

The strategic repositioning of commercial music studios

a future vision

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INTRODUCTION

The recording audio industry, despite constituting - at least- a noteworthy chunk of the economy, is often based on assumptions. There is very little academic information on the recording sector (and especially less information regarding the music recording studios) and the larger portion of the literature is not up to date. One of the most authoritative sources of data is a report produced by Dane et. al. for the National Music Council in 1999 (Dane et al., 1999). This work argues that in the late 1990s recording studios in the UK were responsible for overseas earnings of £3.7m, generated a turnover of £30m and directly employed 660 people (Leyshon, 2006). However, with the technological advancements in the audio field beginning in early 1990s and speeding up in early 2000's, this had a significant effect on the audio recording industry. The important assets of commercial studios which were the technology, expertise to use that technology, space and time have all been affected by cheaper and smaller technology, advancements in audio related internet experience and increasing availability of educated young audio enthusiasts who has access to all these new technology.

The combined effect of all these factors brought dramatic changes to the recording industry. The recording and production premises that were considered to be the invincible castles of recording have been shutting down due to mainly not being able to operate profitably. The Hit Factory, Sony Music Studios, Record Plant and many more in USA, Town House, Eden and Olympic Studios and others in the UK are shut down in the last few years.

In this essay, I am going to investigate the changes in the audio recording industry, its effects to the recording studios and explore repositioning possibilities. In order to do this, the era from the end of 90s until today will be inspected. Primary and secondary data will be the main two sources of literature. This inspection of the current situation will be presented in the first section of the essay. In the second part the importance of repositioning and strategic planning is going to be explored and possible solution scenarios are going to be introduced. In the last section, a business plan will be presented which will be a practical example of the implementation of the ideas presented in the first two sections.

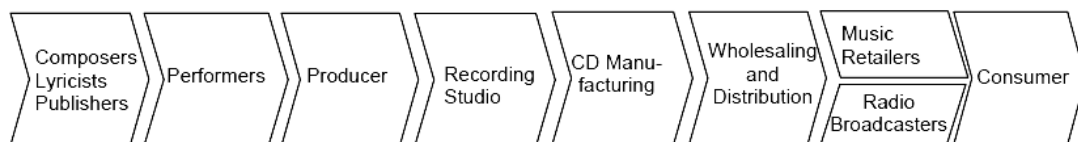
"The renaissance that London studios have enjoyed in the past five years, as bands like Blur and Oasis have rejuvenated the big-sound rock record sector in music, is drawing to a close. Now, the focus is shifting to project studios, and the observations of commercial studio managers and owners show that many are feeling the pinch."

(Mix Magazine, February 2000)

PROFILING THE AUDIO RECORDING INDUSTRY

The Value Chain and Studios

Traditionally recording studios have been one of the most important steps in the value chain of producing and marketing a record. The chain starts from the creation and ends with the distribution of the product, which is the sound recording (Tuomola, 2004):



Source: Nordicity Group Ltd.,

Especially before 90s, music studios were involved in the first two stages of the value chain heavily: Creation and development of the productions. Record labels would advance huge sums of money to the studio, musicians and the producer to get into the studio and create music for months. This involved lots of writing sessions as well as recording and mixing sessions. This linear fashion of producing music started to change in parallel to the changes in technology.

The impact of technology change comes in two flavours:

- 1) Disintermediation (removal of the middleman) and reintermediation of the record making value chain due to digitalization (Tuomola, 2004)
- 2) Cheaper and smaller sized audio equipment which could produce comparable quality to bigger studios

Disintermediation and reintermediation of the record making value chain and the internet

Roger Wallis (2001) describes this phenomenon in the context of electronic commerce: "Traditional physical sales-entities would be bypassed

("disintermediated") as suppliers made direct contact with individual consumers via the Net." Thus disintermediation shortens the value chain, diminishing the role of intermediaries or rendering them unnecessary. These intermediaries include record companies, wholesalers, and retail stores. (Tuomola, 2004) The exclusion of the record companies from the value chain naturally excluded any other businesses that were directly linked with these companies: Recording studios. There were no more big budgets being disbursed for lengthy studio sessions. Labels started to focus on which acts to sign and how to market the finished products rather than being involved with the actual production of the recordings. This directly shifted a part of the pre-production and writing from studios to individual efforts. Some studios in the beginning of 2000s tried to adapt this by renting out smaller production rooms rather than big studios which some success. "We have found that as the trend for producers and engineers to work with Pro Tools, etc., in small home or project studios grows, says Alison Burton of AIR studios and continues, leasing rooms for this purpose creates a symbiotic relationship with our more commercial rooms. Once the client has finished pre-production of a track, the transition into a larger tracking or mix room within the building complex is obviously an attractive prospect" (Mix magazine, February 2000).

Digitization (i.e. internet) also affected film sector. Some big studios like AIR, Abbey Roads etc which mostly rely on orchestral recordings are currently well off thanks to government subsidies for films. However, no one could possibly know whether or not these subsidies will continue as it is if video "piracy" gets worse.

All these changes resulted in more complex business relationships between the creators of music, recording studios and record companies which are not in a consecutive, linear relationship.

Home studios

Parallel to the disintermediation of commercial recording studios, a new concept (which was once associated with only "techno" and "dance" music) emerged: Home and project studios. With the new technology advents and disinterest of record companies in allocating budget for studio time and song development, bands and songwriters started to produce (at least do the pre-production and song

writing) in their smaller home or project studios. In a report about the music industry in Scotland, it was mentioned how many studios have been replaced by smaller studios which were able to produce audio quality that was in par with biggest studios towards the end of 90s. These studios were computer based and they were equipped to a level that could just attract external clients but still cost a fraction of what the customer would pay for a large studio. (Williamson et al.,2003).

This shift from the “high end” to “low end” production environment coincides with the rise of mp3. More and more music listeners are buying and using mp3 rather than full quality audio and this itself is a loss in terms of a potential income flow for commercial studios. Surround audio and high fidelity 24 bit recordings were the expectations of the studios; however, huge developments in the computer based audio production became even more than enough for feeding the mp3 culture. DVD-Audio neither did any major impact for recording studios nor stimulated any desire for listeners to invest in surround equipment.



Cheaper and more widespread availability of professional audio equipment also made the barriers to entry to the audio recording business less strong. This is an important concept to consider before entering into an industry or if the company is already competing in a changing industry. Today, if an entrepreneur wants to set up a studio, £ 25,000 would equip the studio with latest technology capable of recording at least 24 channels of audio simultaneously through an excellent selection of microphones, cables, preamplifiers and high end monitors. Acoustic treatment, mixing gear, furniture and all other essential gear is included in this budget. This budget, of course, is excluding the cost of the premises due to the fact that it is a highly variable cost depending on which city or even which part of the city you are leasing / buying. This, on one hand may seem like an advantage, however on the flip side is creating lots of competition by making it easy to start up new small businesses which reminds me Napoleon’s phrase: “England is a nation of shopkeepers.” ...

"L'Angleterre est une nation de boutiquiers."

Here is a research on how and where 2009’s top 10 albums were recorded / mixed:

- 1) Prodigy – Invaders must die: Recorded in New York, mixed in London SARM Studios
- 2) Kings of Leon - Only by the night: Recorded and mixed in Nashville
- 3) Lilly Allen – Its not me its you : Recorded and mixed in Eagle Rock studios, Los Angeles
- 4) Duffy – Rockferry: 4 tracks at RAK Studios London, other tracks in USA
- 5) Lady Gaga – The Fame : Recorded and mixed in USA
- 6) Elbow – The Seldom Seen Kid : Recorded and mixed at own facility in Manchester (no external help)
- 7) Ting Tings – We started nothing: Recorded and mixed at own facility in Manchester (no external help)
- 8) Take That – Circus: Recorded at SARM London, mixed in USA
- 9) Fleet Foxes – Fleet Foxes : Recorded and mixed in USA
- 10) Killers – Day & Age: Recorded and mixed in band’s own studio at LA and producer Price’s own studio in London

Source: Own research

It is very interesting that when compared to 10 years ago, only 3 out of 10 best selling albums in the UK have UK commercial studio credits. More interestingly, three of these top 10 selling acts have produced their albums in their own facilities without any external help.

When we look at the “top 10 albums 1999” list below it was 6 out of 10 productions that were made in the UK.

TITLE	ARTIST	PLACE OF PRODUCTION
1) Come On Over	Shania Twain	USA
2) By Request	Boyzone	UK
3) The Man Who	Travis	FRANCE + UK
4) Gold - Greatest Hits	Abba	SWEDEN
5) Performance and Cocktails	Stereophonics	UK
6) I've Been Expecting You	Robbie Williams	USA
7) Steptacular	Steps	UK
8) Westlife	Westlife	UK
9) Talk On Corners	The Corrs	UK
10) On How Life Is	Macy Gray	USA

Source: Own research

REPOSITIONING for SUCCESS

Strategic Planning

Up till now we have investigated the changes in the recording industry and also commercial music studio business. In every industry, competition, changing

technology, changing services, price changes or increased competition creates pressure and shrinks profits.

Commercial music studios have been facing most of these changes. Some businesses do try to adapt to the transformation in the industry, however, most of the time decisions have been made by experimentation rather than a systematic approach.

In order to adapt to changes in the industry companies must employ strategic planning with emphasis on repositioning. This allows the company to identify its core competencies, threats, opportunities and explore / exploit the changing industry it is operating in.

Repositioning

Strategic repositioning requires the company to assess its internal and external competencies and set its goals accordingly to compete in the market.

The five keys to strategic repositioning are:

Keys to Strategic Repositioning (Bers, 2001):

- 1) Recognizing that success involves change
- 2) Understanding what your company does well
- 3) Discovering unarticulated customer needs
- 4) Exploiting your company's strengths to meet customer needs better than everyone else
- 5) Building a culture around market intelligence and customer focus

It is important to understand what each of these keys mean and how they can be translated into the cases of commercial music studios.

Change for success

The business should first accept and internalise that there is a change in the industry and a parallel change is needed. Customer profile has changed; labels are no longer in direct contact with studios. Management companies are more involved in the A&R process compared to record companies and these management

companies are the ones who will decide which studio they will use (if they actually do decide that they want to hire a commercial studio!). Market has also changed. With the new technologies, the way music is being made is changing constantly; the way music is being marketed as well is changing. Watching this transformation alone would not bring in new customers. Willingness to understand and willingness to change are the two most important bullet points.

Understand what you do well

The key to satisfy clients and utilise the dynamic market is to understand what the company does well. The strategic know-how's that are significant are those which:

- add value to the customer
- differentiate the company from competitors
- are difficult to copy

Value to customer could mean a few things in the case of recording studios. It could be:

- Quality of the results
- Service quality
- Speed of the service

All these bullet points, if done well, would add value to the customer, therefore the customers would find it easier to pay for the services.

"The purpose of a business is to create a customer." - Peter Drucker

Differentiation is a difficult one to implement. Not all companies have unique selling points. However, a studio might have something tangible or intangible that is unique. E.g. a very nice sounding live room, a boutique gear, eccentric engineer, a cat!?. It is important to identify and market this unique feature if it exists.

Every studio has a different approach to doing things. Sometimes these unique approaches turn out to be a quality that customers would be willing to pay more money. This competency should be secured if it is something that cannot be copied easily. If it is easily replicable, then it really does not have much business (and thus

customer) value other than a regular utility. For example, big mixing consoles were once the very essence of commercial studios, however today with the advents in technology many functions that a big console costing thousands of pounds can be done inside a computer, therefore owning a desk can no longer be considered a strong strategic competency.

Discover unarticulated customer needs

This refers to listening to customer needs that are not obvious. This is something most companies do regularly in every sector by questionnaires, focus groups or simple interviews. A commercial music studio as a business should be aware of new customer needs that could evolve. However, a common mistake of totally relying on customers' verbal wishes should be avoided. The company should keep in mind that customers do not always know exactly what they want and there is always an answer if a question is asked, but is that answer always the right one? The solution to the problem is to try to understand the service and the customers as deep as possible (Kotler et al., 2001).

After identifying these needs, the company can capitalize on this information and convert these needs into company policies which in return would bring greater customer satisfaction, thus profit.

Exploit strengths to meet customer needs

Once the strengths are identified and established, these strong skills should be fully utilized to meet customer needs better than competitors.

Customer focused organisational culture and strong market intelligence

Every company wants to be customer focused. However, being customer focused is not only asking the customer what they want. A studio owner could ask clients what they would love to see in the facilities and they would list you many items. Although this list actually does shed a light towards being customer oriented, the final decision should not be made by the customer. The decision should be the one that would best meet the studio's objectives.

Ongoing market analysis is vital for any business. Especially in a dynamic market like today's music recording market, studios should always seek for new information as to what is happening in the market. Any information acquired is a valuable asset to survive and even grow!

For example, Professor Andrew Leyshon suggests that music studios could capitalise upon the changing market where record companies gave the role of artist development to management companies. "They (studios), could use studio assets (such as technology, labour, and expertise) to develop creative talent and seek to keep some rights to products they sell on to record companies. However, such endeavours will need money to fund the development of artists, while few recordings cover the cost of their production. Developing talent is a highly risky business."¹

¹ Sites of sound: recording studios and the musical economy – Andrew Leyshon

BUSINESS PLAN

Executive Summary

Emre Studios is an audio production and artist development/management company. Emre Studios is currently in search for finances to move into a new building with new equipment, use it as start up capital and marketing activities for new customers. The finances needed totals £80,000. The finances will be in the form of loans from private investors and banks. The interest rate will be around 8 percent. Monthly repayment amount is calculated via a loan calculator and for 10 year period it is approximately 900£ per month. The studio has a good start up client base due to the main engineer/owner Emre Yazgin's previous works, engineers, manager, secretary and contacts that would supply the new equipment.

The upcoming clients include an album production with the Irish band Dance to Tipperary, who already has hit song success in the Irish album charts. Also, four dance single productions with USA originated producer Rob Rah (who is signed to various labels including Ministry of Sound).

The main engineer/owner has a solid experience in music production and audio engineering fields and worked as resident and freelance for 7 years with various studios in Cyprus, Turkey and UK. Emre Yazgin also has a professional musician identity spanning over 15 years which gives the company a unique competency in dealing with artists and clients at a closer level.

The money will be used to acquire production equipment, acoustic treatment material and service and as working capital. A new location for the studio premises is located in east London, Brick Lane (Old Street) area, which is an ex-studio complex with close proximity to record labels, some audio manufacturer companies and young, vibrant environment. The place has a good lease cost with sensible contract. Although the place found it not the final decision, another option would have similar physical properties and similar lease terms.

The loan will be repaid by the money that will be generated with the future income. At the end of the first fiscal year (beginning of 2010), gross revenue of £100,000 is

expected. Although the market for music studios seems to be shrinking the combination of artist development/management/music production facility would be a suitable business model for the transforming record industry. As the involvement of record labels in artist development is decreasing most studios are vacant due to the fact that they are simply still waiting business directly from labels, however, Emre Studios will be undertaking the A&R and artist development duties and projects within the company and approach the labels directly for the next step which is marketing of these projects.

This business plan will concentrate on where Emre Studios is today, where it will go in three years and how it will go there. Financial statements (balance sheet, cash flow statement, profit and loss, start up costs and breakeven analysis) will also be presented as appendices. Although these statements are estimates, they are going to be the keys for the success of this business plan.

Company Analysis

Name

The name, Emre Studios was chosen because it is a short and memorable name. Also, the name Emre, which is the first name of the main engineer/owner, means "singer/songwriter" in old Turkish language.

Mission

Music consumption is growing rapidly and music production is evolving constantly. As, Emre Studios we value quality, excellence, honesty and continuous improvement. We are committed to our artists, clients, partners and staff and always hold ourselves accountable to them. Our ultimate aim is to be the most successful studio while delivering the best customer experience in all areas we serve.

Company History

Studio's history is not very long at the present time and it only includes registration of the name, applying for the logo registration, tax registration and internet domain name registration. Emre Yazgin and his partner Mr. Brown researched the UK and specifically London market for music recording, production and artist development and decided that there is an opportunity to capitalize on.

It is a risky adventure to start up a new business, however having worked inside the industry in several different roles, Mr. Yazgin has enough passion, knowledge, connections and desire for producing music, audio and working with artists to develop them into successful acts. Mr. Brown's expertise in marketing and accounting areas would be the missing link in the company's board.

Emre Yazgin had the following successes since 2004:

- Founder of londonsounddesign.com online sound design company
- Four years working as a freelance audio engineer and producer
- Production and engineering credits of over 30 albums
- Bachelor of arts in Business Administration
- Higher diploma in guitar performance
- Diploma in sound engineering
- Currently working as a freelancer and studying at the Westminster University – MA Audio Production

Partner Mr. Brown had the following successes:

- Served as the marketing manager for 4 years
- Production credits for over 10 albums
- Bachelor of science in management science
- Co-founder of a small advertisement company which was sold to another entrepreneur on profit

Current Situation

Partners have been involved with music for many years; specifically Mr. Yazgin has been recording and producing with various artists, producers and bands on freelance basis as well as working as a recordist for international corporations.

Currently the studio needs a new place and financing for capital. £ 80,000 is needed from private investors or banks. The studio has the employees, contacts, future clients but needs the start up capital for equipment purchase, to use it as the working capital and for marketing activities.

As mentioned above in the executive summary, there are four projects waiting to be done as soon as the company starts operating. An album production with the Irish band Dance to Tipperary is the first big project. The band has big success in the past years and these projects will serve as both a profitable operation but more importantly as good marketing due to the high possibility of success with the album. Also, there are four dance single productions with USA originated producer Rob Rah. These singles are already negotiated to be released; therefore, it is again good publicity for the studio. Further projects are on hold due to the formation of the new company.

Location

The location desired for the studio is in Brick Lane area of London. It is a vibrant area with lots of musical activity around. There are labels, audio manufacturer companies, audio software companies and lots of bars and food places in the area. Although it is not the cheapest area, the lease options currently are quite good. One option found in the area is an ex-studio building which is already divided to become a studio building. It has bathroom, small office for manager/secretary, one big, three small studios, and big control room, own parking and big storage room. Storage rooms will be only used minimally in the beginning however by time, they could be converted into smaller storage spaces for bigger companies or bands to put their equipment in it and pay weekly or monthly rent for this service.

Company Goals

Studio will begin with three employees and expand as the business increase and will exceed 20 clients per month in three years time. At the end of the third year the goal is to accumulate gross revenue of £80,000. In three years time the revenue is expected to be 20 percent more than the first year (around £100,000). In five years, the goal is to be among London's top 10 studios and be expanded into radio and film sound. At the end of the fifth year the company needs to be fully booked in order to meet the overall goal of being in the top 10 studios.

As the company is also be developing new artists, the other main goal is to find and develop new artists and hopefully make good chart success. This will bring more

publicity, create a positive word of mouth and also create royalties that will be very good (and very long term) profit bringing assets for the company.

Ownership

The company has two partners, Emre Yazgin and Jonathan Brown. Studio will be a Limited Liability Company. This will limit the liability of the owners and will be a good option in terms of tax payments. Ownership percentages will be 60% for Emre Yazgin and 40% for Jonathan Brown.

Management and Staff

Mr. Yazgin is the head engineer and creative director responsible for the creative, technical and artist relationship side of the company. Mr. Brown is the general director responsible for general management including payroll, human resources, public relations, marketing and business side of the company.

Apart from the management a secretary is going to be hired. She/he will be responsible for taking the calls, administration duties and of course paperwork and liaison between directors and clients.

Insurance

Various insurance companies have been contacted and different quotes have been taken. Although there is no final decision has been made, depending on the cost and terms of the contracts an option will be finalized as soon as possible. The insurance of the equipment, the building and public liability insurance are vital for the business.

Market Analysis

Product

Emre Studios will perform at the highest service level to satisfy the client's needs fully. Studio's goal is to create permanent customers and build a good reputation in the industry. In addition to the normal service studio will attach importance to pre-session meetings with the client to determine project needs to tailor the service accordingly. Studio will provide any service that is needed for the completion of the audio project. If the case is developing an act, apart from the production of the album/single, legal documents, representation of the artists will be undertaken by the company. These are the main services to be provided:

1. Sound Recording and audio/music production

- Demos for new artist
- Full productions for new / existing artists
- Working with record labels projects
- Radio Commercials
- Any other audio project that is within the scope of the company

2. Artist Development:

- Song writing
- Portfolio making
- Representation of the act

Price

Services will be charged on an hourly based fashion. A typical work day is 10 hours, extra hours booked will be charged as overtime and will be 30% higher than the usual rate. Price will not be fixed for every artist. Higher profile customers, bigger productions will be rated accordingly; regular customers will be charged less depending on circumstances. The studio will charge £50 per hour regardless of the nature of the production (recording, mixing, overdubs etc). Any extra equipment that needs to be rented from a third company is customer's responsibility. 50% down payment will be required from each customer for each project. Credit card, cashier check or money order will be acceptable.

Distribution

All services will be offered from the main production studio and the company's website (through email or form). Studio will have convenient hours that will accommodate all types of customers. Services will be delivered to clients who visit the studio at pre arranged times or during regular studio hours. In addition to this, the web site www.emrestudios.com will be an alternative portal for client distribution. Customers will be given a user id and password and be able to access their projects via the ftp server of the company. This service will give clients the flexibility of being able to listen to the progress and exchange ideas without needing to visit the studio.

Advertising

The main advertising for the company will be word of mouth through satisfied customer and also through the credits that the company will get from each project. Also, Emre Studios will be involved in musical projects with churches, clubs, schools, and become members of the Association of the Professional Recording Services (APRS) and Music Producers Guild (MPG). Company will promote itself through magazines like Sound on Sound, Future Music and will develop good relationships with University of Westminster and in return get publicity through the university as well. Emre Studios will also sponsor local events and community activities to maintain company name awareness.

Industry trends

In the 2009 digital music report of IFPI it is being addressed that the music industry is radically changing. New business models are emerging and new services are being put up for customers to enjoy music.

Although traditional methods of delivery (CD, cassette, vinyl) are not in a big rise anymore, digital sales grew by around 25% according to IFPI. This alone is a strong point that supports the idea that music consumption is not declining, the industry is just transforming. Emre Studios is aware of this transformation and will capitalize on these changes.

UK digital market is experiencing the biggest increase in the digital market (source: IFPI) therefore careful artist development would yield high profits as delivering digital is an easier way of distribution compared to the traditional "major distribution deal".

Youtube.com is the leading video streaming company and according to IFPI half the video streamed are music videos. This is a strong indication as to where the industry is going.

Merchandising, games and other alternative revenue streams are also becoming a larger portion of the gross sales of music industry.

According the IFPI report music companies are investing 20% of their revenues into new artist development. This proves a strong point for the new artist development attempt of Emre Studios.

Supply/Demand

The demand for the audio recording/production companies is still high, however, the type of projects, duration of the projects and the financiers are changing. Since big labels are no longer interested in developing artists as it is a risky business managements companies or artists themselves try to develop their own projects.

Supply for audio recording is not as it seems to be. As explained above, the demand character is changing and because lots of the studios are not supplying the services that would match the new demand character there is a mismatch between the supply and demand. Therefore, there is a big potential it terms of covering the demand if a company like Emre Studios can reposition their market strategies.

Target Market and Customer Base

Target market of the company is:

- Bands, artists
- Producers
- Record Labels
- Radio, TV
- Film producers
- Musicians
- Audio companies
- Composers

Customers are located on the northern side of the Thames but due to the proximity of the Studio to the national rail we are anticipating that customers would be coming from just outside London from North: Luton, Stevenage, and Chelmsford etc.

The market consists of three layers:

- Low budget musicians, up and coming bands
- Professionals (producers, pro musicians, composers, established bands etc.)
- Companies (Labels, audio companies, production companies, film companies)

The services needed for each layer of target group are different. The budget is what differs them from each other and thus each project from these layers will be

different in terms of needs. The studio is confident that we will cover needs of each layer accordingly. The company initially will concentrate on local bands that already have a certain popularity and potential to develop. As business grows, more serious projects will be taken by using the previous portfolio created. In one year's time, the ratio of low budget to higher budget projects should be 30 to 70 in order to create growth.

Barriers to Entry

The barriers to entry are typically low. Recording equipment is relatively cheaper today. Buildings are also more vacant thus making it easier to find a suitable place. However, unlike some other industries, audio industry relies on good service and expertise. Audio expertise is a long term quality to acquire and it needs lots of commitment, desire and funds to create. Emre Studios already has such human resources: The founders. Also, personality, excellent customer service and brilliant management are equally important and are difficult to replicate. Therefore, although capital and equipment are not difficult to copy, the service and expertise skills of the company would be the unique competencies and would give the company an edge on competition amongst industry.

Intellectual Property and Copyright

The name "Emre Studios" is registered; also, the logo of the company is also registered, therefore protected. The recordings that will be made in the studio are, by law, the party's who will pay for the recording/production session. All the necessary information will be given to the client regarding copyright and rights for free as an advice. However, the company will not be responsible for any further copyright or trademark issues regarding clients' work.

Growth Opportunities

The future growth opportunities include bigger scale film productions, bigger productions that come from corporations like BBC, ITV and SKY etc. Also, gaming industry, surround audio would be other candidates for diversification. However, any opportunities due to innovation or market trends will be closely inspected and diversify accordingly.

Trade Agreements

Although the company does not have any trade agreements between any organisations, in the future, deals could be made with certain manufacturers or labels, production companies etc if the need arises or if we believe that it would bring a positive impact to the company.

Exit Strategy

The studio, ultimately, has a goal to grow and expand into multiple branches. However, on the unfortunate even of liquidation the first option is to sell it to one of the founders. If that is not possible, then the assets will be liquefied in an auction and company is sold to an entrepreneur.

Estimated Revenues

Revenues for the first year are estimated to be £80,000 (gross) and to increase to £100,000 at the end of the third fiscal year. As the satisfied customers increase, the revenue is expected to increase in parallel. Word of mouth due to quality results are the two important things the company will concentrate on. The first year's estimate is based on the estimated number of projects per year.

Material assumptions

- Each customer will purchase £500
- Number of projects completed will raise 25% at the end of 3rd year
- The loan will be amortized according to the following:

Amount of the loan is £80,000; the time to repay is 10 years at an interest rate of 8 percent. Therefore the monthly payment is £958.86 and total amount repayable is £115,063

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