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I. Executive Summary

In this report I am going to be analysing Platoon, a multinational record label conglomerate owned by Apple. I will focus on providing an outline of the company's history, the market the company resides, as well as describing the micro and macro effects of the pandemic to this organisation. From how the pricing and demand for the artist could change to the how the market could benefit or lose if the pandemic is carried on. In addition to this I will be discussing what lean business methods are and how they can/have been used in Platoons' organisation. Platoon have executed a large number of things in such a short time, it would be a shame to not delve into this on a deeper and more economical scale. We will be discussing the economic impacts in depth and try to understand different paths Platoon could embark on out of this Pandemic in 2020.

II. Breif History of Platoon

Company ownership/Legal entity

Platoon is an artist development startup founded in 2016 by Saul Klein and Denzyl Feigelson (Ingham, T. 2018, December 7). They work with artists and creators to advice ith production, creation and distribution of their work. Saul Klein is a serial entrepreneur and the former Senior Executive of Skype, who began this venture with his partner Denzyl Feigelson the co-founder of Love-Film (Castillo, M. 2020, December 7). Prior to launching Platoon, Feigelson worked with Apple for over 15 years in the live events and artist relations sector. He was also the original founder of the alterntive record label Artists without A Label (AWAL) (Ingham, T. 2019, January 4). Apple soon acquired Platoon In the year of 2018, off the string of consistant success in artist development with global sensations such as Billie Eilish, Jorja Smith, and Rex Orange County (Ingham, T. 2018, December 7). Platoon raised \$600,000 for the start up of the company ad was valued at nearly \$4.5 million (Lunden, I. 2018, December 7) on the date of acquisition by Apple. To this date the price Apple acquired Platoon is not public knowledge.

In the Apple Financial statements Platoon's financial's are hard to find. They are buried amongst many other costs and revenue generated by numerous other orgnaisations Apple has taken ownership of (Apple Newsroom, 2020). Platoons' figures would be reported in Apple's shareholders report & annual financial summary, but it won't explicitly say platoon,

rather the overarching divisions it falls into. In the 2020 fourth quarter results I would assume that Platoon would be underneath the Investment Activities in the Consolidated Statements of Cashflows. This assumption is because in the year of 2018 Apples Investment activities rose by a significant amount in comparison to other years and that was the only large and known investment conducted by Apple.

Location

The location of the Platoon Headquarters (HQ) is located on the Tileyard London Premises, they have other locations in and around Los Angeles as well as in and around other major states in the United States. However, because Apple is the parent company of Platoon the workers on the Platoon payroll do work in Apple office spaces around the globe, to minimise costs on Apple's end. This form of diversification trickles down with a lot of the way Apple operates with all acquired businesses as talked about in several publications such as the Inc (James, G. 2018, October 25). Platoon has its biggest presence online and in the mainstream media, through not only word of mouth but strong advocacy by current and past artists. This as a result lowers their costs further and allows them to have a strong, reliable brand image which is partnered with success and execution.

Service

Platoon offers a unique service to their signees as they act as an intermediate label for fresh industry artists and help them navigate, find and establish themselves as brands and talents in the music world. This involves a financial backing, tutelage of basic industry practices and

Platoon have entered the market for distributing music and developing artists, many can get this confused and assume Platoon are as a result acting as a Music Label only. A modern music labels' main goals are to deliver successful artists to their distribution chain, and they make revenue and turnover profits by entering in agreements with those artists beforehand giving them rights to exclusive licensing and distribution as well as major cuts from the artists' earnings worldwide. This gives a major label ownership of the artists' masters and also keeps them paid regularly from every release every made from the artist. A very popular practice by major labels' (Interscope, Warner Music Group, Universal Music) earlier in the decade, was the offering of 360 deals. 360 deals are deals where the label makes money from everything the artist does that makes their income. The percentage is stated in the contract and is non

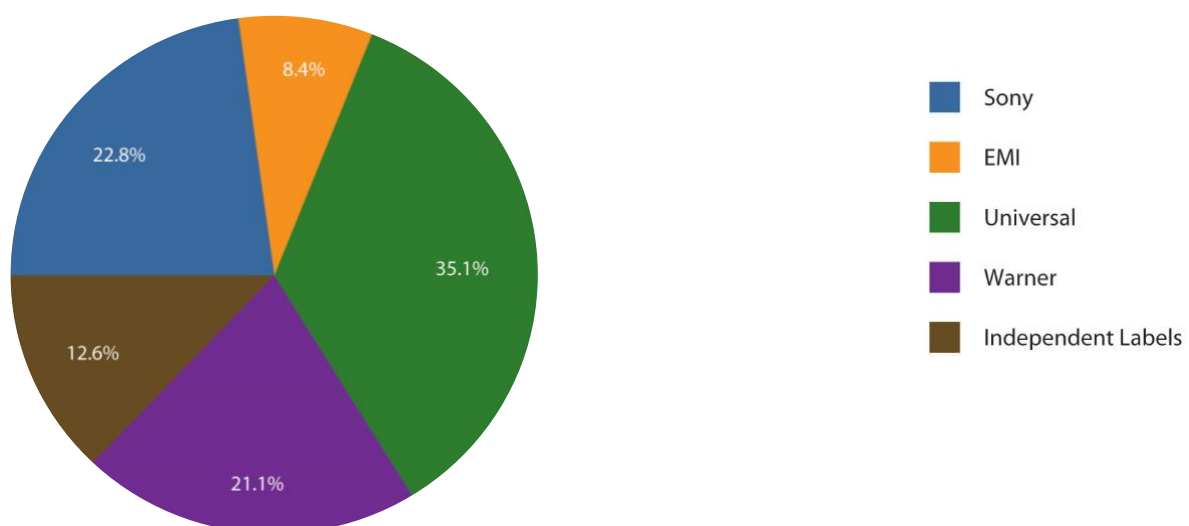
breach-able, as if broken the artist can be taken to court with a near 100%-win rate (McDonald, H. 2019, October 28).

However, Platoons' mission statement is to give artists a platform to create, commercialise and distribute music. They do not take a percentage of profits made by the artists not a percentage of their intellectual property (masters). With an endless source of funding from their parent company Apple, Platoon is not worried about immediate losses or reaching a certain criterion. Their main goal seems to be on the success of each artist they decide to cultivate and how they can further increase their knowledge and ability to succeed as an artist. As a result, this makes Platoon a very obvious outlier in the market and I delved into the reasons why they would go on such a venture and we will soon understand many reasons for this innovative approach.

III. Economics

Market Analysis

The market which Platoon operates in, has been seen as an oligopoly for many years. This is because it is specifically run by four major labels which set the market price aswell as market standards for transacitons with artists. As seen with *Source 1* below out of the four there are three which control over 20% of the market (Sony[22.8%], Universal[35.1%] and Warner[21.1%]), which agrees with the more modern definition of a monopoly. However, the final group of the oligopoly, EMI, which only controls 8.4% of the market will remian as part of the Oligopoly as the 8.4% is still a considerable amount which is still over half of the remaining independent labels in the market.



SOURCE 1 – Four major music labels' control over >85% of the music industry (The Neilson Company, 2020)

As the case with most monopolies and oligopolies in a market, the organisations with the most share can decide the state of the market as well as practices. Any sudden change with any of these stated companies in the music oligopoly can shift a lot in the industry. For example when Interscope merged with Geffen and A&M in 1999 it shook up the industry as this gave them a dominant market share of over 12% to the . Since then they have accumulated consecutive years on top of all major statistics and accolades in the respective market.

Platoon operates as independent label in this market but their situation is of extraordinary circumstance as their parent company Apple has a net worth (\$2.4 trillion) over ten times the amount of the accumulation of all the Oligopolies together (\$25 billion). This situation is a game changer as it allows platoon to operate with almost limitless working capital in comparison with their competitors who need to see a certain return on investment per annum. The substantial cost of grooming successful artists has been a barrier to entry in this market for decades but Platoon has seamlessly bypassed this as seen with the instantaneous success with several initial artists.

Pricing Aims & Strategy

The music industry has seemingly been forced to shift its pricing strategy each decade. From Cassettes to Compact Discs (CDs) to Digital Purchases and now the Streaming era. A market such as the music industry which consistently evolves due to the rapid consumption and continuous change in trends will undoubtedly have to continuously adjust how they gather revenue for their products. Since the birth of streaming a majority of the revenue earned by labels comes from garnering millions on millions in streaming numbers. This indeed does accumulate significantly less revenue than what they have been accustomed to with CD's and Digital Purchase but with change comes adjustment in markets and the labels have adjusted through the way they now sign, grow and earn from artists.

The key tool for labels earning money from artists is through the form of contracts. These contracts allow them to be legally bound to an individual. Labels invest an initial cost in artists with the long term value of owning their music forever. The contracts are becoming increasingly fairer but the standard music label such as Universal Music would sign a newer artist to is called the '*Standard Contract*' (Tyler Allen, W. 2020, August 13). This includes free

studio time for the artist, and a certain amount of albums made for distribution and full ownership by the label. This contract does not come with a marketing arm, so it has not been common practice in recent years. This is because the perks associated with the *Standard Contract* is more suited for already established artists who do not need marketing, if this is the case they will most likely not need distribution or studio time either (Tyler Allen, W. 2020, August 13).

Another common contract is the *360° Deal*, which was more common until artists started wanting independence. This deal incorporates the standard terms in the *Standard Contract* but includes marketing as well as more upfront money but in return the label takes a percentage of any form of payment the artist gets. This has been seen as the most abusive form of control by labels and what initiated the growing disdain of how they conduct business (Tyler Allen, W. 2020, August 13). Which is what initiated the mission statement of Platoon and caused them to start a label championing artists with no ownership of art in return.

Platoon does not gain any profit from their investments in artists, they do not own any part of the artists music either. This then brings about the question of “how do they benefit?”, which I have devised an interesting answer to.

All labels have been seen as the intermediaries to Digital Streaming Platforms (DSPs), as prior to the internet artists did not have the capital nor the reach to actively prepare good enough music to pitch to streaming services such as Spotify and Apple Music. Furthermore, the onus would be on the artists as well market it globally for the streaming services to see any worth in making deals. This as a result caused the revenue to decrease more and more as more entities would be seeking a percentage (Label, Streaming Service, Agent fees). With each bite from the apple artists were only left with a fraction of the money they had earned.

This is where Platoon enter, it is my belief that the strategy of Platoon is to empower the artist to the extent where labels are obsolete or are forced to retool their structure completely. If Platoon enable enough artists to be able to stand on their own and viably pay for most of the services a label would have provided, it would force the hand of major labels to either give fairer deals to artists or be pushed out of the market completely. With Platoons’ parent company being Apple, this would not be a bad thing as it would allow Apple Music and other Digital Streaming Platforms (DSPs) to be able to work directly with the artist and also simultaneously increase the quality of artists.

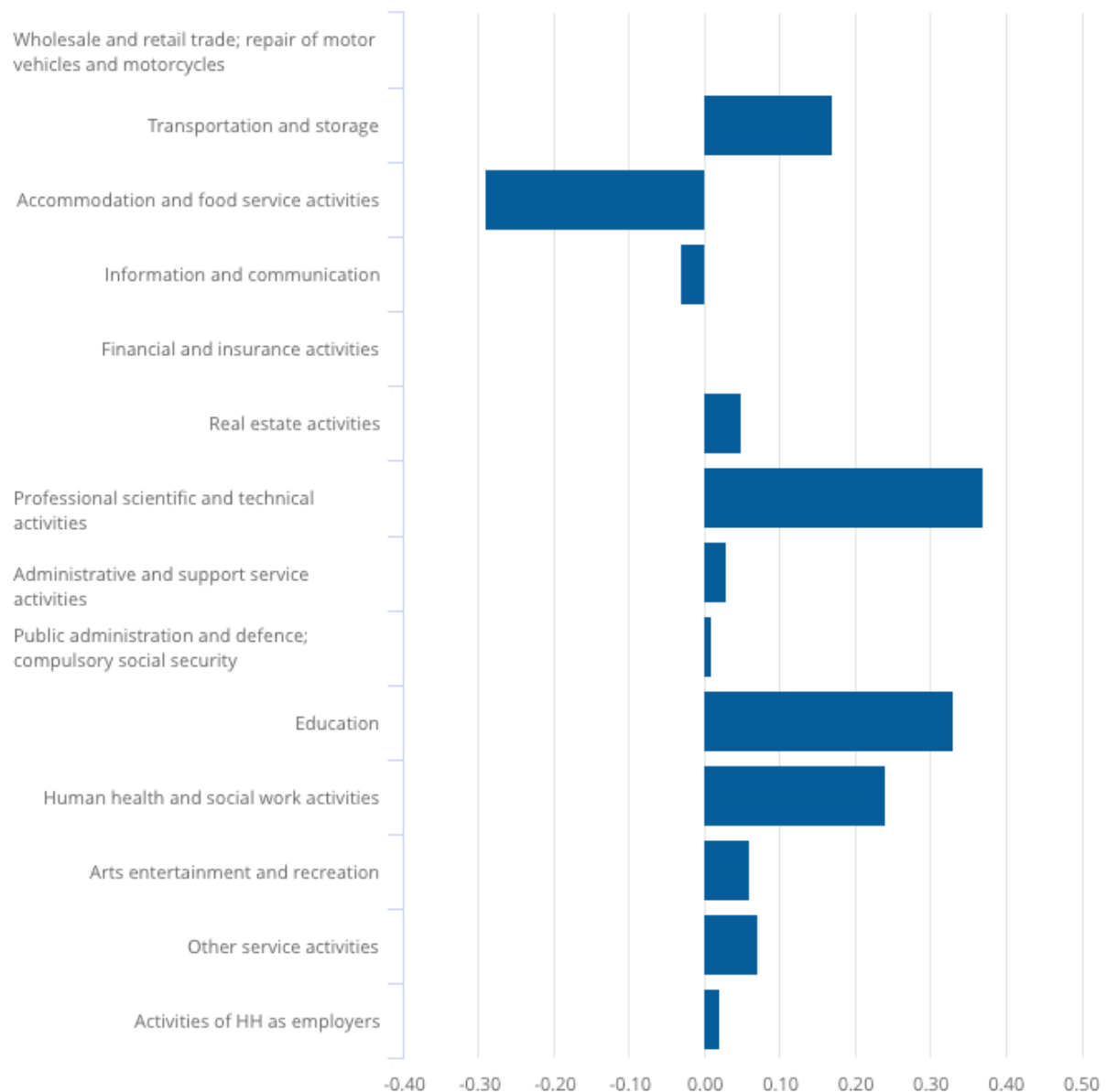
Due to the moral hazard of the major labels in the market this is not an easy feat. To try and cleanse the music industry on top of creating more transparency between the artist and distributor would seem impossible if Platoon had not already done this with all the artists they have worked with so far. Platoon have had gargantuan success with every artist they have taken on, from Billie Eilish to Jorja Smith to Rex Orange County (Deahl, D. 2018, December 7). All of these artists have garnered unbelievable mainstream success as well as unheard of accomplishments for first time artists. When labels began, recording studios and marketing was very hard to come by and Platoons' emergence is on route to changing the market model. This is because they are taking advantage of the fact that most younger artists can now get a hold of studio equipment easily and production knowledge easily. Furthermore, marketing is very easy to get a hold of too without a label (not on the same level as a major label). So, by exploiting the enviable paradigm shift Platoon have advanced the change in market quicker and we have seen this through the fairer deals artists now receive from major labels.

The reason I believe this is Platoons' strategy is because it does not make sense to be running on negative cashflow year after year unless Apple is just absorbing these losses and writing them off due to the insurmountable amount of money, they have available. More reasons I believe this to be their strategy is their many genuine displays of attention to malnourished areas in the industry where artists are not heard or taken care of. A prime example is the consistent work they do in Africa, signing many new artists over there to deal which gives funding and resources to them for nothing back (Rys, D. 2020, May 21).

Another strategy I believe Platoon is implementing is to diversify their reach globally, giving health care to individuals in Africa who are signed to them is just the first step, but they have made their mark in that continent undoubtedly and they have also made a mark in the US as well as the UK their home base. Now new reports claim they have moved into the Asian and North West regions to also repeat the same success they found in their prior areas. Areas like these would most likely garner the same amount of success as the United Kingdom, United States and Africa. Therefore, bolstering my assumed major strategy of eradicating major labels.

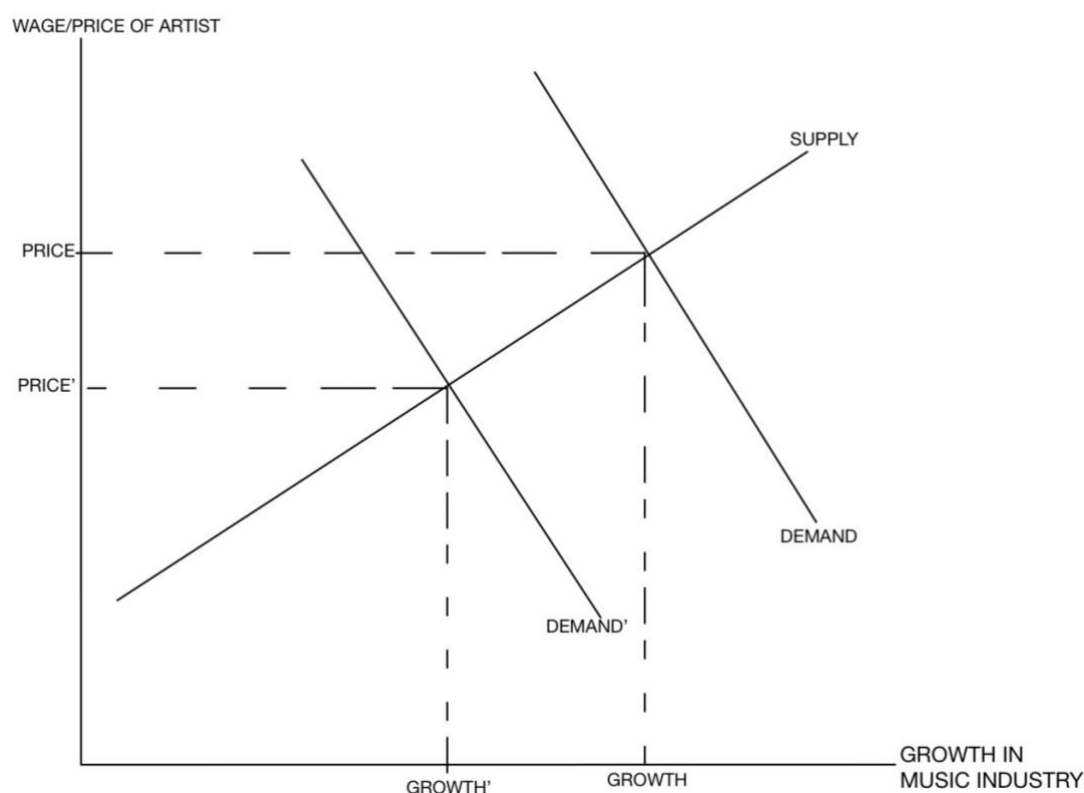
Analysis & Effects of the 2020 pandemic

In the year of 2020 many markets have been affected by the pandemic. Obvious economic impacts were seen instantaneously by the loss of income not only nationwide but worldwide. Additionally, with the loss of income came the increase in unemployment. This coincides greatly with the Music industry too as the impact of Covid saw a cease in mass social gatherings which caused an immediate cut to the disposable income which came from live performance sales. Unlike other sectors in the world, the music sector was still able to stay afloat and although there was an evident decrease in revenue and profits made, they still made enough to not have to compromise their assets. Sectors such as the airline industry, cinema and restaurants saw catastrophic losses in the year of 2020 due to covid.



SOURCE 2 – Growth of Services between Jan-Sept 2020 (Office of National Statistics, 2020)

Entertainment and Recreation sector growing by less than 0.1% (Office of National Statistics, 2020). In economic terms this can be proven by the significant drop in Demand for artists' performance and services but a constant supply. As shown in *Diagram 1* below this would cause the growth/gdp in that sector to decrease from Growth to Growth'. As well as the price of the artist (wage). Due to these findings, I would have expected the growth in the sector to be negative and at best Nil.



However, due to the professional artists' wages being semi-fixed, live performance was not the only outlet for them to earn money. Artists are given contract deals with fixed amounts which incorporates itself as fixed income. Any other form of earnings is added as a variable amount as the artist may change prices depending on the amount of work and time needed, in this case it is live performances. Artists of the higher tier, who are signed by major labels, the only way their variable income can be affected during the pandemic is in the form of concerts and performances. This is because they have still been able to create and release music on Digital Streaming Platforms (DSPs) and still monetise their art during the pandemic. The artists most affected have been the upcoming, unsigned and beginner musicians with no deal and no financial backing who lived off gig to gig. This is because their wage would not only be reduced from Price to Price' but they would actually release to 0 as the Demand would be nil for them due to the lockdown and social restrictions.

On the other hand, an additional effect of the pandemic on the music industry is that due to the lockdown there is more individuals with available time to spend doing things they may not have time to do regularly. As a result, individuals who may not have had an interest in streaming music may begin to and individuals who already streamed music may begin to stream more. This would increase the consumer pool and also increase the inelasticity of the demand for artists as consumers may develop an emotional attachment to the artists they listen to in lockdown. This is because the music might help them get through the difficult time or help them understand more about themselves and they may begin to associate the lockdown period with the artists they listened to in that period.

Furthermore, due to the increasingly inelastic demand and consumer pool in the market and the conjoined fact that the pandemic restrictions do not apply to electronic data such as a Digital Streaming Platforms, this could have bolstered the revenue made from streaming. Which could explain why instead of the growth for the music and art's sector being negative there was still a small amount of growth during the pandemic period.

Potential Economic Outcomes

The potential economic outcomes of Covid-19 on the music industry will be colossally positive or negative depending on the first few decisions made. Due to vast drought of live performances in the year of 2020 the industry could react by raising prices to set the new price mark in the industry for performing. This could result in one of two outcomes. Many individuals in the population may not be afford the new price shift due to lack of economic stability and disposable income. This will cause the industry to prolong the drought of income through live performance and drop their price lower than the average margin to account for the initial loss made.

However, one could argue that due to the scarcity of live music consumers there might be an inelastic demand for the product and there will always be enough people ready to pay any price and meet the quota to fill up a venue. Furthermore, individuals who were/are regular consumers of live performance may allocate a certain amount of their disposable income to be able to attend these events. So the price change could lead to a permanent price change for the product.

Additionally, one could also argue that live performances could be seen as a Veblen good because the turn out of low ticket performances do not usually compare to high price events as consumers correlate the price per ticket with the quality of the artist as well as the experience they will have. This can be seen by concerts headlining multiple artists selling out in a day and being resold for three- to ten times the original amount. This will give a more consistent form of income if maintained and allow them to assert some more independence when re-negotiating for new deals or being approached by a label for deals.

IV. Lean Business

What is it?

The lean business model is defined as, a business which maximises value while minimising waste. The business is focused on refining productivity processes in order to minimise waste by operating at marginal utility to deliver optimal products to the consumer (Lynn, R, 2020). We can already see applications of this in Platoon because as discussed in the 'Location' section. Platoon employees operate in free Apple office spaces and the company only has one active location dedicated to only Platoon operations, and it resides in London Tileyard at their Headquarters. Although Lean Business originated to help Manufacturing Sectors it can be implemented in any business environment as explained with Platoon.

Critiques of Lean Business

Lean Business faces many criticisms of its effectiveness even though it has many examples of its success in many different markets (Velocity.com, 2020). One of the criticisms is that there is no real raw data about how effective it is, when looking into the success rate of Lean business it is very hard to find concrete figures of how the model was integrated and its effect. Recently a study came out showing that in the past decade Lean Business has only had between a 70% - 75% success rate (Velocity.com, 2020). This is because of the several drawbacks that come with applying Lean Business techniques.

One of the many drawbacks is that the model focuses more on improvement and removal of waste becomes an obsession, and this causes stress with the interworking employees. The model makes the workplace too clinical and impersonal, with workers under relentless pressure to do better than before. Such pressures lead to workers stepping out of their

comfort zone and assuming a sense of urgency, it also increases stress levels considerably, and high stress levels can have determinable effects on productivity and efficiency (Velaction.com, 2020).

Application to Platoon

Lean can be applied to Platoon scantily due to the prior points talked about in the beginning of the report in the '*Location*' section. Platoon already uses free Apple office space to house employees, additionally they also operate the majority of their work through online services. This also minimises the 'waste' that can be known for labels. During this pandemic we have seen how many businesses have realised that working remotely and abroad may not be the worst idea as the connectivity made by the internet allows for us to work just as effective in our own environment as we would in an office space.

The only other addition I feel Platoon could implement would be to actively try and build their own studios so that they would reduce spending costs on these things and give them another USP when advocating to get a new artist to come on board with them.

V. Summary

In summary, I believe Platoon is one of the greatest innovations of this current generation. I would not be surprised if in the next decade of music they have completely revolutionised the industry. They not only began the organisation with a strong start and a willingness to adapt, they have continued to innovate after success and continue to give a valiant effort in re-innovating the industry they have found themselves in. They also have been progressive in empowering the artist. In any work environment, workers are not seen as much, not heard as much and not well valued. As spoken about in the '*Lean Business*' section, one of the critiques of the Lean Business model is the fact that workers can feel under appreciated and over worked. Not only has Platoon already implemented methods of Lean into their business but they have successfully also tried to eliminate the negatives that come hand in hand with the model. With strong leadership like theirs I have no doubt they will find success in the near future, even with the hindrances of the pandemic and Brexit.

VI. Appendix

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