



Rytex

Creative Business Project

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Contents Page

- 1. Executive Summary**
- 2. Opportunity**
- 3. Solution**
- 4. Vision, Mission & Goals**
- 5. Product Description**
- 6. People**
- 7. Marketing Plan**
- 8. Target Customers**
- 9. Competitor Analysis**
- 10. PESTLE Analysis**
- 11. Financial Plan**
- 12. Business Plan Reflective Analysis**
- 13. Marketing Plan Reflective Analysis**
- 14. Financial Plan Reflective Analysis**
- 15. Appendix**
- 16. Bibliography**

1. Executive Summary

Rytex is a music crowd financing platform and marketplace where anyone can earn money by investing in their favourite artists. The vision for Rytex is to provide a suite of effective financing options for artists to utilise, whilst providing investors and fans real financial returns by backing artists.

The development will be split into two key phases, firstly the creation of the crowd financing platform. Once the crowd financing platform has been successfully launched, we will begin work on the open market which will accommodate trading between investors. The target release date of the open market is three years after the launch of the crowd financing platform.

Crowd Financing

The crowd financing section of the platform allows artists to gain funding and marketing support from fans for their upcoming releases. Fans become investors in the music and gain a portion of the future royalty stream for a time period set by the artist. Investors will then be able to trade their royalty streams once the secondary open market has been launched. Artists are not giving away any rights, it is only the income stream which is being traded and only for a set period of time before reverting back to the original rights holder. A heavy emphasis will be placed on fan rewards for investing, it is a successfully proven strategy used in many crowdfunding type companies. For example in our interview with ex Pledge Music President Malcolm Dunbar, he states that you have to offer “total fan engagement”, “meet and

greetings, lyric sheets, guitar used in the studio, etc” (Dunbar, 2020). This will help set us apart from current competition.

The Open Marketplace

The Rytex open marketplace provides a service in which music right holders are able to offer the rights to the future royalty revenue streams of their music catalogue. In the simplest terms, right owners (songwriters, artists, labels, etc) can earn money from expected royalty revenue straight away without having to surrender or sell any of their copyright ownership. Whilst investors can buy and sell these revenue streams on the open market.

The rights holder can decide how much of their expected royalty revenue to put on the market and for how long. For example, an artist could decide to put 50% of their expected revenue for one of their songs for a 12-month period. Once those 12 months are up it is taken off the market and returned to the artist. This will provide far more financial flexibility to artists without giving away their copyright. I envision it will be especially useful for the growing independent artist community who in 2018 earned more than \$643 million, a 35% increase from 2017 (Daniels, 2019).

2. Opportunity

In the current market I have identified four main problems (in addition to one sole streaming opportunity) which serve as opportunities for Rytex to solve. I have identified these five opportunities in the following paragraphs, supported with references to back up my findings. These problems are as follows:

1. Low Artist Income

Many artists struggle to fund their careers, in a report by the creative independent, 64% of musicians and 70% of industry professionals reported that “insufficient earnings” was the main reason why it was hard to pursue a career in music. Whilst 37% of musicians reported “they were barely able to pay their bills, or [are] actively in debt” (The Creative Independent, 2019). Shockingly, the average annual music income for independent artists is only \$12,860 and \$23,913 for signed label artists. These low incomes are likely impeding artists ability to create, as far more focus and time needs to be spent on just paying the bills (Daniels, 2019). Raising funds is an important part of any artists career providing them the time to develop. According to our interview with Malcolm Dunbar, post Covid-19 “it is even more difficult” and “funding is the key cornerstone of any artist to try and develop” (Dunbar, 2020).

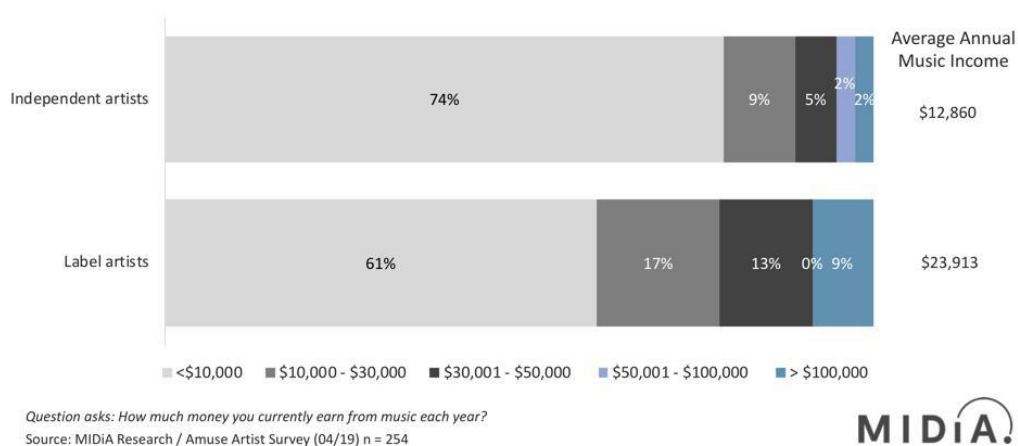


Figure 1 – Music Industry Survey (Daniels, 2019)

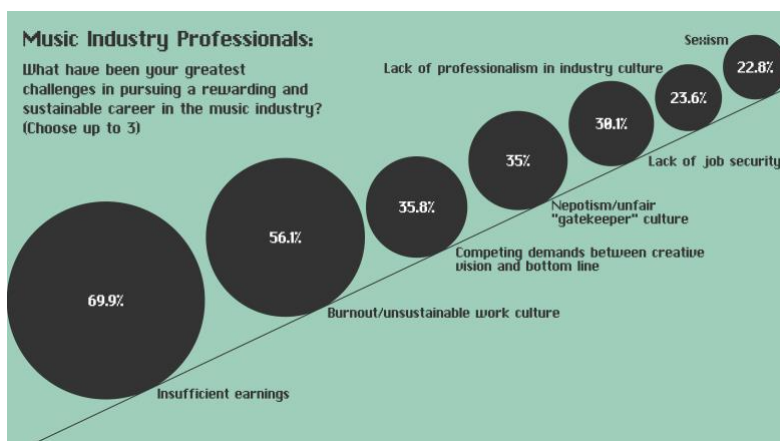


Figure 2 - Music Industry Survey (The Creative Independent, 2019)

2. Inefficient Royalty System

Royalty incomes are slow and inconsistent. Under the current system it can take up to two years for a songwriter to be paid, with each society it passes through taking a cut. The average length of time for a royalty payment to come through is 9-12 months, whilst international royalty payments may take 12-18 months (Songtrust, 2019). There is very little transparency in this process, many recipients aren't even aware of the fees they have incurred or when the payment will arrive (Ingham, 2015).

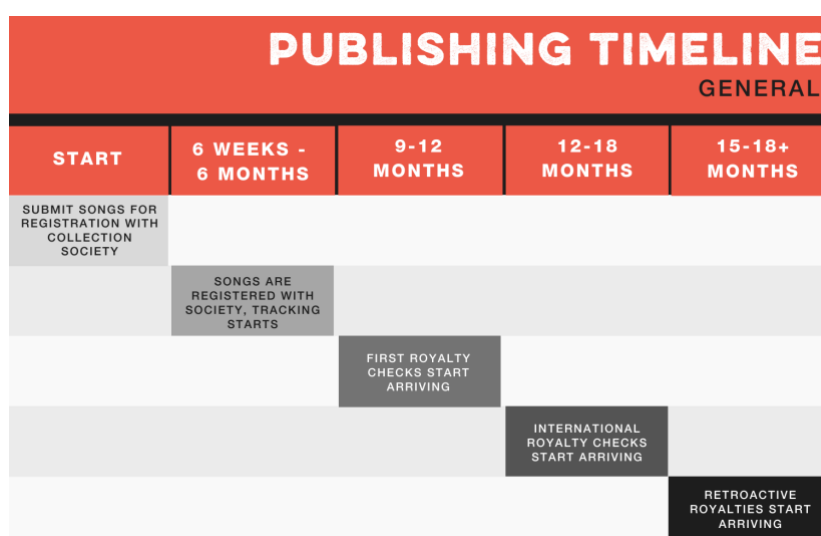


Figure 3 – Publishing Timeline (Songtrust, 2019)

3. Barriers to Investing

There are currently very few ways to properly invest in music and the ways that are, are mostly only available through large investments, only one company (Anote Music, launched 28th July 2020) allows for smaller investments to be made.

Companies such as Hipgnosis Songs Fund and Royalty Exchange offer the buying of music royalty streams but at a huge upfront cost, making it inaccessible to the average trader. For example, Royalty Exchange has a minimum buy-in of \$2,250 (Hu, 2018).

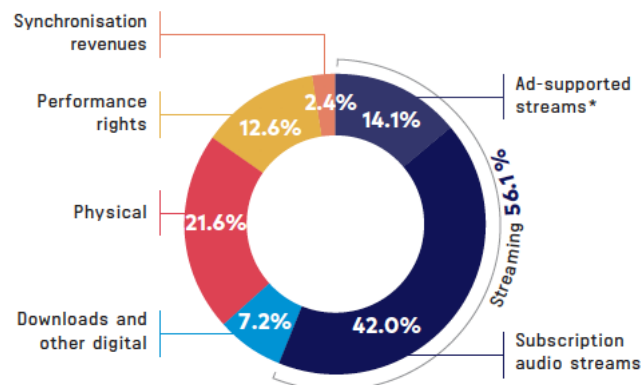
4. Market Gap

A gap in the market has emerged because of the collapse of Pledge Music in 2019. Pledge Music was the largest music focused crowd funding site in the world at the time, and there still remains a demand from mid-level artists for a new company to take over, “there is a definite need for a music crowdfunding platform” (Dunbar, 2020).

5. Streaming

The rise of streaming has brought in new profits, with streaming now accounting for 56.1% of global record music revenues in 2019 (figure 4). Streaming looks to dominate royalty incomes for the time being and its fast growth will ensure that royalty revenues will increase in the coming years. Please see my section below for a more detailed analysis on the streaming market.

Global Recorded Music Revenues by Segment 2019



* Includes ad-supported & video stream revenues

Figure 4 – IFPI Global Recorded Music Revenues (IFPI, 2019)

3. Solution

Our solution is a crowd financing platform in which artists are able to cash in on future earnings to finance their careers. This will then feed into the secondary market, in which investors can buy and sell royalty streams with one another.

This platform will solve the aforementioned problems in the following ways. Artists are able to leverage their fan base and opportunistic traders to receive a new source of income. This allows them to negotiate future deals, fund campaigns and control the direction of their career from a stronger financial position. In addition to this, the artist/fan bond is further strengthened by the fact that fans now have a financial motivation to support the artist they backed.

Artists are now able to access money immediately they would have otherwise waited years to previously accrue. They are therefore less reliant on royalties which have lengthy payment delays and hidden costs. Investors see these long gaps between payments as less of an issue, acquiring passive income is a common and well-regarded investing strategy. Passive income in the form of royalties require almost no management for investors and having a diversified portfolio of multiple income streams is seen as one of the most important characteristics for investors (CME Group, 2019). Especially if a number of those incomes are not correlated to any traditional market, as is the case with royalty streams.

The barrier to invest in the market will be made far lower than ever before. More investors will be able to take part in trading and therefore more capital will become accessible. This would leverage the growth in the younger demographic of traders, who may have lower incomes than the older generations, but are far more engaged in the music scene and more investment savvy than previous generations. Younger people have been flocking to online trading apps like Wealthsimple Trade, which saw a sudden 54% increase in users in March 2020, over half of which were aged 34 or younger (Day Trading, 2020).

The collapse of Pledge Music, the largest music focused crowd funding platform in 2019 has brought about a clear gap in the market. Artists now more than ever, need better ways of funding their projects. Rytex can fill that gap by not only providing a new income stream but by strengthening the bond between artist and fan.

We will be the only company that will offer this type of flexibility in crowd financing for investors and artists alike and that offers a complete ecosystem of royalty rights trading. Competitor Corite is severely limiting for investors with their one-year cap deals and only streaming income, whilst Anote only provides the open marketplace and must constantly rely on convincing new rights holders to use their platform rather than have an in-built system that automatically brings new rights holders into the marketplace.

Rytex will bring transparency to royalty valuations. Currently most royalty transactions are conducted in private deals, where little is known about how much the royalties were bought for (Bruno, 2019).

4. Vision, Mission and Goals

Mission Statement:

Our mission is to provide artists and music rights owners with the ability to be financially secure and offer a new way for capital to be invested into the music industry. Rytex aims to be the number one place for artists to seek investment and the number one global exchange platform for music royalty streams.

Key Goals:

1. **Hire a software engineer** – We need to find someone by the end of 2020 who can build our platform. It is vital that we have someone on board who has

the technical expertise to create this platform efficiently and to a high standard.

2. **Gain pre-seed funding** – We need enough funding to begin building the platform, ideally whilst giving no equity away. This can be possible by applying to start up competitions and grants. We aim to gain at least £50K funding within the next 12 months. It is vital that we get this funding so that we can begin development of the platform. This development will bring Rytex to a level which can attract larger scale private investment.
3. **Create an MVP (Minimum Viable Product)** – We need to build and launch our MVP 18 months from when development begins. The MVP is vital for the success of Rytex as it will be the first iteration of the platform. Completing it on time will provide us fast and timely feedback on our service and important data on how to optimise the platform. The development of the MVP can only begin once goals number one and two are completed.

5. Product Description

Crowd Financing

A crowd financing campaign is set up by the artist. The artist presents their music, release plan and funding goal. The royalty advance on an estimated number of streams and other income streams will be included. The advance would then be funded by backers and repaid from the income of the song over the course of the

period of time set by the artist. Incentives are also included by artists for the backers, such as signed merchandise, free tickets, private live streams and anything the artist can think of that their audience might enjoy. In our interview with Malcolm Dunbar he mentions how incentives are vitally important for the success of a similar business as it provides “better value for money” than competitors (Dunbar, 2020). Including rewards such as meet and greets, lyric sheets, signed merchandise and instruments used by the artist helped bring Pledge Music’s average income per backer to £55 (Dunbar, 2020).

The backers listen to the music and decide whether to back it. The higher the estimated value of the song the higher the price of the share. Rytex will keep a 5% share of all the raised capital and a 5% cut of all songs distributed through us.

The artist has complete flexibility over which distribution service they like therefore, we are more artist friendly than our closest competitor Corite. Artists and backers follow the progress of the song and are incentivised to promote the song as they have a monetary gain in doing so. If the song triples its streaming goal it will at the very least triple its return to the backer. Other revenue sources from places such as radios, tv, clubs and restaurants could increase that further. Rytex will receive and transfer to the backers the rightful amount of royalties.

Open Market Place

Once the open marketplace has been built, we will then introduce it to the platform. Backers who own portions of the royalty income may trade with other investors on the Rytex open marketplace. In addition to this, shareholders of songs separate from

the crowd financing service may release portions of their royalty streams onto the open marketplace directly. The aim here would be to attract long term successful songs which have a proven track record and are likely to keep earning for many years. Rytex takes a 5% distribution fee and a 3% cut from every trade on the platform. Rytex would then act as a stock exchange for music royalties with the crowd financing platform and direct entries continuously feeding the market with new music. The reason behind the low-distribution fee model is that we do not want to take too much out of the royalty income pot. Royalty streams already have streaming services, Value Added Tax, labels, CMO's (collection societies) and in some countries "social & Cultural Deductions" all taking money from each stream (Ingham, 2015). We feel that we can make excellent profits without cutting too deeply at the right holder's earnings on our platform.

Song **royalties** life cycle

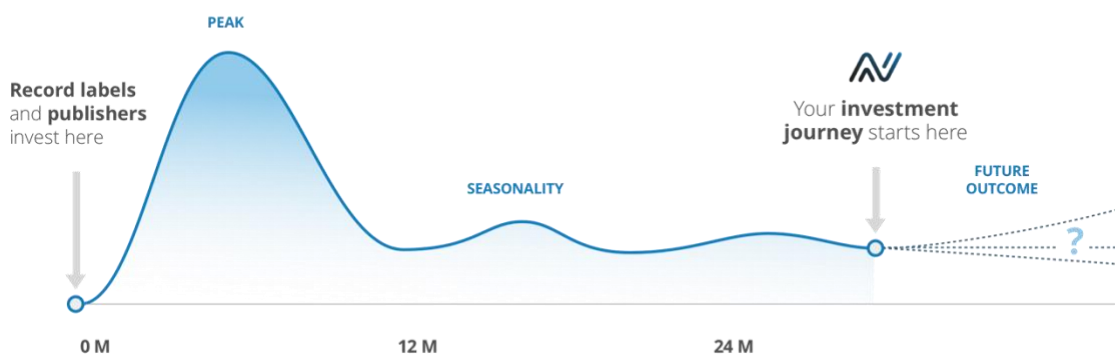


Figure 5 – Anote Music, Song royalty's life cycle (Anote Music , 2020)

Primary Market

The rights from each song are offered to investors through a Dutch auction system (Chen, 2019). For each direct release on the open market once the auction period

expires, Rytex gathers all the bids and orders them by price. Shares are assigned from a top down order until all shares are assigned. The final price each bidder pays is the lowest price of all the allotted bidders. Once this has been completed it is then released onto the secondary market.

Secondary Market (the exchange)

Investors from both the crowd financing and primary market services can now trade song royalty streams to other investors. Any investor can buy and sell shares of a song and the new market price is determined whenever a new transaction is recorded, which is when a bid and ask price match.

Smart Contracts

Smart contracts will be integrated within the Rytex system possibly using the Cardano blockchain, although we are researching other alternatives. In our interview with innovation and entrepreneurship expert Kriss Baird, he spoke of how we should “be aware of what is going on” in the blockchain space as he believes “that Kickstarter and the like are going to be disrupted by the next generation of blockchain solutions” (Baird, 2020). Cardano works as a proof-of-stake blockchain and has been built on peer reviewed, highly secure coding practices (Skalex, 2020). Smart contracts will allow Rytex to be transparent, secure and easily auditable, promoting trust between all parties on the Rytex platform. Each user will have their own smart contract allowing them to sign transactions. Each transaction will be registered on the blockchain which allows the Rytex platform to perform the order straight away. The history of the blockchain can be easily viewed allowing for clear transparency. Each time a user makes a transaction on either the primary or

secondary market or makes an order to export or import money the platform will register it on the blockchain, allowing the Rytex platform to execute the order.

Who Manages the Right

On the Rytex platform the original owner will always keep a majority stake of the rights and is responsible for managing and keeping the rights active. After the agreed time period of the investment is up, the full ownership of the income stream will revert back to the original owner.

Post-Sale Process

After a successful transaction has been completed via either the Dutch auction on the marketplace or the crowd financing service, a transfer of ownership is recorded on the blockchain. Rytex is then responsible for communicating the transfer of ownership to the relevant parties involved in the distribution process. Rytex will ensure that the investors receive the rightful amount of royalties that they are due.

6. People

Callum Finlay – CEO & Co-Founder

Callum holds a degree in Business & Economics from Trinity College Dublin as well as a master's in music business from Tileyard Education, One of Europe's leading music communities. Callum has experience in campaign management, digital marketing, artist management, creative consultancy, sales, music production as well as personal investment management.

Elliot Devine-King – COO & Co- Founder

Elliot holds a master's degree in music business from Tileyard Education. He has experience running artist release campaigns, website design, digital marketing, SEO, Google Analytics, music production, event management and artist development.

Key Hires

Developer/CTO – It is crucial that we make this key hire so that we can begin development. They will be in charge of leading the development and building the development team.

Financial Regulations Consultant – Either we hire someone who can ensure we are in line with the relevant financial laws early on or we join a program such as the FCA Innovation Hub, who will help provide important financial advice.

Advisory Board - Due to our age and inexperience, we will need a very strong advisory board with a wealth of experience in areas such as music rights, finance, technology, royalty collection and entrepreneurship. Not only will the combined expertise of these board members be an invaluable asset to the development of the company, but it will also encourage potential investors. We have highlighted a number of key people to fill this role including, **Andrew Sunnucks** - Co-Founder and Chairman of Audio Network, **Kriss Baird** – Innovation and Entrepreneurship expert, **Justin Perry** – MPA Board of Directors and Managing Director of Proof Songs and **Malcolm Dunbar** – Ex President of Pledge Music. Once the company is officially set up and development begins then formal invitations will be sent to these people and others.

Legal Team – A strong legal team with a wealth of experience in dealing with start-ups, technology, copyright and finance will be necessary to ensure that we are compliant with varying international music copyright legislation and all legal requirements throughout this project.

7. Marketing Plan

Currently there are many options for investors with regards to where and how to invest their money. Investment can be made in a multitude of different assets, such as the stock market, government bonds, real estate, start-ups, art, race cars, wine, the list is endless. In contrast, music is an underdeveloped market. One possible way Rytex could provide more security for investors is by providing bundles. We could bundle large groups of songs together and offer it to the market as a securitised package. This would provide less risk to investors as it provides a quick way to gain a diverse portfolio of songs. The only issue with this is that there may be some songs which an investor would not normally invest in, as it is under performing in comparison to the rest.

Unlike Bowie Bonds, which was sold to one large corporate investor and utilised the traditional Wall Street system (Chen, 2020). Rytex aims to be far more flexible by focusing on new and innovative technological advancements, which allow for far smaller, individual investors to take part. Which is partly the reason why it ties in so well with our crowd financing model. What Rytex is doing is leveraging the growth of

streaming technology to create increasing value for individual investors in a securitised royalty stream. Not only streaming subscription services like Spotify have been fuelling this advancement, but also internet radio stations such as Pandora. Pandora and similar internet radio stations earn a statutory digital performance royalty for each time a song is played. This differs greatly from traditional FM/AM radio, where the same song would provide no statutory performance royalty (García, 2017).

Despite the global pandemic, caused by COVID-19, music streaming remains on the increase. There are now more than 400 million streaming subscribers globally and extensive reports have shown that during the pandemic streaming subscriptions increased sharply as people who are stuck in isolation consume more music and watch more tv shows, therefore increasing music streaming revenue (Hipgnosis Songs Fund , 2020). This demonstrates the resilience of quality music, especially in difficult circumstances.

The loss of live gigs because of the global pandemic means that artists are looking, now more than ever to secure their financial future in music. Rytex can be that way of securing their financial income. In the future if another global disaster such as a pandemic, artists can offer portions of their expected revenue to earn income immediately.

Market analysis

The global music market is currently undergoing rapid growth. According to Goldman Sachs' music industry report, Global music revenue reached \$62 billion in 2017, that

number is predicted to reach \$131 billion in 2030. Whilst music publishing revenues are set to grow by +108% during this period (Goldman Sachs, 2019). Goldman Sachs attributes this to the rise of legal streaming, replacing illegal downloading, in addition to the expansion into emerging markets.

Streaming

New technology has changed the way in which people consume music. The technology which has provided the most change in consumption habits in recent years are streaming platforms. Music is no longer a one-shot asset such as an album sale, but it now offers continuing returns. As show in the information below, streaming platforms look to dominate the future of royalty income in the coming years.

Paying subscribers to music streaming platforms globally was 50 million in 2016. From the most recent available figure, Q1 2020, that number now sits at 400 million paying subscribers. Of these paying subscribers, Spotify led with 32% of the market by the end of 2019, whilst Apple Music and Amazon music followed behind with 18% and 14%, respectively (Music Industry Blog, 2020).

Despite strong growth from Amazon and Apple, Spotify retains the same global music subscriber market share in Q1 2020 as Q1 2019

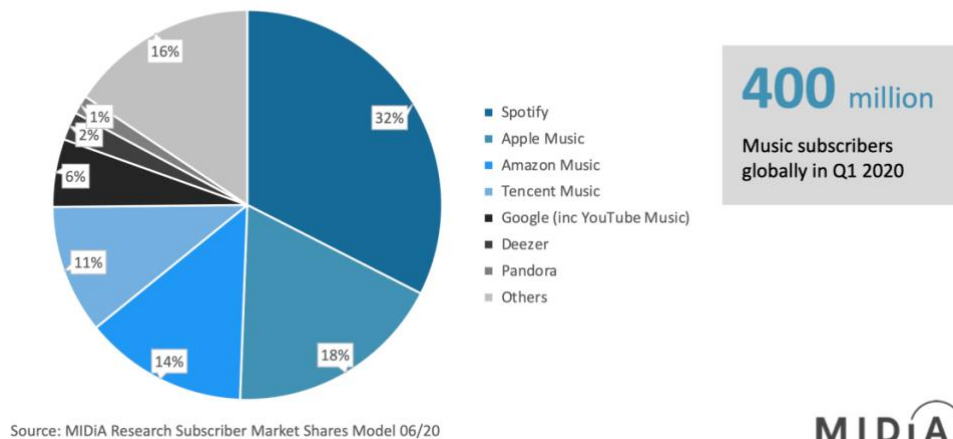


Figure 6 – Music Subscribers Globally (Music Industry Blog, 2020)

In terms of revenue predictions, Goldman Sachs has estimated that global streaming revenue will reach \$28 billion by 2030 (Ingham, 2019). That is 1.148 billion paying subscribers, a 1117% increase in revenue from 2015, when the total global streaming revenue only accounted for \$2.3 billion. Download revenue by comparison is set to drop 87%, from \$1.5 billion in 2015 to only \$0.2 billion in 2030 (Goldman Sachs, 2019). Therefore, it is fairly certain that in the coming years that streaming will be driving industry revenue growth.

Now to look into more detail of the streaming platforms themselves. According to Spotify's 2020 Q1 shareholders letter, Spotify's premium subscribers grew 31% year-on-year to 130 million by March 2020 (Spotify, 2020). Whilst Apple Music has amassed 68 million subscribers in December 2019, up from 20 million in December 2016 (Statista, 2020). Amazon Music Unlimited subscriber base on the other hand has also seen strong growth, now reaching over 55 million as of January 2020 (Welch, 2020).

Consumption of music is split between 65% classic catalogue and 35% new over the last few years (Hipgnosis Songs Fund , 2020). This indicates that classic catalogue still provides huge opportunity for investments. Therefore, on the Rytex' open marketplace we should be targeting these classic songs with proven success, whilst our crowd financing platform leverage's the new releases.

In addition to this, streaming provides success and convenience to customers and with a price point of \$10 per month, music has moved from a luxury good to almost an indispensable utility, not unlike a internet, electricity or gas bill (Hipgnosis Songs Fund , 2020). Evidence of this can be demonstrated in a recent statistic by Goldman Sachs,

“76% of streaming users consider access to millions of tracks very or fairly important” (Goldman Sachs, 2019).

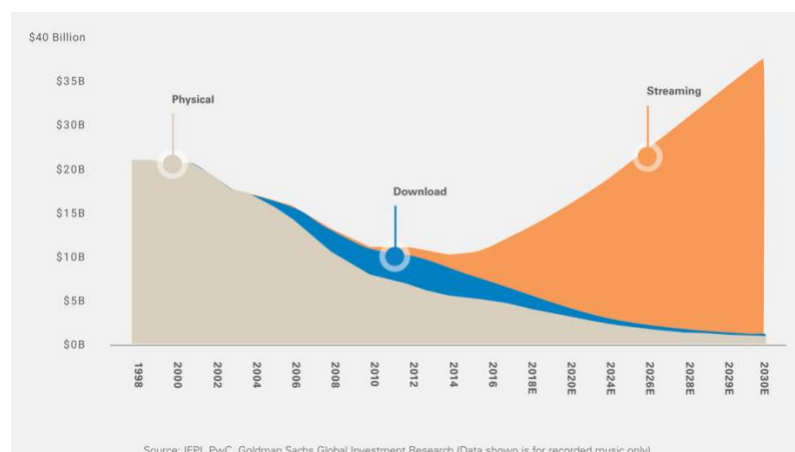


Figure 7 – Recorded Music Revenues (Goldman Sachs, 2019)

Opportunities in Emerging Markets

Emerging markets such as Asia Pacific, Latin America and others are predicted to drive 71% of global music subscriber growth between 2019 and 2027 (Music Industry Blog, 2020). Spotify is betting big by measuring growth based on market share in the attempted to dominate the global streaming market rather than try to maximise revenue among existing subscribers (Music Industry Blog, 2020). This increased uptake in legal streaming provides a huge area of growth and future profits for owners of music royalty rights.

Emerging markets are working towards a greater recognition of intellectual property rights and how it is done is a central point of debate. With a better intellectual property right system, companies operating in emerging markets are better protected and better off, thereby setting the stage for growth (Wharton, University of Pennsylvania , 2018)

Royalty Income Life Cycle

Royalty income streams provide a source of stable income with clearly marked and predictable payment dates. Its yields vary considerably but a well-chosen investment will see quality returns. The income generated from royalties may rise and fall but these changes are gradual and slowly. As you can see from figure 5 on page 13, newly released music tends to have a fairly predictable prime “shelf life”, which tends to last a few months. After which royalty income falls to a lower level. Once at this lower level a decent quality song will remain at this plateau, stable and providing ongoing passive income. Royalty payments arrive in a predictable timeline, either quarterly or every six months depending on the PRO. For example, PRS for Music

pay's out quarterly, April, July, October and December (PRS for Music, n.d.). The consistent nature of music royalty payments is seen as desirable for many investors, especially as they generally don't see regular returns in this nature outside of real estate. Stock dividends are given out at the whim of the company, whilst bonds take many years to mature and the principal takes time to recover when the bond is retained to maturity. In addition to this, royalty owners are the first to get paid, before employees or the stockholders. Appropriate investment in music royalties deliver returns that are far better than interest rates in saving accounts, 1.39% in the UK in 2019 (Swanlow Park, 2019) or even investment grade bonds, even at a declining rate. As mentioned in the Music Business Journal of the Berklee College of Music, "royalties are less affected by the ebbs and flows of the stock market" (Bruno, 2019). A crash in the stock market has far reaching consequences, effecting interest rates, housing prices and far more, but music is likely to be unaffected as people will still be listening to music in a period of relative economic depression.

Seasonality effects on music:

Seasons only seem to effect what type of music people listen to and currently there is no evidence suggesting that more or less music is consumed based on the time of year (Minsu Park, 2019).

Demand Forecast:

The forecasted demand for the buying and selling of music royalties is growing. Thanks to new technology and the rise of streaming music as an asset class, it is becoming a viable and profitable investment opportunity. MIDiA has released a report highlighting a number of key companies making headway in this space

(Hipgnosis Song Fund, Amuse, SongTradr) and described it as a “financial innovation” (Fuller, 2019). Whilst Forbes discusses how interest in this area is growing rapidly thanks to technology democratising music investment opportunities and that streaming on the road to massive growth. Forbes highlights several key companies making headway such as Royalty Exchange and Hipgnosis Song Fund (Hu, 2018). Investing in music royalties is becoming increasingly popular, they are easy to predict, highly diversified across the globe and revenue is uncorrelated with traditional markets. Some examples include, Warner Music Group partnering with equity firm Providence to launch a \$650 million investment platform (Schneider, 2019). Independent music publisher Round Hill raised \$263 million for catalogue acquisitions (Jones, 2018). Whilst Hipgnosis Song Fund reached a market cap of £1 billion in August 2020, after only two years since launch (Ingham, 2020).

8. Target customers

The Artist/Songwriter

Emerging: These artists/songwriters are those that we have identified as about to break. They have a relatively low fan base but by using technology such as Instrumental’s powerful A&R algorithm software we are able to identify potential emerging artists and contact them directly, inviting them to use our crowd financing service (Instrumental , 2020). We aim to work with artists on the breaking point of their careers to both help be more financially secure but to also help grow our platform.

Mid-stage: This group can also be described as the “middle class” of the music industry. They are comfortably living off their music income. Spotify’s second quarter 2020 financial results reveals that 43,000 artists make-up 90% of all Spotify streams, up 43% from a year before (Spotify, 2020). This shows that music taste is diversifying with up-coming artists reaching new audiences, increasing the earnings for a larger portion of artists year on year. We will market primarily the crowd financing service to these artists but will highlight a number of higher earners whose music demonstrates above average longevity. Those artists who meet the requirements will be targeted in our marketing for the open market.

Late-stage: This group is the top tier who earn huge amounts through royalties. This group would benefit most through the open marketplace and are unlikely to need the crowd financing platform. These artists will be the most sought after and safest option for investors because of their proven track record. Marketing our services to these artists will likely require a personal touch, to do so we will use our growing network to get in contact with their team and sell them on the idea that they can receive large amounts of money now rather than wait years as it accrues.

Challenges	Rytex Solutions
Raising funds and financing their careers	Artists are able to quickly leverage their fanbase to raise money on their projects with our crowd financing service. Rather than give large amounts of rights away through a label advance.

Fan engagement	Fan engagement will likely be higher as they now have a monetary stake in the artist's career. Artists will also be able to provide investor rewards, such as signed merchandise, free show tickets, and more. Thus, strengthening the bond between artist and fan.
Royalty payment delays	Artists are able to easily offer a portion of their future income to receive money right away, rather than wait years for royalties to arrive. They are therefore in a stronger financial position to make better career decisions.

The Music Fan

When determining what type of fan would invest in an artist, we need to highlight the fan groups. Michael Brandvold identifies 5 levels of music fans, of which we believe only the top three would be engaged enough to consider investing in the artist (Brandvold, 2018). I have also added another group, the early adopter, as I believe these early fans who “discovered” the artist may be more likely to invest if they see potential for growth.

Early adopters – These are fans who discovered the artist early in their career and likely make up the artist's most engaged fans during the emerging stage of the artist's career. We estimate that this group will be users of the crowd financing

service and would be very keen to receive special investor rewards. When an emerging artist signs on to our platform we will help them identify their early adopters and work with the artist to reach them.

Engaged fans – This fan group are active online and are likely to comment, share and interact with the artist online. They may likely become further engaged with the artist and the Rytex crowd financing service due to the monetary stake they can gain.

Super and ultimate fans – Super fans are highly motivated, buying merchandise, subscribing to email lists, pre-saving releases and will go to multiple shows. Ultimate fans on the other hand are so invested in the artist that they will follow the artist on tour and build holidays based around the artists shows. These types of fan would provide a huge revenue for artists using the crowd financing platform and those with a small amount of trading experience are likely to use the open marketplace.

Fan Demand	Rytex Benefits
In many cases fans seek to be closer to their favourite artists and become a part of the journey and career.	They now have the opportunity to become a part of the artist's career by investing in the journey.
	Fans, early adopters and influencers can start earning passive income by becoming their own A&R. Investing in music they believe will be popular.

	Fans can now earn money with their favourite artists.
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Figure 8 - The Fan Pyramid (Brandvold, 2018)

The Investor

We believe it is highly likely that investors will be attracted to the Rytex platform and most specifically the open marketplace. Rytex will offer a new asset class in a relatively new and untapped market. This asset class is separate from traditional financial markets and is relatively unaffected by outside market sources. Meaning that it is a safe way to earn high returns of passive income.

Experienced Investor – This group are defined by being experienced traders who have experience using other trading platforms and are primarily motivated to use Rytex' services for monetary gain. Custom social media advertisement campaigns and features in relevant financial media companies such as, Market Watch, Pocket Rate and The Wall Street Journal will be our first strategies to acquiring these types of users.

Sophisticated Investors – These types of investors are defined by having extensive experience in financial markets, which may make them eligible for certain investment opportunities unavailable to other classes of investors. Sophisticated Investors are likely to be attracted to the platform once it is seen to be gaining traction and proving to be a successful way to earn money. Once we start attracting this type of investor, we will look into creating specialised investment opportunities for this group.

9. Competitor Analysis

For our competitor analysis we have split them into two different stages. Stage 1 competitors are the crowd financing and crowd funding companies who Rytex will be competing with straight away. Out of these Corite is the most direct competitor to Rytex. Whilst the others maybe bigger, they are not music focused and approach from a crowdfunding model rather than crowd financing.

Stage 1:

Corite, LIVAMP, Kickstarter, Indiegogo

Stage 2 are companies we see as competitors once we launch our open marketplace. These companies are focused on investing and trading of royalties.

Stage 2:

ANote Music, Royalty Exchange

It is important that we carefully analyse our competitions strengths and weaknesses as we develop to ensure that we can satisfy our customers' needs better. This represents one of our most important objectives.

Stage 1 Competitors

Corite

Corite is a crowd financing platform founded in 2018 and has so far gained €600K from a mix of private and venture capital investment. This investment round was relatively recently, 10th June 2020 (Crunchbase, 2020). The service is currently available in the UK and the EU but aims to be worldwide by the end of 2020.

Corite is a digital platform which allows artists to get marketing and funding support from their fanbase. In return, the fan receives a share of future royalties for one year and from streaming only. They are also responsible for distributing the music.

They retain a 5% commission on all money raised on their service and on all revenues coming in from the digital stores such as Spotify and Apple Music. As they are a distributor, after the one-year period Corite retains that 5% as long as you continue to be part of our service.

Weaknesses:

1. Investors only receive a portion of the streaming revenue and therefore misses other revenue streams.

2. The investment period is capped to only one year; therefore, it is relatively inflexible to both investors and artists.
3. Artists have to distribute through Corite to use their platform, unless they contact them directly to make a specialised deal.
4. Corite is still a young company with not much traction yet.
5. Currently Corite offers no fan rewards which we believe is key to gain users

Strengths:

1. They provide marketing support to artists
2. The website is very user friendly and simple to use
3. They are well funded for the current level of the business

LIVAMP

LIVAMP is a crowd financing platform which has gained \$300K in funding since its inception in 2015. It's estimated valuation is at \$2.5 million (Crunchbase, 2020). The platform focuses on connecting investors with artists through a content driven artist service. Through the platform artists can raise funds for promotion, touring, recording, video promotion and more. Artists are able to monetise their content, manage legal documents, set terms and engage with potential investors. They also offer a suite of options for businesses, providing services for media outlets, brands, record labels, tech start-ups and non-profit organisations. We do not have a clear answer to where they take their cut.

Weaknesses:

1. LIVAMP has lower funding than other competitors and has not received a new round of funding since 2015. The estimated number of employees is still between 1 and 10, indicating slow or no growth (Crunchbase, 2020).
2. The user interface is poor.
3. The website has numerous faults and bugs.

Strengths:

1. On the platform they claim that all revenue streams can be bought, although we don't know how true this claim is.

Kickstarter

Kickstarter was founded in 2007 and is the most well-known crowdfunding platforms in the market. The platform focuses on creative projects such as design, comics, games, movies, art, music, theatre and photography. They earn their money by applying a 5% fee on the total amount of funds raised. They have a payment processor which applies an additional 3-5% fee (Kickstarter, 2020).

Weaknesses:

1. The platform is not focused on music.
2. The platform does not offer any investment opportunities.

Strengths:

1. The platform is well established and trusted.
2. The website is well made and user friendly.
3. The company is well funded and has been running for 13 years.

Indiegogo

Indiegogo is a crowdfunding platform founded in 2008, which allows start-ups and individuals to collect feedback and generate revenue pre-sale from early adopters of the product before it is manufactured. They earn their money by imposing a 5% platform fee (Indiegogo, 2020).

Weaknesses:

3. The platform is not focused on music.
4. The platform does not offer any investment opportunities.
5. There is a clear lack of diversity of music on the service.

Strengths:

4. The platform is well established and trusted.
5. The website is well made and user friendly.
6. The company is well funded and has been running for 12 years.

Stage 2 Competitors

ANote Music

ANote Music is relatively new to the scene with their product launch only in July 2020. They currently have raised €1 million in funding (Crunchbase, 2020). The ANote Music Platform enables Publishers, Record Labels and Artists to sell part of their music rights in an open market. ANote Music take a 4% distribution fee from the primary market and an 8% fee in the secondary market when royalties are paid out.

This means that primary market offers saves 50% on distribution fees (ANote, 2020).

Weaknesses:

1. ANote Music has a one particular policy that can be best described as anti-artist, they charge a selling fee to list offerings on their platform in addition to their other fees.
2. The user interface is messy and not clear to new users.
3. The 8% fee on secondary market reduces the likely hood of further trading activity.

Strengths:

1. ANote Music has integrated blockchain smart contracts into its platform for increased security and transparency.
2. With €1 million in funding they are well funded so far and are unlikely to need another round of funding for the time being.
3. As first moves as a royalty stock exchange they have a head start over Rytex in acquiring a large market share.

Royalty Exchange

Royalty Exchange was founded in 2011 and has so far achieved \$13.2 million in funding (Crunchbase, 2020). Royalty Exchange allows owners of music rights to sell their future royalty payments to investors as alternative assets and they provide free consultation to anyone looking to do this. The platform works by offering an auction where investors can bid for shares of the offer. Royalty Exchange earn their money

by taking a commission at the end of the auction. This fee is determined prior to the listing.

Weaknesses:

1. There is a steep learning curve to use the platform efficiently, at Rytex we believe that user experience is very important and aim to make the process as simple as possible.
2. Royalty Exchange focuses on larger level investors only and has a minimum buy-in of \$2,250 (Hu, 2018). This cuts out the younger demographic of investors from taking part who we believe would be highly likely to invest in royalties if it was made available to them.
3. The platform rarely benefits the artists as it tends to be third party master right holders who sell.
4. There is no set fee, which leaves each offering up to individual negotiation and is therefore not a transparent system.

Strengths:

1. Royalty Exchange has received strong backing from major media outlets in their marketing campaigns.
2. They are currently the most experienced competitor with a transaction volume of \$75 million plus.
3. With a total funding amount of \$13.2 million, they are a very well-funded company in the space.

4. They also sell other royalty types (although not to the same extent), including music, book publishing, television, film, pharmacy, intellectual property and energy.
5. Royalty Exchange also have an active secondary market

10. PESTLE Analysis

A PESTLE analysis is a marketing principle used by companies to examine the environment that they are operating in. I plan to use it to track the political, economic, social, technological, legal and environmental factors which will affect the business.

Political Factors

The Copyright Royalty Board (CRB) acts as the US copyright Board and in January 2018 passed the Music Modernization Act, which increases songwriter royalty rates from streaming from 10.55% to 15.1% by 2022 (Stassen, 2019). This is in effect a 44% increase in royalty rates paid to songwriters and represents a big step in the right direction for fair earnings for songwriters. This is also good news for Rytex as royalty pay-outs have now increase in one of the largest music markets in the world, \$1 of income purchased in 2018 will be worth \$1.44 by 2022.

Since we will be launching post the Brexit transition phase at the end of this year, a number of key considerations have been made to ensure make sure there is no to minimal impact on the business. Issues that could arise is a restriction on the flow of royalties or a withholding tax on royalties being introduced between the UK and EU

countries. I believe that these scenarios are very unlikely, and that Brexit will have no financial impact on the business for the foreseeable future.

Economic Factors

Music demand remains high and continues to grow, for example over a trillion songs where streamed by US citizens in 2016, triple the number of five years before (Majeski, 2017). We are also seeing a trend of older demographics engaging with modern music consumptions habits. There has been an 8% increase of this older generation accessing music streaming services in 2019 from 2018 (IFPI, 2019).

Social Factors

Movies, video games, TV adverts and programs all contribute in providing a source of synchronisation revenue for music. Social media continues to be a driving force in music marketing, whilst virtual reality could in the future provide a new source of revenue. Vlogging (YouTube videos made by people about themselves) is a growing source of content with 44% of internet users watching vlogs every month (Vlogging Pro, 2020).

Technological Factors

Technology drives change and it will likely have a positive effect on Rytex in the coming years. The automatic integration of streaming platforms in technology such as Sky Boxes, Android Wear, Samsung Gear Fit watches, as well as BMW, Volvo and Ford cars mean that music streaming is becoming more accessible in everyday life. Whilst smart speakers such as Amazon's Alexa and the Apple Homepod allow for easy music play via voice commands.

Smart phones are very popular between the ages of 16-24 as the primary way to consume music. 44% of people in this age bracket say they listen to music through their smart phone (Washenko, 2019). According to the IFPI 2019 Global Music Report, the increasing usage of low-cost smartphones in developing markets has led to growth in the consumption of music on streaming services (IFPI, 2019).

Legal Factors

Song copyright lifetime is in a very strong legal position. Copyrights persist for decades after the song is made, continually earning royalties as long as the music is used. In the UK the law provides a copyright on music for 70 years after the death of the last co-composer. On average this equates to 120 years of copyright protection (PRS For Music, 2020). In addition to the income from the publisher's and the writer's share of a music copyright is protected by law.

Copyright infringement continues to be an issue, with 23% of people taking part in the survey admitting to using illegal streaming-ripping services in the month (IFPI, 2019). In addition to this, many developing countries still currently lack the legal infrastructure to efficiently monetise streaming growth.

Environmental Factors

Although COVID-19 has temporarily affected advertising budgets and film releases, royalty investment companies such as Hipgnosis Song Fund have not seen a decrease the demand for synchronisations from song placements. They expect to

see a significant increase in song placements due to increase productions for Netflix, HBO, TV and Hulu (Hipgnosis Songs Fund , 2020).

As the vast majority of music is digital, we do not expect to see an impact from climate change in the near or far future for Rytex. We believe that people will continue listening to music despite changes in the climate. We will take steps to ensure we are as carbon neutral as possible in the workplace.

11. Financial Plan

Financial Goals

Long term financial goal - Profitable by year 7

Total investment needed over 7 years - £1,400,000

Initial first year investment needed - £225,000

Initial Investment can come from numerous sources such as start-up competitions, loans and personal investment. It is key that we clearly define how and where we are going to acquire the capital needed to build this company.

Income Statement	Unit	Year 1 2021	Year 2 2022	Year 3 2023	Year 4 2024	Year 5 2025	Year 6 2026	Year 7 2027
Total Revenue	GBP	88,850	175,000	700,250	897,540	1,149,590	1,5774,810	1,941,890
Completion Commission	GBP	53,000	104,500	201,500	258,300	330,800	453,200	558,800
Distribution Fees	GBP	35,850	70,500	136,050	174,300	223,350	305,850	377,250

Trading Commission	GBP	NA	NA	362,700	464,940	595,440	815,760	1,005,840
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COGS	Unit	Year 1 2021	Year 2 2022	Year 3 2023	Year 4 2024	Year 5 2025	Year 6 2026	Year 7 2027
Web Services	GBP	3,000	6,000	12,000	18,000	20,000	30,000	35,000

SG&A	Unit	Year 1 2021	Year 2 2022	Year 3 2023	Year 4 2024	Year 5 2025	Year 6 2026	Year 7 2027
Total SG&A	GBP	207,502	454,217	905,952	1,270,098	1,439,098	1,606,222	1,758,253
Payroll	GBP	159,500	358,967	676,890	967,213	1,068,923	1,126,220	1,182,531
Marketing	GBP	21,462	42,250	172,062	219,885	282,397	386,202	476,722
Prof. Services	GBP	2,000	2000	5,000	10,000	15,000	20,000	25,000
Rent	GBP	23,940	50,000	50,000	70,000	70,000	70,000	70,000
Insurance	GBP	600	1,000	2,000	3,000	3,600	3,800	4,000

Net	Unit	Year 1 2021	Year 2 2022	Year 3 2023	Year 4 2024	Year 5 2025	Year 6 2026	Year 7 2027
Net Income	GBP	(121,652)	(285,217)	(217,702)	(390,558)	(310,330)	(61,412)	148,637
Net Margin	GBP	0	0	0	0	0	0	7.7%

12. Business Plan Reflective Analysis

Validation and Key Hypotheses

There are a number of key considerations to make when reflecting on my business plan. The first one is in regard to a lack of validation. This is the process of running experiments to test critical assumptions. It will work towards validating or falsifying key hypotheses in our business model before we determine product-market fit. The Board of Innovation provides a useful validation model document to help start-ups with this process (Board of Innovation, 2020). The Lean Startup by Eric Ries goes into great detail as to how the validation process can be implemented through lean business methods (Ries, 2011). The idea for this is to implement a build-measure-learn feedback loop to reduce the risk of investing time and resources into an idea.

For Rytex there are two key hypotheses' that need validating before advancing further into development, those being; "do fans actually want to invest in music" and "will upcoming artists want to sell portions of their royalty income?" These two questions must be answered early, and the outcome will determine whether we pivot (target new customers, change the engine of growth, change the overall vision) or to preserve and continue with the original vision.

In regard to the question, "do fans actually want to invest in music" we can look to other companies which have also had to face this question. Corite offer a similar model of fan investing into artists, unfortunately they are a relatively new company (founded 2018) and therefore may still be trying to validate this question themselves. In our interview with Malcolm Dunbar, he stated that "I'm personally not convinced that a fan wants to

benefit from an artist's success", he then goes on to state that he believes that the fan wants "engagement, connection, to follow the journey, value for money" and "not make a profit off their favourite artist" (Dunbar, 2020). His very informed belief does not mean to give up on our idea, but instead reinforces the need for a proper validation process in our business model. It is also worth noting that we plan on placing fan engagement, connection and providing value for money as priority through our fan/investor rewards-based system.

The next question "will upcoming artists want to sell portions of their royalty income?", poses another threat to our business model if proven untrue. The business will no doubt have to be very artist friendly, carefully listening to the artists' wants and needs, but it is also important to work out how many artists would be interested in using Rytex' services. Perhaps we can create a poll for artists, to work out the likelihood that they would sell their future income streams for a period of time determined by them.

Incorporate in Ireland or the UK?

As the other co-founder (Callum Finlay) is an Irish national, the question of whether Rytex should be set up in Ireland or the UK arose. Incorporation in Ireland offers benefits such as access to EU grants and a very low corporation tax of 12.5%, compared with UK at 19%. In our meeting with Kriss Baird, he mentioned that the tax benefits aren't really useful until you are making significant amounts and that setting up in the UK would be more beneficial, especially in the short term as we are operating from the UK (Baird, 2020). He then went on to mention that, as we haven't produced any technology there is nothing stopping us from incorporating in both the UK and Ireland and utilise the opportunities of both countries. These opportunities can range from, joining industry trade bodies to accessing grants and accelerators.

From there we could decide on which country, once we started gaining traction in one over the other.

Developer and Technical Development Plan

A big barrier and goal for Rytex relates to the development of the platform. Firstly, we need to bring a developer to start the production of the platform. Kriss Baird told us that we won't necessarily need someone with a lot of experience, as they will charge a lot and will likely demand a large portion of equity. We can instead look for students at universities with fantastic track records for producing great developers, such as Imperial College London, University College London or Kings College London. If they are very good, we can cut them in as a CTO (Baird, 2020). To find this person we will likely have to network through LinkedIn, Google Start-ups and a whole host of other online and offline network events and opportunities.

For us to attract any serious investment it is key that we have a highly detailed technical development plan, outlining the step by step process of how the platform will be built. In our interview with experienced developer Richard Llewellyn, he quoted £5000 to create us a full development plan and find us a team (Llewellyn, 2020). Kriss Baird said that because we have little funding, we should have this development plan created by our first developer rather than use an outside hire (Baird, 2020).

Accountant

In our interview with Andrew Sunnucks (Co-Founder and Chairman of Audio Network), he said that it will be very important for us to find someone who has a

highly analytical mindset who would be able to work out a clear and concise financial plan. To find this type of person Andrew Sunnucks stated that it is best to look in “places like the London Business School... or places where they are training to be accountants” and that ideally it would be someone who is “keen and younger, with a little bit of experience under their belt” (Sunnucks, 2020). Ideally this person will not only have an analytical mindset but is also honourable, straight forward, clear and entrepreneurial and is willing to spend money in the right ways.

Fundraising, Equity Control and Shareholder Agreements

Andrew Sunnucks brought up the topic of fundraising and spoke on the importance of equity control. When we look to bring on these early hires, such as a CTO and CFO, it is key that Callum and I can retain at the very least 51% of the business between us, this is so that we can remain in control of the business (Sunnucks, 2020). We realise that we come from a position of relative inexperience, if we can build up our company through the development stage and gain a good amount of funding it is highly likely that we will bring in an outside hire, with more experience to take on responsibility as CEO. Keeping control of the equity would allow us to make this decision on our own terms. It is important that we do not allow our emotional attachments to the company get in the way of making important decisions.

Shareholder agreements was another point brought up by Andrew Sunnucks. He said to “treat all shareholders, you included, the same way” and this is because otherwise it will dilute the shares of the early stage investors. “The early stage investors take all the risk... If the company is successful it needs another fundraising round and the early stage shareholders get diluted down because the new

investors come in and demand different types of shares.” (Sunnucks, 2020). This is a really important point for us and is something we will definitely ensure doesn’t happen in future Rytex fundraising rounds.

Andrew Sunnucks spoke on the importance of locking in investors quickly, “timing is really important because people’s situations change” (Sunnucks, 2020). So ideally, we need to find a way of getting investors to commit and signed into the agreement even if we don’t take the money immediately. This is so as to ensure we are not extending fundraising rounds needlessly. It is also important that we gain enough capital in each fundraising round so that it will last us a long period of time.

Fundraising takes a lot of time and constantly chasing new funding will take time away from running the business.

Smart Contracts and Blockchain

As Dr Gideon Greenspan puts it, “a smart contract is a piece of code that is stored on a blockchain triggered by blockchain transactions and which reads and writes data in that blockchain’s database.” (Greenspan, 2016). It provides a high degree of trust as it guarantees that data will not be lost or changed and increases accuracy as the risk for manual errors is eliminated. It also eliminates the need for an intermediary to confirm an agreement, increasing the speed of processes and saving money.

The big drawback to all this is that smart contracts are not clearly regulated by any government, although likely to change, it seems that for now regulation is playing catch up. As Kriss Baird put it in his interview, “it is [still] very much early adoption...”

(Baird, 2020). In addition to this, smart contracts require engineering expertise and high maintenance to get them up and running.

As such I believe we should be aware of what is going on in regard to regulation and as soon as it makes sense to do so we will implement blockchain smart contracts into our platform.

13. Marketing Plan Reflective Analysis

In the following section I will highlight a number of key points which I believe my marketing plan could benefit from:

Company Analysis

An internal company analysis looks into the internal environment of a company, but as our company is not set up there this would be very limited.

SWOT Analysis

A SWOT analysis though would have been far more relevant, in which I would highlight the Strengths, Weaknesses, Opportunities and Threats to the company.

These sections would be answered in the following way:

Strengths:

Do we have a registered product/technology? Is our business model unique? What value added services do we have? What is our competitive advantage? Where do our specialised expertise lie? Have we received any recognition?

Weaknesses:

Where can the business be improved upon? What aspects of our service needs improvement? Highlight our lack of expertise in relevant areas? What negative feedback have we received?

Opportunities:

Highlight any markets which are not being served by our service. Are there any emerging niche segments within our target market? Which industry trends could benefit Rytex? Which technological developments could Rytex use?

Highlight the emerging markets in the industry? Which competitors have dropped out of the market? Are there any companies with whom strategic alliances can be formed?

Threats:

Which new competitors are emerging? Are existing competitors gaining strength? Are there changes in competitor pricing? Are our competitors introducing new services to the marketplace? What are the challenges we face to break into our industry? Are there any new government regulations being enforced?

By answering these questions, I believe I would have a far better understanding over what challenges and opportunities are facing the development of Rytex.

Customer Analysis

After writing this marketing plan another important analysis, I realised needed to be included was the customer analysis. Including geographic, demographic, psychographic and behavioural characteristics would have greatly benefitted my plan and would have allowed me to understand my customers and the best ways to market to them. In addition to this including statistics and estimations relation to segment size and future potential for growth would have also been a good addition

Differentiated, Undifferentiated and Concentrated Marketing

If we attempt to serve every single possible customer from launch, then we will be unlikely to satisfy their needs. Therefore, we would benefit from deciding how we will approach the market. Using differentiated marketing methods Rytex would target several market segments and design different offers for each (Newton, 2019).

Undifferentiated marketing would mean we decided to ignore market segments entirely and offer the whole offer with one generalised offer (Bass, 2019).

Concentrated marketing is when we would go after a large share of one or very few submarkets (Newton, 2019). By defining which approach we are taking we would have a far better idea of which marketing tactics to implement and which ones not too.

Differentiating and Positioning

Positioning determines how the product is defined by the customers, on specific attributes. It shapes how a product or service occupies consumers' minds relative to competing products.

When it comes to positioning, we will want to look at:

1. Strengthening the brand's current position in the customers minds
2. Find a new and unoccupied positing that is well valued by customers
3. Either deposition or reposition the competition

It is important to work out these important aspects so as to enter the market in a unique and advantageous position over the competition.

Marketing Objectives and Goals

I realise that my marketing plan lacks any clear marketing specific goals or objectives. Without these my marketing plan would lack a clear direction. My plan needs to be more results-orientated, defining specific, realistic and measurable goals within a set time parameter. Example goals could be that we want to build a strong and engaged customer base or increase sales.

Marketing Tactics

There is a noticeable lack of tactics in my marketing plan. These tactics are instrumental in laying out how we will carry out our strategy. To lay out these tactics we can use Boom's and Pitner's 7Ps (Pitner, 1981), which act as a practical framework for Rytex to market its services to consumers. These 7Ps consist of; product, promotion, price, place, people, process and physical evidence. We can also use Bob Lauterborn's 4Cs, which are as follows; consumer wants and needs, cost to satisfy, convenience to buy and communication (Lauterborn, 1990). By these marketing theories I will be able to create a far more detailed and effective range of tactics for the marketing of Rytex.

14. Financial Plan Reflective Analysis

Key Issues

Before diving into the calculations, I wish to highlight some key issues with my current financial plan. Firstly, I have not addressed corporation tax, which currently stands at 19% in the UK (UK Government , 2020). In addition to this, 7 years is a long time to reach profitability this may put off many investors. A re-evaluation of fees may be in order, and perhaps the implementation of additional services such as subscription-based rewards for users.

Other key figures missing from my financial plan include the Customer Acquisition Cost (CAC), Lifetime Value (LVT) and Average Revenue Per User (ARPU). All of which are highly important figures for investors and for running the business.

It is also important to include differing scenarios:

- An optimistic scenario would show revenue increase by 10%
- A pessimistic scenario would show revenue decrease by 10%

Using these two additional scenarios would be especially handy to predict the survivability of Rytex.

The inclusion of contingencies would also benefit this financial plan. Having a healthy reserve of cash to protect against unforeseen expenses is a must in any well thought out financial plan.

A cash flow forecast is also an important inclusion. Currently my plan lacks any information regarding when cash will be available and when key rounds of investment is needed.

Revenue Calculations

To work out my revenue and expenses predictions I first had to work out how many artists are suitable for our platform and thus the target market. I did this by referencing Spotify's top tier artists and working out the increase in the number of those artists year on year (Spotify, 2020). 2021 and beyond are estimations based on the average yearly increase.

Top Tier Artist

Year	Top Tier Artists	Percentage Increase
2015	16,000	
2018	22,000	12.5%
2019	30,000	36.36%
2020	43,000	43%
2021	53,019	23.3%
2022	65,372	23.3%
2023	80,604	23.3%
2024	99,383	23.3%
2025	122,539	23.3%
2026	151,090	23.3%
2027	186,293	23.3%

These artists are our target market and from these figures I then needed to work out the market share we aimed to control. According to an email sent by Malcolm Dunbar, in the first five years Pledge Music campaigns reached approximately “1k in the first year growing to about between 2k and 3k towards the end of year 5.” (See Appendix One for a screenshot of the email). With reference to how many campaigns Pledge Music were able to achieve each year and my target market, this is my target market share capture.

Market Share

Year	Market Share	Number of Campaigns
Year 1 - 2021	1%	530
Year 2 - 2022	1.6%	1045
Year 3 - 2023	2.5%	2015
Year 4 - 2024	2.6%	2583
Year 5 - 2025	2.7%	3308
Year 6 - 2026	3%	4532
Year 7 - 2026	3%	5588

Through my own calculations I worked out that the average campaign spend of Corite, our closest competitor, is £1350 per campaign. I did this by adding up the amount raised on all their completed campaigns and then divide by the number of campaigns to work out the average. Rytex is aiming to have an average campaign spend of £2000, as we offer the chance of greater returns than Corite. We will be offering more royalty stream incomes, which means that Rytex offers better returns

for investors than Corite. We will take a 5% commission on all money raised on our platform. So, to work out the amount raised it is the Number of Campaigns x 2000.

Completion Commission Revenue

Year	Number of Campaigns	Amount Raised	Commission Earnt
Year 1 - 2021	530	£1,060,000	£53,000
Year 2 - 2022	1045	£2,090,000	£104,500
Year 3 - 2023	2015	£4,030,000	£201,500
Year 4 - 2024	2583	£5,166,000	£258,300
Year 5 - 2025	3308	£6,616,000	£330,800
Year 6 - 2026	4532	£9,064,000	£453,200
Year 7 - 2027	5588	£11,176,000	£558,800

This calculation provided me the estimate to my completion commission revenue for each year.

To work out my distribution revenue I took the total value of the amount raised on Rytex multiplied by the average rate of return (ARR). To work out the ARR we looked to Corite again, on their website they claim that the ARR for investors is 1.3x (Corite, 2020). At Rytex we are aiming for 1.5x, this is due to the fact that investors will be receiving royalties from more income streams than just streaming. As we are also offering a flexible distribution policy at Rytex, I estimate that 45% of campaigns will use us as a distributor each year. Rytex will take a 5% distribution fee.

Distribution Fee Revenue

Year	Distributed Campaigns	Amount raised x 1.5 (ARR)	Income from Fees
Year 1 - 2021	239	£717,000	£35,850
Year 2 - 2022	470	£1,410,000	£70,500
Year 3 - 2023	907	£2,721,000	£136,050
Year 4 - 2024	1162	£3,486,000	£174,300
Year 5 - 2025	1489	£4,467,000	£223,250
Year 6 - 2026	2039	£6,117,000	£305,850
Year 7 - 2027	2515	£7,545,000	£377,250

To work out the trading commission, I took the total value on the platform multiplied by the amount of time I think it will be traded and then took a 3% commission fee from that figure. This was a difficult one to estimate, as I have no references in regard to the amount of times these royalty streams will be traded on the open market. I took a conservative guess at an average of 3 trades in a song's lifetime in the market. From each trade we take a 3% commission. The open market will be launched in year 3 (2023).

Trading Commission

Year	Total Value x 3	3% Commission Revenue
Year 3 - 2023	12,090,000	£362,700
Year 4 - 2024	15,498,000	£464,940
Year 5 - 2025	19,848,000	£595,440

Year 6 - 2026	27,192,000	£815,760
Year 7 - 2027	33,528,000	£1,005,840

COGS Calculations

COGS stand for Cost of Goods Sold. With an online services company such as Rytex this translates primarily to “web services”. Unfortunately, these figures are very rough estimations as I was not able to find definitive information through my research. Therefore, these figures are likely to be wildly over estimated.

SG&A Calculations

The payroll represents the highest cost to the company throughout my first 7-year predictions. This cost was calculated via an excel spreadsheet I have insert below.

Salaries	Expense Category	Currency	Monthly Cost to Company	Monthly Salary	Annual Salary	Payroll Taxes + Benefits	First Hire	How many hires added per period?	How often are new hires added?	Maximum Team	Annual Increase
If you need additional roles, just unhide rows.								Set to 0 if you would like to disable the position			
Operations											
CEO	Ops	GBP	2,292	2,083	25,000	10%	Jan-2021		1 Never	1	5%
COO	Ops	GBP	2,292	2,083	25,000	10%	Jan-2021		1 Never	1	5%
Office Manager	Ops	GBP	0	0	0	10%	Jan-2021		0 Annually	0	5%
Other 1	Ops	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Other 2	Ops	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Other 3	Ops	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Other 4	Ops	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Other 5	Ops	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Product											
CTO	R&D	GBP	3,298	2,917	35,000	10%	Jan-2021		1 Never	1	5%
VP of Product	R&D	GBP	7,333	6,667	80,000	10%	Feb-2024		1 Annually	1	5%
UI/UX	R&D	GBP	3,667	3,333	40,000	10%	Jan-2023		1 Annually	2	5%
Senior developers	R&D	GBP	6,417	5,833	70,000	10%	Jun-2022		1 Annually	2	5%
Junior developers	R&D	GBP	2,750	2,500	30,000	10%	Feb-2021		1 Annually	3	5%
Financial Product Manager	R&D	GBP	2,750	2,500	30,000	10%	May-2021		1 Never	1	5%
Other 2	R&D	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Other 3	R&D	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Other 4	R&D	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Other 5	R&D	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Marketing & Sales											
VP of Sales	Growth	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Senior Sales	Growth	GBP	3,667	3,333	40,000	10%	Feb-2024		1 Annually	2	5%
Junior Sales	Growth	GBP	2,750	2,500	30,000	10%	Feb-2023		1 Annually	1	5%
Other 1	Growth	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Other 2	Growth	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Other 3	Growth	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Other 4	Growth	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Other 5	Growth	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
VP of Marketing/CMO											
VP of Marketing/CMO	Growth	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Senior Marketing	Growth	GBP	4,583	4,167	50,000	10%	Jan-2022		1 Annually	1	5%
Junior Marketing	Growth	GBP	2,292	2,083	25,000	10%	Oct-2021		1 Annually	3	5%
Other 1	Growth	GBP	0	0	0	10%	Jan-2021		0 Monthly	0	5%
Other 2	Growth	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Other 3	Growth	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Other 4	Growth	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Other 5	Growth	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Customer Support											
Head of Customer	Ops	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Senior Customer Support	Ops	GBP	4,125	3,750	45,000	10%	Apr-2024		1 Annually	2	5%
Junior Customer Support	Ops	GBP	2,292	2,083	25,000	10%	Feb-2022		1 Annually	2	5%
Other 1	Ops	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Other 2	Ops	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Other 3	Ops	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Other 4	Ops	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%
Other 5	Ops	GBP	0	0	0	10%	Jan-2021		0 Never	0	5%

Salary predictions are retrieved from Glassdoor's salary index (Glassdoor, 2020). Despite this, there remains a number of core issues with this calculation, primarily the salaries of the CEO, COO and CTO. These salaries may be low to begin with, but it is highly likely that after a few years of development we hire in experts with far greater experience, but as a consequence they would demand higher salaries. In addition to this, more time and thought needs to be placed on the times of which key hires are made. To do this we will likely need a developer/CTO on board to co-ordinate when hires will need to be made in junction with the platform's development.

Marketing Calculations

To calculate the Rytex marketing budget I decided upon using 25% of my predicted revenue. The high percentage is so that Rytex can grow fast to attract as many artists, investors and fans to the platform as possible. According to Angelfish Marketing, "it is recommended that young companies spend around 20-25% of their revenue on marketing costs" (Pearson, 2016).

Rent Calculations

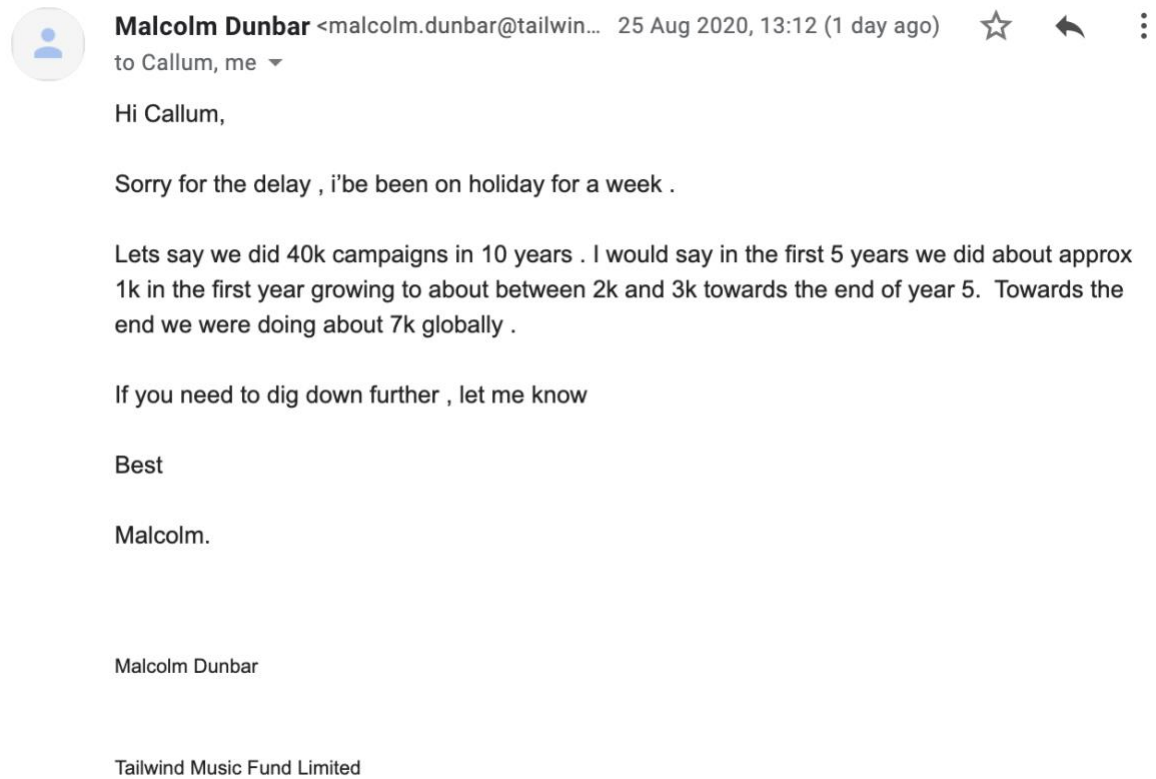
Rent in the first year was calculated by the average cost of a WeWork desk in London (WeWork, 2020). For the future years I estimated the cost of an office by looking into the amount of staff we would need for each year.

Professional Services and Insurance Calculations

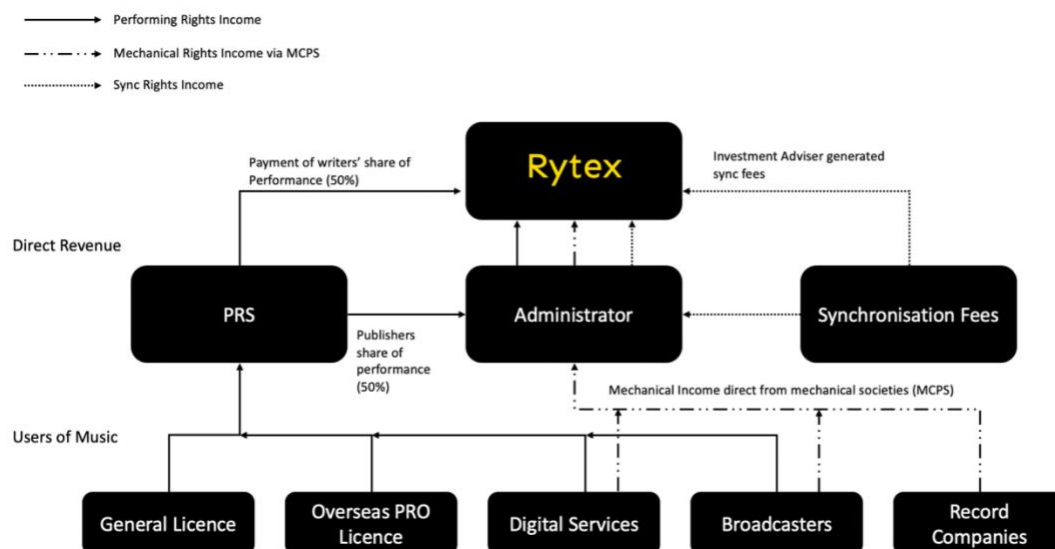
These calculations are more “best guesses” than true calculations. Unfortunately, I was unable to find appropriate references to provide definitive answers. This is an area in which I will have to look into further over the coming months.

15. Appendix

Appendix One – Malcolm Dunbar Email



Appendix Two – Royalty Income Flows by Elliot Devine-King



Appendix Three – Interview Links

<https://drive.google.com/drive/folders/197Kg937YUVMCdfqp8v9azQRND1ZwaI9Y?usp=sharing>

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