20.07.22	##	+1,500.00 EUR	Invoice
Jan Dittrich	01.07.22	28.07.22	##	+1,500.00 EUR	Invoice
Jan Dittrich	01.07.22	27.07.22	##	+1,500.00 EUR	Invoice
Helena...	01.07.22	20.07.22	##	+0 EUR	Invoice

Next Booking
20.07.22

 Dashboard

 Bookings

 Calendar

 Listings

 Reviews

 Account

 Settings

Bookings

 Jan Dittrich jan@dittrich.com	LOFT Studios	28.07.22	€1,500.00	Upcoming
 Jan Dittrich jan@dittrich.com	LOFT Studios	27.07.22	€1,500.00	Upcoming
 Jan Dittrich jan@dittrich.com	LOFT Studios	21.07.22	€2,000.00	Upcoming
 Helena Salzmann jan@gotune.io	LOFT Studios	20.07.22		Upcoming
 Jan Dittrich jan@dittrich.com	LOFT Studios	20.07.22	€1,500.00	Upcoming
 Jan Dittrich jan@dittrich.com	LOFT Studios	08.07.22	€2,000.00	Upcoming

