

Entrepreneurship - Module Assignment

Students are required to choose an organisation in the creative industries and produce a 5,000 word report which includes an analysis of the economic environment of the organisation.

Students should then discuss how entrepreneurial business methods and techniques are applied and/or could be applied in the chosen organisation.

Your report is expected to cover the following areas:

A brief history of the chosen organisation, including the major events of the markets, launch of new products and any other strategic changes.

A critical review and discussion of the organisation's business economics including:

- Its products and customer base
- Its major competitors
- Its pricing strategy
- The characteristics of the market that it operates
- The macro environment that it faces
- Students could use a SWOT analysis to help them with this area

A critical review and discussion of the organisation's business finance including;

- Its major short term financing
- The current structure of its long term financing
- The recent major financing and investment activities
- A discussion of the pros and cons of alternative ways of financing with respective to the company.
- Students could use a PEST analysis to help them with this area

DISTROKID

Introduction

DistroKid is a digital distributor, offering independent artists and labels an easy-to-use platform to distribute their music to major online streaming platforms and stores. The company's tagline found across the website and social media sums up the DistroKid mission as "the easiest way for music creators to get their music into Spotify, Apple Music, TikTok, Instagram and more" (DistroKid, 2023).

The company was founded in 2013 in California, USA, by Philip Kaplan; the founder of Fandalism, which was the social networking site for musicians. DistroKid operates on an international scale with more than 2 million registered artists globally and in 2022 achieved a run revenue rate of \$31.9M. The company operates under Kid Distro Holdings LLC.

To put the demand for DistroKid's services into context, it is essential to look back at the traditional ways of Music Distribution. In summary, Music Distribution is the process of making recorded music accessible to the general public in both physical and digital formats. The traditional method involved finishing your record, mastering the output, put it digitally onto a CD or press onto a physical van and then ship to high street retailers and record stores. Now, the landscape looks vastly different where music can be distributed across multiple digital platforms, and in a non-physical format, whether that's on a Digital Streaming Platform like Spotify, or social networking platforms like TikTok (Harrison, 2021). It's evident that the digital revolution has had a drastic impact on this traditional approach, yet arguably distributors now more than ever need to continue to

play an important role in making music available to the public in the ever-fragmenting digital world through downloaded and streaming formats. Whilst there are companies, such as TuneCore and CD baby, who saw this business opportunity to offer distribution services to independent musicians, DistroKid saw a further opportunity to undercut their competitors and offer an easier and cheaper solution to artists by becoming the first distributor to offer unlimited distribution for one annual fee (Herstand, 2022).

Over the years, the music industry has seen more and more musicians discover new ways to release their music independently, which would provide numerous opportunities for market growth in the upcoming year. (source: <https://www.alliedmarketresearch.com/music-distribution-services-market-A08884>)

Timeline

2013

May - DistroKid is announced, spinning off as a separate site from Fandalism. (Ha, 2013)

October - DistroKid is officially launched, passing its beta stage. In that time it had seen over 16,000 songs uploaded. (Biggs, 2013)

2015

August - DistroKid reports its first major success story, with indie group Jack & Jack reaching number 1 in the Billboard 100 charts. This is not only DistroKid's first major

success story, it is also the first time in history that an independent artist has outsold all the majors, and keep 100% of their sales and royalties. (Biggs, 2015)

2016

May - The DistroKid Payment Network is launched, making it easier and simpler to pay all artists and producers involved in the track their deserved share of royalties. (Biggs, 2016)

2018

October - Spotify takes minor stake into Spotify in a Corporate Round of funding, for an undisclosed value but "a passive minority investment" (Moon and Nellis, 2018).

October - DistroKid receives an undisclosed but 'significant' investment from Silversmith Capital Partners in a Private Equity Round of financing. (Silva, 2018)

2021

January - DistroKid announces they are the first distributor to work on offering an "industry-first solution to help artists dispute artificial streaming claims and takedowns from streaming services", in light of Spotify's automated actions for tackling music spam. (Kaplan, 2021)

January - DistroKid launched the new service "Upstream" to help match unsigned artists with different labels. Republic Records has become its first official partner. (Houghton,

2021)

February - DistroKid adds easy access to the Twitch Affiliate monetisation program, meaning artists can earn more money via the gaming platform. (Houghton, 2021)

March - the distribution network is expanded further, with Snapchat now added.
(Houghton, 2021)

March - DistroKid and Audiomack partner, giving the digital distributor's two million artists direct access to the music discovery platform.

May - DistroKid estimates that 30-40% of all new music in the world is distributed by DistroKid, with the company ingesting and processing more than 35,000 new tracks every day. (Dredge, 2021)

May - DistroKid also announced a massive upgrade to its automatic royalty distribution system, Splits, enabling artists to update royalty splits between collaborators at any time. (Davie, 2021)

June - Facebook and Instagram names DistroKid, and a key competitor TuneCore, as its two preferred partners for the new free new Independent Artist Program program.
(Houghton, 2021)

July - DistroKid has added Dolby Atmos spatial audio tracks to Apple Music and TIDAL, making it the first major service to offer it to the DIY distributor community. (Houghton, 2021)

August - DistroKid Receives Investment From Insight Partners, with the company now valued at \$1.3 Billion. (Smith, 2021)

October - Spotify sells two thirds of its investment of DistroKid for \$153 million. (Houghton, 2021)

December - DistroKid announces partnership Nifty Gateway to launch 9,999 NFTs for independent musicians who will earn money every time their NFT is bought or sold. (Houghton, 2021)

2022

March - DistroKid announces 21 free services for artists to help them with the distribution and marketing strategies. (Houghton, 2022)

May - the testing of DistroVid is announced; the distributors solution for distributing music videos for independent artists. (Houghton, 2022)

June - DistroVid is officially rolled out to market. (Stassen, 2022)

July - a partnership between DistroVid and Jaxsta, the world's largest database of verified music credits. (Houghton, 2022)

August - DistroKid launches a free Spotify Canva generator, making it easier for artists to upload video clip onto their tracks on the streaming platform. (Houghton, 2022)

2023

February - DistroKid announces launch of 'Mixea', the AI powered music-mastering service. (Houghton, 2023)

Company Structure

DistroKid was founded by entrepreneur Philip Kaplan, who also serves as the company's CEO. Kaplan is a veteran of the tech industry, having previously founded several successful companies including Fandalism, AdBrite, and Blippy.

In addition to CEO Philip Kaplan, DistroKid's leadership team includes Vice President of Product Matthew Ogle, Chief Financial Officer Robin Wheeler Akkerman, Vice President of Marketing Amanda Ferri, and Chief Operating Officer Phil Bauer.

Philip Kaplan is undoubtedly a true entrepreneur and pioneer of new tech and music, evident by his numerous ventures prior to the creation of DistroKid. DistroKid was an extension of Fandalism; a social networking platform designed for musicians.



CEO and Executive Team

About

The executive team at DistroKid has experience in business development, marketing, financial planning and analysis, and entrepreneurship. They have worked at companies such as CD Baby, TinyLetter, AdBrite, PK Interactive, Dude Solutions, and Citi. They have also been educated at esteemed universities such as the University of Oregon and Duke University.

Team members



Phil Bauer
Chief Operating Officer



Philip Kaplan
Founder & CEO



Robin Wheeler Akkermans
Chief Financial Officer

Figure 1 - CEO and Executive Team, taken from <https://theorg.com/org/distrokid/teams/ceo-and-executive-team>

Prior to Fandalism, he had also created an ad network called AdBrite, co-founded a shopping startup called Blippy and also worked on a newsletter-maker called TinyLetter, which was later acquired by MailChimp (Ha, 2012). Looking at these other ventures these aren't fixed on one particular industry, albeit all are founded on the internet and involve using new technologies. However, it wasn't until his work with Fandalism, and subsequently DistroKid, where Kaplan founded ventures which are more aligned with his personal passions around music (he is a heavy metal drummer according to his Medium profile (2023)). His own experiences as a musician would have fuelled his desire to create a positive experience for other musicians when it comes to releasing their music.

Phil Bauer oversees the company's day-to-day operations, including customer support, sales, and business development. Phil Bauer spent 11 years at CD Baby, a key competitor of DistroKid, progressing his way from Manager roles through to VP of Business Development (Linkedin, 2023). He joined DistroKid in 2018, and undoubtedly would have been a hugely valuable team member to bring on board, offering a wealth of experience and inside knowledge from a core competitor in the same service.

Robin Wheeler Akkerman is responsible for the company's financial operations, including accounting, forecasting, and financial reporting. She joined DistroKid in 2021 (Linkedin, 2023) and has a total of over 20 years experience in financial planning and analysis having previously held positions at other companies such as Dude Solutions, Citi and AlixPartners (TheOrg, 2023). She joined at a time where DistroKid had successfully secured significant investment from Silversmith Capital Partners in 2018, and she is no stranger to managing substantial funds, particularly when looking at her time at Citi where she was responsible for “the consolidation and reporting of monthly actuals, quarterly forecasts, and annual plan on a \$45B Retail Private Label portfolio” (HuntScalon, 2021).

Moving onto other key figures in the leadership positions, Matthew Ogle joined DistroKid in January 2022, and oversees the development and management of DistroKid's product offerings, including new features and services. The role of ‘Vice President of Product’ was newly created for Ogle, in line with the growth of the distribution service to ensure artists have access to the best features and ahead of their competitors. His previous roles have been at other established and reputable companies such as CNN,

Instagram and Spotify, where he was responsible for the introduction of the Discover Weekly recommendation feature (Needham, 2022). This is a prolific feature of the streaming platform, with Spotify reporting in 2020 that the Discover Weekly Feature has seen over 2.5 billion hours of listening since its introduction in 2015. A true entrepreneur, Ogle adds huge value to the DistroKid leadership team with many new products and features launched since his inception to the company, such as DistroVid rolling out only five months after he joined.

Amanda Ferri leads DistroKid's marketing initiatives, including brand strategy, advertising, and public relations. She joined DistroKid in 2021, and has helped to develop hugely attractive 'free' marketing tools for members as a way to help them market their own music (DistroKid, 2022). Her previous experience includes other Senior Marketing and Creative Service roles at companies such as Tumblr, Eko and JellySmack (Linkedin, 2023).

DistroKid's leadership team brings a wealth of experience in technology, music, and business to the company, helping to drive its growth and success in the digital music industry. All of the leadership team have relevant experience, and as Smith (2018) quotes start-ups "were 85 percent more likely to launch a highly successful enterprise than those with no experience". With the combined experience, knowledge and skills gained from competitors such as CD Baby, dealing with large sums of Capital at Citi, or launching successful start-ups such as Fandalism, this team is highly equipped to continually expand the company's offering and market share.

Market Analysis

The Global Music Distribution Service is broken down into different market segments: by type (i.e. streaming to fans through platforms like Spotify, or distributor to retailer), by deployment mode (i.e. physical distribution or via the cloud), by end user (i.e. are independents or labels using the service) and by region (Allied Market Research, 2022).

DistroKid fits into the below market segments:

- By type: Distributor to Digital Retailers
- By Deployment Mode: Cloud
- By End User: Independent Music Producers and Record Companies
- By region: All markets (Global)

In 2021, the Music Distribution Services Market forecast was valued at \$976 million. On this basis, it is expected to reach \$1.64 billion by 2030 (Rachita, 2022).

Another reason for the growth of the digital music distribution is also largely down to new technological advancements. Digital technology has revolutionised the music industry as a whole, and a part of that is improvements in hardware and software.

Ultimately, an independent artist has the ability to create music in the comfort of their own home, without the need to rely on a major label or a professional studio space; ultimately the recording process is much more straight-forward and simpler to achieve (Boyle, 2022).

Another reason for this accelerated growth could also be down to the knock-on effects of the Covid-19 pandemic. The industry fought back on the back of the pandemic and found new and innovative ways to monetise music consumption and innovative models, which ultimately led to opportunities open up for independent artists to think of ways to monetise their music too. As a result, the pandemic likely led to an accelerated growth in streaming, which has grown from 9% to 47% of total industry revenues in just six years (Rachita, 2022).

With the Digital Music market as a whole continuing to grow YoY in regards to consumption (downloads and streaming), this opens up a demand for Digital Music Distribution Services, particularly for the independent artist.

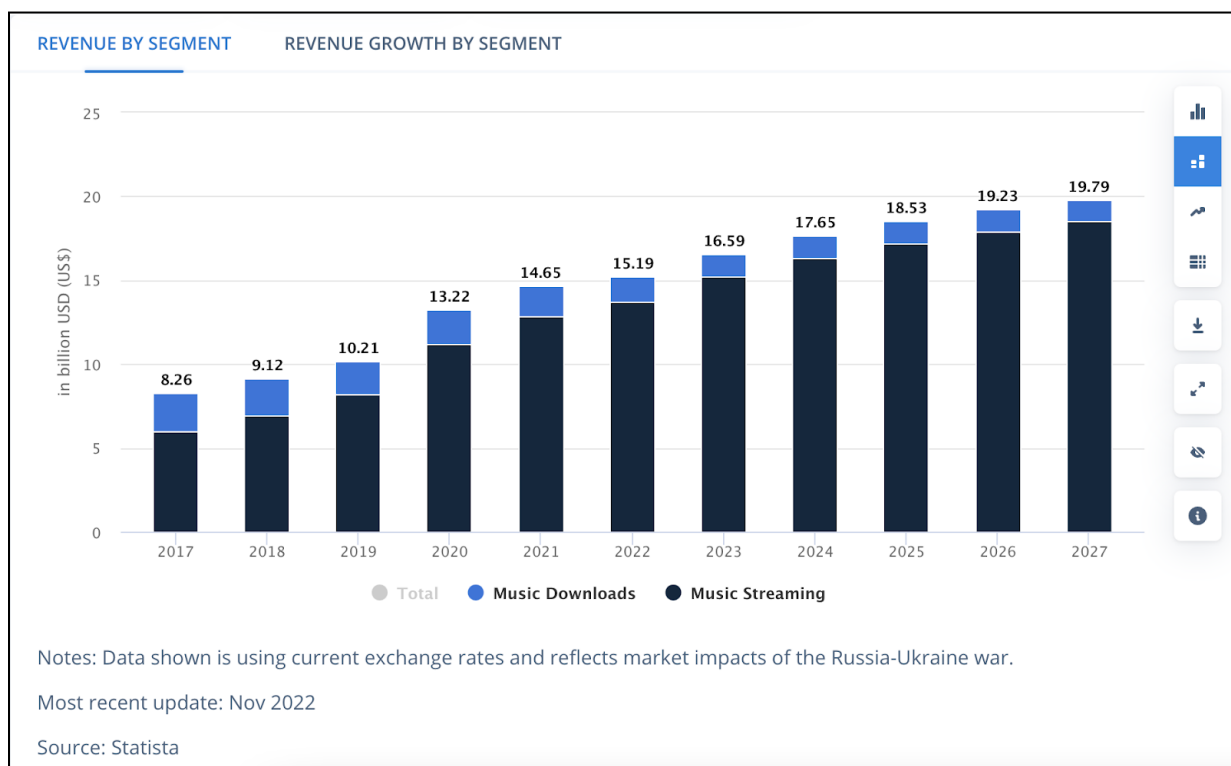


Figure 2 - Total Digital Music Revenue, split by Music Downloads and Music Streaming

Whilst Downloads, however, are decreasing YoY, Streaming continues to increase which in turn contributes to the growth of the Digital Music Industry as a whole. In summary, with the creative output of music increasing, the popularity of digital streaming platforms like Spotify increasing yet imposing quality control measures over music submissions, this ultimately led to an opportunity for digital distributors to bridge the gap between the independent artist and the streaming audience.

Outside of the digital music distribution sector, Kid Distro Holdings LLC have recently announced a new service “DistroVid”, which takes the same principles as digital music distribution but specifically for music videos. The Music Video Production Market is another lucrative and growing industry, which has been valued at \$11.2bn in 2020 and is expected to grow to \$20.4bn by 2028.



Figure 3 - Global Music Video Production Growth Forecast, taken from Verified Market Research (2021)

By Kid Distro Holdings entering this market, this opens up huge potential for revenue growth and a wider share of the Music Streaming industry as a whole. The Music Video Distribution market has seen significant growth over recent years due to many contributing factors, one key one due to developing countries now benefitting from faster internet connections and new technology, thus an increasing ability to watch video content (Verified Market Research, 2021).

Competitor Analysis

DistroKid has a number of competitors in the market - some of the main ones being TuneCore and CDBaby. However, DistroKid is the only service which lets artists upload unlimited music to stores for one low price, paid annually, as well as let artists keep 100% of their royalties.

Quoted from DistroKid (2023): “All your music should be in stores. DistroKid is the only service that lets you upload unlimited music to stores for one low price and keep 100% of your earnings. Other services make you pay every time you upload something, or they take a percent of earnings—which is way less fun (and way more expensive).”

Other competitors in the Digital Distribution market either take a percentage of earnings or charge for every release.

BROUGHT TO YOU BY Ari's Take		AWAL	cdbaby	DISTROKID	tuneCORE
COMMISSION		15%	9%	0%	0%
PAYMENT SPLITTING?		amuse n/a	n/a	yes / \$19.99+	n/a
SIGN UP FEE		\$0	\$0	\$0	
YEARLY FEE		\$0	\$0	see distribution fees	single: \$9.99 album: \$49.99
DISTRIBUTE TO TIKTOK?		yes	yes	yes	yes
DISTRIBUTE TO INSTAGRAM?		yes	yes	yes	yes
DISTRIBUTE LYRICS?		yes	n/a	yes	yes
DISTRIBUTION FEE		\$0	single = \$9.95 album = \$29	1 artist = \$19.99/yr	single = \$9.99

Figure 4 - Breakdown of Digital Distributors Key Features, taken from Ari Herstand (2022)

However, in 2022, we have seen competitor TuneCore relook at their pricing model in a bid to be more competitive. TuneCore now offers unlimited distribution for paying subscribers, thus enabling artists and labels to distribute an uncapped amount of music to digital streaming platforms for a single annual price (Stassen, 2022). We may continue to see other Digital Distributors, such as CD Baby, follow this model if they find their own pricing strategy of paying-per-release is not gaining as much attraction compared to the likes of DistroKid.

Products & Services

DistroKid offers a range of services that include unlimited uploads, automatic licensing, customisable release dates, and detailed sales and streaming reports. The platform also offers a suite of promotional tools, such as pre-save campaigns, playlist pitching,

and social media integrations, to help artists maximise their exposure and grow their fanbase.

Here is a breakdown of their core services:

- Digital Distribution: unlimited uploads for a yearly fee, artists keep 100% of the royalties. In 2016, Kaplan reported that they were “paying out about \$1,000,000 each month in royalties” (St. James, 2016).
- Licensing: ensuring artists are properly credited and paid
- Promotion: Range of tools including pre-save campaigns, playlist pitching, customisable release dates
- Insights: Detailed sales and streaming reports

In addition to its core distribution services, DistroKid has also developed a number of innovative features to offer paying members such as:

- "Splits" which allows multiple collaborators to easily split royalties between band members and producers involved in the track creation and production
- "HyperFollow" which provides artists with a customizable landing page to share with fans prior to a release.
- Mixea - AI Powered Music Mastering Service. This is offered to artists who are able try the service with one track for free, and are then offered for the full service \$99/year after.

Mixea AI is an exciting new development from the DistroKid team, and a true reflection

of the entrepreneurial mindsets of the leadership teams. The use of AI across multiple industries, including music, has grown exponentially over the past year and will continue to grow at an incredible rate. According to a Market.Us report, the mastering music segment dominated the AI application market, with the largest market revenue share of 30% in 2022 (Market.Us, 2023).

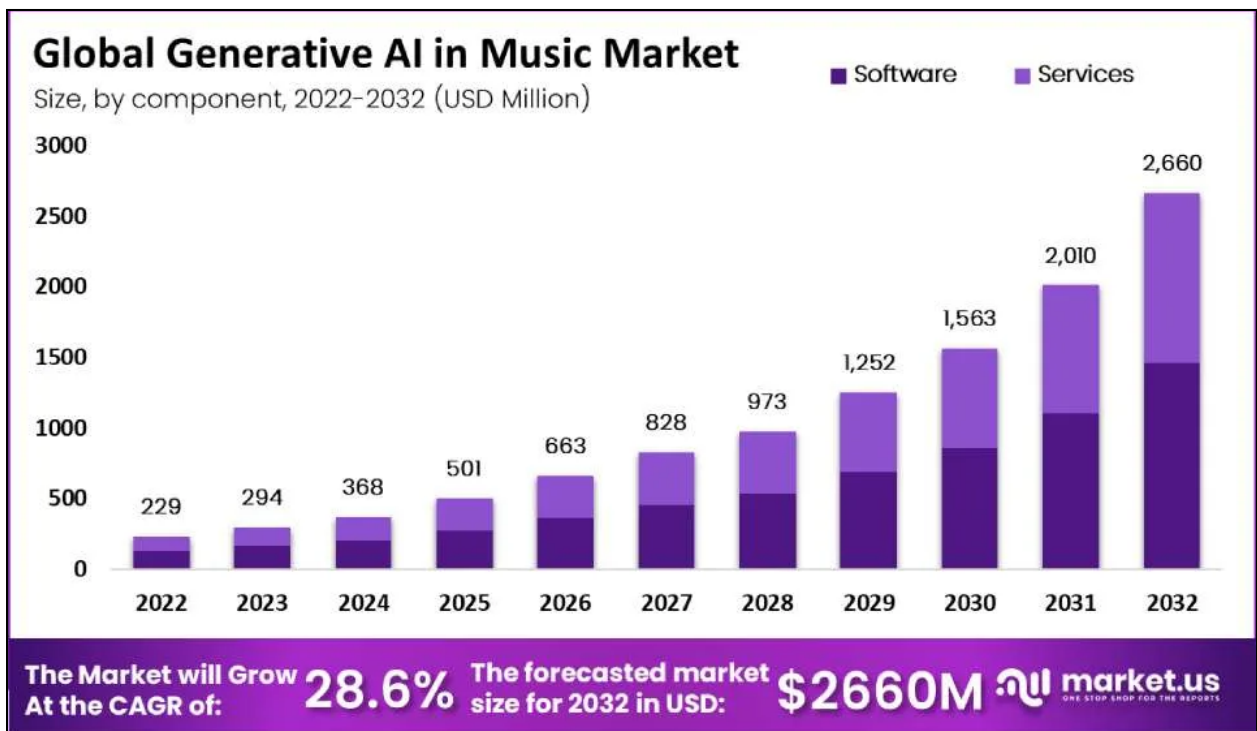


Figure 5 - Global Generative AI in Music Market (Market.Us, 2023)

By DistroKid entering the new and lucrative market of AI in music they are continuing to position themselves as market leaders of Digital Distribution, ensuring they are active in multiple sectors to maximise their return on investment.

Pricing

DistroKid operates on a subscription-based model, offering 3 different tiers each with varying levels of features and support. However, even the lowest subscription tier offers an extremely attractive service for an independent musician, ensuring they hold a competitive edge in the market. This annual fee is the only cost the artist needs to pay - there are no additional costs for extra tracks or upload or to use any of DistroKid's extra tools to help market music. The higher subscription fee allows more artists to be added to one plan, allows greater customisation with their release and has a wider range of daily insights. However, the basic plan for one artist sufficiently serves the independent artist seeking to simply distribute their music onto digital streaming platforms and retailers.

The screenshot displays the DistroKid website's pricing section. At the top, a green banner reads: "Hurry and upgrade. You'll automatically receive a prorated refund of \$30.67 for your current plan." Below this, the heading "Choose a plan" is centered. Three plan cards are shown side-by-side:

- Musician** (represented by a single ice cream cone icon):
 - Price: **\$19.99 / year**
 - For: **1 artist**
 - Features:
 - ✓ Upload unlimited songs
 - ✓ Upload unlimited lyrics
 - ✓ Spotify verified checkmark
 - ✓ Collect earnings from royalty splits
 - Button: "Not available"
- Musician Plus** (represented by three ice cream cones icon):
 - Price: **\$35.99 / year**
 - For: **2 artists**
 - Savings: "Save 10%"
 - Features:
 - ✓ Everything in Musician plan
 - ✓ Synced lyrics in Instagram
 - ✓ Daily streaming stats
 - ✓ Customizable label name
 - ✓ Customizable release date
 - ✓ Customizable preorder date
 - ✓ Customizable iTunes pricing
 - ✓ Customizable ISRC codes
 - ✓ 2 artists or bands
 - Button: "Current plan"
- Ultimate** (represented by an ice cream truck icon):
 - Price: **\$79.99 / year**
 - For: **5-100 artists**
 - Savings: "Save up to 40%"
 - Features:
 - ✓ Everything in Musician plan
 - ✓ Synced lyrics in Instagram
 - ✓ Daily streaming stats
 - ✓ Customizable label name
 - ✓ Customizable release date
 - ✓ Customizable preorder date
 - ✓ Customizable iTunes pricing
 - ✓ Customizable ISRC codes
 - ✓ 5-100 artists or bands
 - Button: "Upgrade"

Figure 6 - Different Pricing Models on the DistroKid website

Marketing

Looking at DistroKid's marketing strategies they regularly announce partnerships on a B2B level, which aim to solidify their market leading position. They strategically partner with companies with benefit both the DistroKid's user base and their partner's audience to give them content or information which is valuable. Some of the partnerships they have brokered are for worthy causes, or Cause Related Marketing (Candid, n.d.) such as partnerships with community-based brands SheSaid.So (DistroKid, 2022) and Backline (DistroKid, n.d.). Both of these campaigns are for worthy causes, with the aim of tackling gender inequality and mental health in the music industry respectively. The campaigns were promoted on DistroKid's and the partner's own digital channels, such as on the websites and on social media to engage their followers.

There are many benefits of securing cause-worthy partnerships, aside from the obvious of making a positive contribution to an issue or. One of these would be an increased brand affinity. In the example of DistroKid's partnerships with SheSaid.So and Backline, this gives a strong message to their paying artists, and the music industry in general, that they support these causes and charities and are investing in creating a better world for all artists. Cause Related Marketing partnerships can have an undesired effect if not executed properly, or if the partnership seems to be exploiting the cause or commercialising from it (Candid, n.d.). However, this is not the case for DistroKid as these partnerships are mutually beneficial and authentic to the market they are in.

Another Cause Worthy Partnership they have secured has been with Snap Inc. Although they're not a charity or community, Snap Inc. also have a role in music distribution and have successfully launched artist careers on the Snapchat platform, as an example largely contributing to DJ Khaled's success (Clifford, 2018). As part of this partnership, they have launched an initiative called the Snapchat Sounds Creator Fund, where they aim to support emerging and independent artists who distribute their music via DistroKid, providing monthly grants of up to \$100,000 (Spangler, 20220). This is an exclusive grant for DistroKid's artists only, meaning competitors such as TuneCore or CD Baby, won't benefit from this. This further positions DistroKid as a company which cares for its artists and aims to propel their career in music.

Outside of partnerships, DistroKid appears to do little advertising of their services. In a highly competitive market where there are multiple digital distributors which artists can sign up to, many may not know who DistroKid are when they are conducting their research. A quick Google search shows TuneCore featuring at the top of the results, as shown below.

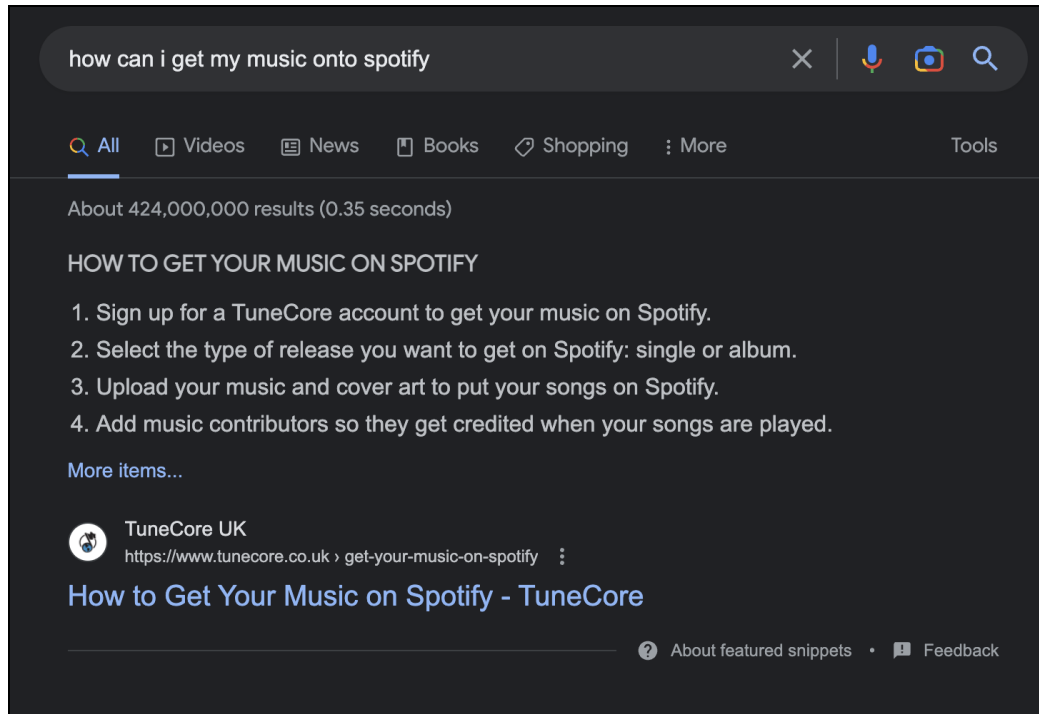


Figure 7 - Google search of “How Can I Get My Music onto Spotify” and Top Result

This shows an opportunity to invest in Digital Marketing including SEO, paid Google ads and paid social. DistroKid would benefit from adding popular keywords and phrases relating to independent music distribution, such as “how to get my music onto Spotify” or “how to release my music” to ensure their website appears at the top. This would be an effective way to stay front of mind to their target audience, with the top 3 results gaining over 50% of all clicks (Dean, 2022). There are also competitor targeting capabilities, so in DistroKids case whenever a user would search for ‘TuneCore’ DistroKid would appear next to it.

Currently, DistroKid's marketing is aimed at independent artists themselves. However, there is another huge and lucrative target audience which they could look to capitalise on - the fans. As we know, fans spend a huge amount of money on their favourite artists. In total, it is estimated that fans spend between \$20 billion and \$26 billion on music each year, with an extra \$450 million to \$2.6 billion per year on additional features such as exclusive content or behind-the-scene experiences (Nielsen, 2013). This shows that fans are willing to spend additional money outside of streaming or downloads. There is an opportunity for DistroKid to market to this audience, one being in the event space. DistroKid has a vast network of artists using the platform, so are in a strong position to be able to launch live events which would give a positive experience for the fans, thus helping to create brand love.

Financing

DistroKid has been successful in three different rounds of investment rounds. Their first round of investment was in 2018 in a Corporate Funding Round, where Silversmith Capital Partners offered a significant investment into the distributor. This sum was undisclosed. Todd Maclean, the co-founder and Managing Partner of Silversmith, mentions that both Kaplan's entrepreneurial qualities and the transformation of the music industry moving to the cloud were the key reasons for investing in DistroKid (BusinessWire, 2018). According to Kaplan, additional funding and incorporating expertise from Silversmith would support the rapid growth they have seen, as well as expand into new areas (BusinessWire, 2018).

Shortly after this first round of funding, Spotify acquired a minority stake in DistroKid. This was described as a “passive investment”, and happened soon after Spotify announced that independent artists could upload directly to Spotify. but as a counter-move they stated they could upload to other streaming platforms outside of Spotify too.

As the name suggests, Spotify’s ‘passive investment’ wouldn’t mean they would be able to exert overt influence over DistroKid’s management; the digital aggregator will continue to be independently-run (Ingham, 2018). However, it is still an interesting move from the Digital Streaming Platform, as this investment came at a time when they announced artists could directly distribute their music onto Spotify (which is no longer a feature of the platform). However, the partnership with DistroKid would mean that any artist who decides to directly upload to Spotify would soon be able to ‘seamlessly distribute their music to other platforms through DistroKid’ (Ingham, 2018). Perez (2018) notes that this news could cause a stir in the industry, given DistroKid’s agnostic approach previously. It raises questions with Spotify’s competitors, whether the platform would have insight into competitors such as iTunes and Amazon Music.

However, in 2021, Spotify quietly sold two thirds of their equity share in the digital distributor. In their quarterly earnings filing with the SEC in 2021, the group reported “on October 1, 2021, the Group completed the sale of two thirds of its equity interest in DistroKid, realising a gain of €132 million, which has been reflected as an unrealized increase in fair value as of September 30, 2021. Proceeds from the sale were €144

million” (Resnikoff, 2021). Resnikoff goes on to put this amount into perspective by suggesting that Spotify’s initial investment in 2018 was most likely lower than the €16 million reported in early 2021, therefore suggesting a huge return of their investment.

Also in 2018, DistroKid received another investment from Insight Partners in a Private Equity Round. The amount of investment was an undisclosed sum, but is thought to be another significant figure, with the aim to “fuel the continued development of DistroKid’s industry-leading suite of tools for musicians” (Insight Partners, 2021). The report continues to state that Silversmith Capital Partners, who invested in the company in 2018, will continue to have a meaningful ownership position and will continue to have representation at DistroKid.

What is interesting from the Insight Partners funding round is that subsequently the valuation of DistroKid was reported, with the Digital Distributor valued at \$1.3 billion, giving the company unicorn status i.e. a company which is valued at over \$1 billion (Riley, 2021). Considering the market value forecast for the entire music distribution service industry has been valued at \$1.64 billion by 2030, and Insight Partners valuing Distrokid at \$1.3 billion, this is clearly a substantial valuation revealed for the digital distributor. However, given DistroKid’s recent announcement of another service DistroVid and expanding into AI, this means the company is considered to be part of multiple sectors outside of digital distribution. The music video production industry alone was valued at \$11.2 billion in 2021 and is expected to grow to \$20 billion by 2028 (Verified Market Research, 2021), so this puts this substantial valuation figure into

perspective.

Whilst DistroKid have been successful in securing funds, there will be considerable costs for the company which would need to be continually invested in. DistroKid runs entirely on a digital basis, storing mass amounts of data such as tracks, artists info, payment details and more on their servers. With 1 million customers as of 2023 (GetLatka, 2023), this is a huge volume of data which would need to be powered by the most and most secure servers. Furthermore this would require a team of IT specialists and Developers to ensure the company runs efficiently, meaning substantial salary costs would be required to be paid out.

Despite having potentially high costs when it comes to the running of DistroKid, they hit a revenue run rate of \$31.9 million in 2021. With a healthy revenue run rate, significant investment rounds and a growing customer base, DistroKid are in a strong position to be earning a profit.

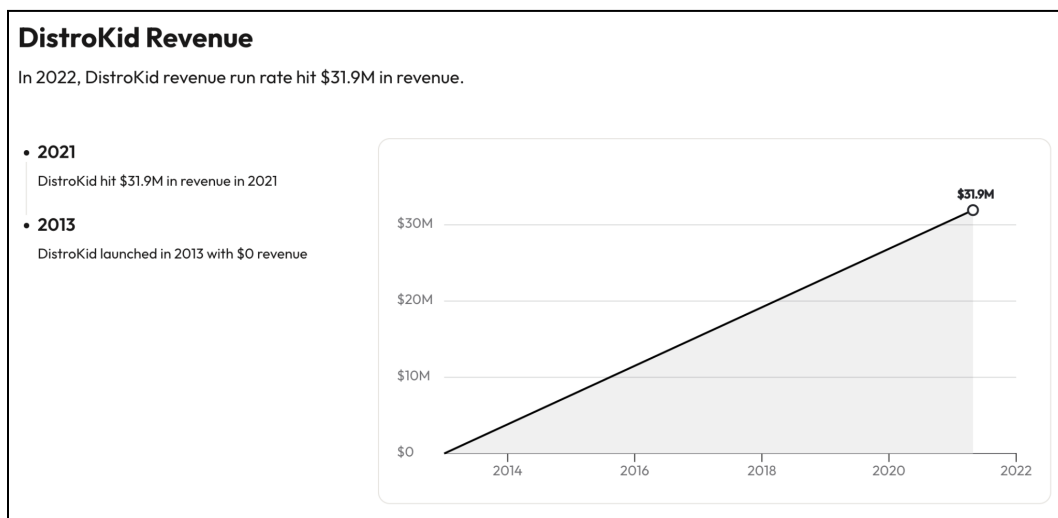


Figure 8 - DistroKid Revenue Run Rate in 2023 (GetLatka, 2023).

Conclusion

To summarise, DistroKid is a company that has seen extraordinary growth particularly since 2021. Whilst there was a significant round of investment from Silversmith in 2018, it wasn't until 2021 that the company began to report on multiple new product launches which truly propelled the distributor in market. Looking at the company's timeline, there were 7 major product launches and collaborations announced between January and August, showing how fast the company started to move. It was in October of the same year that they also secured the other significant investment from Insight Partners, again a testament to how quickly and exponentially DistroKid grew.

The company is at an incredibly exciting place with the more recent announcements of AI-powered music mastering and entering the video distribution market. AI in particular is a huge buzzword in business, with many companies experimenting with AI technology. Yet, the future is still relatively unknown. With DistroKid being bold and brave by being an early adopter of AI music mastering, they have huge potential to reap the benefits soon into the future.

These smart and brave business decisions are all made possible to the stronghold leadership team, with a wealth of collective experience across multiple skills to multiple industries. Both Silversmith and Insight Partners recognised Kaplan as a talented serial entrepreneur, and such quality is vital for a CEO when they are seeking external investment. The release of Mixea could be attributed to recruitment of VP of Product Matthew Ogle, who only joined in 2022 but hit the ground running with his involvement

of the AI-powered service.

Whether it's helping an independent artist get to #1 in the early stage in 2015, through to being valued at \$1.3 billion just six years later, DistroKid have consistently reported on huge milestones and success stories. I believe they are a company that can invest more in their brand image and help to build a stronger connection with not just the independent artists they are currently talking to, but a well-loved brand for everyone in the music. Their partnerships in Cause Related Marketing shows they have potential to deeply and authentically connect with artists, so by building this out wider they can become a household name in music.

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