

Sofar

SONGS FROM A ROOM

Business Model Canvas

Abstract

The below report analyzes Sofar Sounds Business Model Canvas and Data in order to provide recommendations for their future decisions.

The Business Model Canvas

Designed for:

Sofar Sounds

Designed by:








Ines Cerdan

Date:

March 7th

Version:

1

<p>Key Partners </p> <p>Artists and Bands; certain as Billie Eilish once played at Sofar Sounds</p> <p>Host (location): boutiques, museums, living room, bar, rooftop, park, forest. Need to find different location to generate more interest from customers (Sofar Sounds, 2020)</p> <p>Stripe: Payment platform for business on the internet; enable online payments (Stripe, 2020)</p> <p>Partnership with companies:</p> <ul style="list-style-type: none"> AirBnb trips (650000 host): 13 cities where Sofar and Airbnb partner to offer 'Music Experiences' (Zhan, 2018) Studentbeans and Unidays to offer up to 25% student discount on first event (Sofar Sounds, 2020) 	<p>Key Activities </p> <p>Finding artists and locations on the internet, shows, door to door, street, contest..</p> <p>Planning events including dates, hours of beginning and end, activities and talk, number of guest, location</p> <p>Managing ticket sales and promoting events as printing flyers, send email and make post on social medial,</p> <p>Communication with artists, hosts and customers printing physical indication, verifying that all participants have the required information to attend the event</p> <p>Collect feedback and pay artists</p>	<p>Value Propositions </p> <p>Creating intimate gigs for music lovers in unique places to properly appreciate music and get closer to the artiste.</p> <p>-----</p> <p>Community creating space where music is important with events; includes few people in a deep respect of the performer (no texting, few talks).</p> <p>Allows more intimacy for artists and fans, and creates lasting connections between them; on average 50 people (capacity between 45-150), 3 styles and 3 artists/ band, each play for 25 min</p> <p>Performances take place in unique locations from living rooms and rooftops to boutiques and museums to offer unique experiences</p> <p>(Sofar Sounds, 2020)</p>	<p>Customer Relationships </p> <p>App & Website (assistance, tickets sales, information, news..)</p> <p>Discounts for students with students brand and website</p> <p>Seeking for long term relationship: membership creation: community, ticket reductions, Global travel service, exclusive events and news.</p> <p>(Sofar Sounds, 2020)</p>	<p>Customer Segments </p> <p>Behavioural: people who are adventurous music fans. (Zhan, 2018)</p> <p>Geographic: Located in USA, UK, Spain and Norway (Sofar Sounds, 2020)</p> <p>Demographic: (Sofar Excel; 2) <u>Age:</u></p> <ul style="list-style-type: none"> Millennials (25-34 years old) main target. – 32% of the population going to music events worldwide is currently in this range Early generation Z (18-24) secondary target; 18% of the population going to music events worldwide is currently in this range <p><u>Gender</u> (Sofar Excel; 2) :</p> <ul style="list-style-type: none"> Males (51% of the population going to music events are males) Females (49% of the population going to music events are females) <p><u>Level of income:</u> (Sofar Excel; 2)</p> <ul style="list-style-type: none"> Low level of income: 48% of the attendant have an income lover than \$25,000 Medium level of income: 32% of music event attendant have an income between \$25,000 and \$50,000.
<p>Cost Structure </p> <ol style="list-style-type: none"> Executive and full time employees salaries (81) Artists payment (\$100/ artist/ shows) Administrative expenses Platform and application maintenance Marketing and Advertising 	<p>Revenue Streams </p> <ol style="list-style-type: none"> Classic tickets sales related to the event: price range: \$10-\$20 per event (Sofar Sounds, 2020) Membership: \$10.99/ month; give access to 50% tickets (Sofar Sounds, 2020) Pay-what-you-want YouTube videos: estimated between \$4.5k and \$24.7k monthly earnings (SocialBlade, 2020) 			

Sofar Sounds Business Model Canvas Analysis

Sofar sounds creates intimate gigs for music lovers in unique places that allow them to properly appreciate music and get closer to the artist. After more than 10 years in the market, a worldwide expansion and many new famous artists passing through, the company still faces issues when it comes to be profitability.

Current market

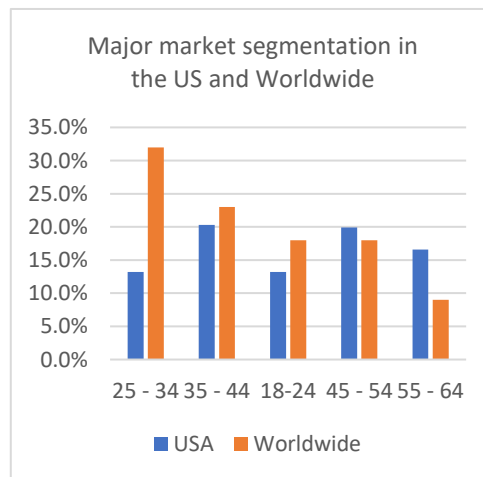
In 2019, the live music industry represented \$9.28 billion dollars and it was forecast to \$12 billion in 2021. On the other hand, the concert and event promotion industry represents \$34.5 B. It is closely related to the live music industry and it is expected to have:

- An annual growth over the 5-last year of 5.4%
- 5 years annual growth projection of 2.0%.
- 78324 operators

Such **growth is explained by the rise in popularity for music festivals, the rise in ticket sales (Sofar Excel; 3) and the increasing demand for online music (Sofar Excel; 4)**. The high competition of the industry reveals a need to work on marketing, communication and promotion to ensure the Sofar Sounds success. In the overall, the sector is performing well, and it includes positive future projections. It is therefore a good environment for Sofar Sounds to develop its business model.

The US and Worldwide market for music event is currently segmented as in the chart (Sofar Excel; 2). We can observe that:

- Almost similar percentage for the 35-44 and the 45-54 years old age ranges
- In the US, 25-34 and 18-24 years old have low percentages
- The 55-64 years old, USA range shows



In contrast with the worldwide market segmentation, the older Americans seem to attend more music events than the younger generation. On the other hand, the level of income is a big parameter when it comes to designing price. In this industry, people attending live music events in the US will tend to have low to medium income. (Sofar Excel; 1)

This demonstrates **the need to adapt the promotion and marketing according to the American segmentation rather than the worldwide segmentation in order to encourage Sofar attendance in the US.**

Social Medias

The company uses social media to promote and communicate with its community. The company use Facebook, YouTube, Instagram and Twitter in order to reach a various audience.

Sofar sounds audience demography shows (Sofar Excel; 5):

- A younger audience on Facebook, mostly 18-24 years old
- Low average number of retweet and likes on Twitter
- Low engagement rate on Instagram (0,5%)

Regarding YouTube, we observed a positive correlation between the engagement, the number of views and the number of videos published. However, this correlation would be true if, independently the correlation was also strong. (Sofar Excel; 6) However, this is not the case which might **reveal a lack of interesting content for subscribers.**

Customer Survey

In order to directly collect data and insight from Sofar customers, we run a survey at 2 different Sofar events to better understand their preferences and desires. We received 59 answers in 72 hours. We observed that:

- The average price customers are willing to pay is \$38.79 and an average age of 29 years old (Sofar Excel; Data)
- On average people attend 3 events. We currently have a selling ticket price of \$20 which means that a customer will pay **Sofar \$60 on average per year.** (Sofar Excel; Mdata)

- On average, they watch 6 music videos on YouTube. Knowing that on average we have 7068 views per day, It means that we have an average **1178 visitors on our youtube channel per day.**
- 55% of customers use **Spotify** to listen to music. However, Sofar Sounds currently has **only 2 playlist and don't promote its usage.** (Sofar Excel; 6)
- 29.31% of customers prefer to be in a concert room while only 13.79% prefer to be in a private room. (Sofar Excel; S2)
- 38,89% of people who missed past events said it was because they were not aware of the event. **Communication and marketing are key factors to reach noncustomers.** (Sofar Excel; S3)
- There is correlation between the number of music event watched on youtube and the number of event they participate to which illustrate the **importance of providing right content to improve attendance.** (Sofar Excel; S4)
- There is correlation between the amount people are willing to pay for our music events, their age, the number of music videos they watch on youtube and the number of event they participate to. This correlation suggest the **need to start thinking at offering more personalized offers based on price to satisfy all age and encourage attendance.** (Sofar Excel; Mresult)

Artiste point of view analysis

Sofar is a worldwide network of ephemeral intimate gigs for artists. It allows them to go into tour and to have the opportunity to reach a different public. However, the fact that they do not get pay if they decided to do a tour with Sofar, can become difficult for them as most of them "have more than 2 jobs". During a Sofar event, artists play for 25 minutes and get pay "\$100" for their performance. They have the opportunity to do a giveaway for the public and to sell their production during the event without any commission taken by Sofar.

Regarding the organisation, artists highlighted the lack of organisation but more importantly the lack of professionalism from certain employees. Finally, the potential **lack of communication and promotion around the event tend to limit the influence of the event on the artiste promotion.**

Recommendations

Sofar sounds Business Model can be associated to the blue ocean strategy as the company tries to create value while decreasing cost. The Sofar employees' salaries and the artists payment are the main cost of the company as being a platform require lower amount of resources. It is therefore hard to reduce or eliminate these factors especially when the industry is growing. Therefore, we propose to focus on:

Rising Spotify presence

Currently, Spotify has only 2 playlists; one from 2013 and one from 2014. Because most of Sofar customers currently listen to music using Spotify and that we observe a correlation between the number of Spotify users and the revenues for music event, we can expect by focusing on Spotify a potential rise of our revenues as people should more attend our events.

It should also benefit artists as Spotify allows to create and share playlist with followers. By sharing our Spotify playlist customers will have a more direct access to the artist production.

Rising marketing and promotion on Social Medias

The overall analysis demonstrates the need to adapt the current marketing and promotion strategy toward the American segment. The company currently tries to reach a younger population than the US live event segmentation. Indeed, the average age of attendees at the 2 Sofar events was in the 25-34 range. Moreover, the correlation between the age and the amount that customers are willing to pay, and the current market growth reveal that the current price range (\$10-\$20) can be extent which can benefit company revenues.

On the other hand , we observe that the strong correlation between the amount of music event people watch on YouTube and the number of events they attend over the last 12 months; reveals that there is potential to increase attendance through YouTube. However, in order to be possible, published videos have to be interesting for the customer and the low independent correlation of the engagement and the number of videos published; shows that the current content produce by Sofar create a low interest and engagement from customers. We also observe this trend with Facebook, Instagram and Twitter.

It is, therefore, essential for the company to redefine its communication, promotion and marketing in order to operate successfully in the USA.

Creating events: official Sofar Tours

Sofar has an important network of artist and a community of music fans. The artist interview highlights the idea of unofficial Sofar tours that can be expensive for the artist. The current market shows an increasing trend to festival and concert, on the other hand, our customers are interested in having concerts in concert rooms or bars, but both are expensive to find. Knowing that some artists are involved into Sofar events for many years and that some of them have been travelling to different worldwide destinations, organising official Sofar tour can represent a great opportunity for all the actors as:

- It allows to strengthen the relationship between fans and artists
- It enhances the artist recognition
- It decreases the cost for artist to participate to Sofar events as they can travel in group
- It allows greater exchange among the Sofar cities of artist and allows new artist
- It allows to manage the resources according to the plan event reducing the uncertainty of number of participants
- It facilitates the communication and the promotion.

Sofar tour tickets could include a higher price based on the targeted audience, the type of event made and the artist reputation. Indeed, the regression model shows that as people get older, they tend to be willing to pay more for a music event. This could positively impact the revenues of the company as without changing the artist payment price, the profit would increase. Therefore, creating company Sofar tour with personalised audience and target is the opportunity for Sofar to increase its revenues.

References

- AirBnb. (2017, March 8). *Airbnb Breaks into the Music Scene with Newly Launched Music Experiences*. Retrieved from AirBnb Newsroom: <https://news.airbnb.com/airbnb-breaks-into-the-music-scene-with-newly-launched-music-experiences/>
- Borderline. (2020, March 6). Interview with a Sofar artist. (I. Cerdan, Interviewer)
- Constine, J. (2019, March 21). *Sofar Sounds house concerts raises \$25M, but bands get just \$100*. Retrieved from TC: <https://techcrunch.com/2019/05/21/how-sofar-sounds-works/>
- IBIS World. (2019). *Concert & Event Promotion in the US*. Ibisworld.
- Sanchez, D. (2019, May 22). *Sofar Sounds CEO Defends Poor Artist Payouts as Company Raises \$25 Million*. Retrieved from Digital music news: <https://www.digitalmusicnews.com/2019/05/22/sofar-sounds-poor-payouts/>
- SocialBlade. (2020, March 06). *Sofar sounds - Youtube; Twitter; Facebook; Instagram*. Retrieved from Socialblade: <https://socialblade.com/youtube/user/sofarsounds>
- Sofar Sounds. (2020). *Sofar partnerships*. Retrieved from DocSend: <https://docsend.com/view/c9rh8jv>
- Sofar Sounds. (2020, March 6). *Sofar Sounds FAQ*. Retrieved from Sofar: <https://www.sofarsounds.com/faq>
- Sounds, S. (2020, March 5). *Sofar Sounds Boston*. (Avi, Lou, & Borderline, Performers) Arc'teryx, Boston, Massachusetts, USA.
- Spotify. (2020, March 7). *Spotify: Music for everyone*. Retrieved from Spotify.com: www.spotify.com
- Statista. (2018, November 22). *Live Music - Statistics & Facts*. Retrieved from Statista: <https://www.statista.com/topics/3034/live-music/>
- Statista. (2019, February 13). *Spotify - Statistics & Facts*. Retrieved from Statista: <https://www.statista.com/topics/2075/spotify/>
- Stripe. (2020, March 7). *Online payment processing for internet businesses*. Retrieved from Stripe: https://stripe.com/fr-us/get-started?utm_campaign=paid_brand-US_Search_Brand_Stripe-1803852691&utm_medium=cpc&utm_source=google&ad_content=344587125112&utm_term=stripe&utm_matchtype=e&utm_adposition=&utm_device=c&gclid=Cj0KCQiAqY3zBRDQARisAJeCVxMG2t9Hxn5T
- Zhan, C. (2018, September 28). *Can Airbnb Concerts And Sofar Sounds Revolutionize The Live Concert Industry?* Retrieved from Hypebot: <https://www.hypebot.com/hypebot/2018/09/can-airbnb-concerts-and-sofar-sounds-revolutionize-the-live-concert-industry.html>