The Ultimate Record Label Business Plan:
Discover simple strategies that will enable you to put together a winning, music industry business plan for your record company quickly and easily!

Abstract

This book will discuss the process you will go through to create a business plan for starting a new record label. We will discuss what a business plan is for and how to write a business plan that achieves all of the goals you have for it and helps get your record label up and running quickly.
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Introduction

Staring your own business can be one of the most exciting adventures you will ever set out to conquer. And when that new business is your own record label, the satisfaction you will get from building that business will be even more gratifying. So you have gone through the process of researching the idea, talking it over with friends and family and now you have come to that time where you are ready to really take the first active steps toward making your dream of your own record label a reality.

The first question that you probably already asked is “What do I do first?” So the things you will learn in this document will go a long way toward answering that question and giving you one of the most valuable tools you will use to jump start your new record label, your business plan.

What is a Business Plan and Why Do I Need One?

The truth is that a business plan is not something that is unique to starting a record label. Now in our discussion today, we will customize what needs to be done to the particular issues you are about to face in starting your particular business, your record label. But all new business should start out with a solid business plan.

There are numerous outstanding benefits to you that the creation of your business plan will produce. At first, it will seem a bit daunting the idea of creating this very strange thing called a business plan. But don’t let it intimidate you. Guidebooks like this one can help you get over that initial feeling of disorientation to what you are doing. We will provide you with some templates and forms that will help you formulate what goes into your business plan. Stick with it because it will help you tremendously in the following ways:

It Will Help You Organize Your Thoughts

There are a lot of details that go into the organization of a new business. This is especially true of a new record company. As you progress in the development of the organization, anything you can do to stay organized will reap big benefits down the road.

So the exercise of building a systematic and well organized business plan will help you break down the various areas of concentration and define not only what your philosophy and business model will be but what will need to be attended to. You can use the template of your business plan and expand it into more sophisticated organization and tracking documents that will make your record label more efficient throughout it’s growth and evolution.

It Will Help You Get Funding and Investors

This is without a doubt the biggest reason for writing your business plan. One of the first steps you will take to get your record label up and running is to seek out a business loan from the bank, the small business organization or from federal resources. You will also begin soliciting investors and other forms of funding to put together that start up money that is so important to a new business entity.
Every time you meet with a potential investor or lender, they will want to look at your business plan. They want to know that you have a clear vision for the company, a realistic approach to management and a product and market that are real and very likely to result in a strong revenue stream from which you can repay the loans you take out at first.

In that your actual company doesn’t exist yet, your business plan serves as a representation of the company that will come to be. So we will work hard to make it a solid and credible document.

**It Will Give Your Business “Credibility”**

When you do business with a company, whether it be a huge multinational firm or your local grocery store, the one thing you want from them is that they are for real. Credibility means a lot to your customers, your suppliers, your employees, the bands you sign and to your creditors and investors. When you have credibility, vendors will sell to you and you will possess the respect of the business world that you need to get things done.

Your business plan gives you an early taste of that credibility because it is written to show that this is a solid business concept that is about to become a new record label business. But the value of the business plan continues even after your record label is up and running. It will be a source document for future expansions and a “bible” that you and your associates will go back to frequently to get a firm grounding in what your company is all about and what are its founding principles.

**It Will Help You Sign Bands, Book Tours, and Get Customers**

The credibility that we have been talking about sometimes seems like a “pie in the sky” concept with no grounding in reality but nothing could be further from the truth. The credibility your business plan will give you is a tangible and bankable asset that will enable every facet of business you need for your record label to thrive.

The bands you sign want to know you are a viable record label and your business plan is part of becoming just that. The promoters and business people up and down the tour circuit have to know they are dealing with someone who understands the business and is able to make deals and see them through.

Your business plan will show that you are an intelligent member of the recording industry deserving that respect. Every other aspect of doing business in the music industry from distribution to royalty management and event to relationships with the most important group, your customers depends on your credibility as a business and your business plan is the cornerstone of that credibility.

**What Goes Into My Business Plan?**

Your business plan will touch on every aspect of doing business. In the sections below, we will discuss in more detail each section you will need to think about and document. While you cannot go into great detail about how you will execute each element of business that must be discussed, it is important that you show that you have an initial plan for that aspect of business and a foundation upon the business can be built. The categories that will go into your record label business plan include.
The Ultimate Record Label Business Plan

- The Confidentiality Statement
- The Executive Summary
- The Company Objectives
- Your Products and Services
- The Market Analysis
- Your Marketing Plan.
- Management and Organization
- Your Financial Plan.

We will go over each of these sections in greater detail later on in this book.

The Purpose of This Book

This book is here to help. We cannot write your business plan for you but we can help you know what you need and give you some ideas of how to accomplish your goal. We can also provide encouragement and explanations of what you need for each part of your business plan. We will walk through each section of a proposed business plan providing an explanation and some examples of how that part of the plan might be written. In order to help with capturing your ideas, we will provide some and area for notes after each section so you can jot down those key points that occur to you as you study this guide.

As you work through each section of this book, use the notes sections to jot down how you will customize that section to your record label. Those spur of the moment thoughts are tremendously valuable to you and you don’t want to loose them.

If we do our jobs well, by the end of this exercise you will have the beginning rough draft and outline of your plan that you can take and begin to expand and edit until you have a fully developed record label business plan.

Writing Your Confidentiality Agreement

This is not a statement about your confidentiality. It is a simple statement that the contents of your business plan are confidential and that the reader is bound by signing the confidentiality statement to respect the trade secrets revealed in this plan. You are entering into a marketplace where competitors would love to learn how to take the business you get and make it their own. You may have a breakthrough technology, a new approach to music or sound mixing or some innovative ideas that will make your business stand out against the competition. This statement helps to keep those secrets yours to protect the future profitability of your organization.

The confidentiality statement is not something that needs to be unique. You can use templates that come in Business Plan software or books like this one. In fact, you will find a simple confidentiality statement in the appendix of this book that will work well for you.
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Read through the example we provide and customize it if you have particular trade secrets or issues involving the security and privacy of the ideas that will be discussed in your business plan. Think about who you will be presenting the business plan to so you can anticipate how you want this statement to be interpreted and how much you need to change it for your unique business plan.

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Writing Your Executive Summary

Think of the executive summary of your record label business plan as your business card. You want it to communicate the basics about your company, your corporate philosophy and your products and services. But it has to be brief enough to be digested in a few moments. The Executive Summary is very well named. It is above all a summary of everything you want to say about your new business effort. And it is designed to be presented to an executive such as a president of a bank, head of a distribution company or another decision maker who can help your new record label along the road to success.

When you write the Executive Summary of your business plan, think of it as your advertisement and that first impression moment you have when you first meet someone or encounter a new corporate entity. This short summary will have a big role to play as your company gets going and moving toward success. It will be your “face to the world” to shout to everyone what you are all about.

It will also serve to draw in interested partners or customers to find out more about your record label. So put some creative thinking into the Executive Summary. Don’t let it be just a boring shortened version of the longer plan. Instead, think of it as a marketing tool. It is best if you write your executive summary after the rest of your business plan is done so you have the benefit of all that thinking that went into the rest of the document.

One way to gather your thoughts is to listen to yourself when you tell someone about your new record label for the very first time. As you select your phrases and pour out all of that enthusiasm you have for your new company, your listener catches your excitement and wants to get more involved. Translate that kind of energy into your Executive Summary and it will become a powerful tool for the success of your record label.

Topics to touch on in your Executive Summary line up with the basics that your investors or future partners will want to know about your company. So address in brief the following questions.

- What is the company fact sheet? This would include the bare bones basics such as the name of the company, address, phone and fax information, any web page information you might have up already to assist with the process.

- What is the company history? Who are the principle dreamers, planners and decision makers about how the new record label will look?

- What is the mission of the record label? We will discuss a fully developed mission statement later in this book. So summarize the core values of the new company here in the executive summary.

- What are the objectives of the new company? This would include short term and long-term goals as well as objectives that pertain to financial accounting, transaction counts, number of bands represented, etc.
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- What is the market niche the new record label will serve? How do we know there is a need for the products and services we are bringing to market?

- What are the capital requirements for the start up phase of the new company? Again, this is discussed in greater detail in the body of the business plan so you will provide an overview here.

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Your Company Objectives

Because we are at the early phases of the business plan, the objectives here will be basic and high level. Think about the basic reason for starting any business. That of course is to make money. So state briefly in this part of your business plan the skeleton of what will make your record label tick. Follow the age-old formula of who, what, when, where, why and how.

- **Who** is your company name? Describe the company in 3-4 simple statements of who you are and who you will become once the company is launched.

- **What** does your company do? What are the products? Describe what your primary category of product or service development will be and then discuss those products and services in a concrete way without going into too much depth. You just want your reader to know what will be the revenue generation tools for your company.

- **When** will your objectives be met? This is not a time frame nor a place to put specific dates. Rather discuss time frames in terms of “short term”, “medium term” and “long term” objectives of the company.

- **Where** are your customers? This is also a who question. Who are you customers? A big reason for having a business plan is to discuss your market. And your market will change and grow as you become more successful. Show the path of that growth. This will show that you have a good vision and grasp of the reality of your market and your plan is customized to be successful with that market.

- **Why** does your record label exist? What motivated you to start the record label and what will be the driving forces that will make your record label a big success?

- **How** will you achieve your goals, particularly your short-term goals? The short term goals your partners and investors are interested in pertain to when you will become a revenue generating entity, when you will begin to turn a profit and begin returning a return on their investment. You won’t go into that much detail here but you will summarize your business plan here to show that you do have a mature plan of success.

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Purpose of YOUR Business Plan

Since we just described the objectives of our company, it might seem to be repeating ourselves to have a purpose statement here. This section is not to repeat the objectives of the company but to discuss the reason for THIS business plan, that is, for this document. It is a common practice in any kind of writing to state the purpose of your work at the beginning. In fact, you saw us do it a few pages ago in describing the purpose of this guide.
The purpose statement can be quite brief and may state the obvious. Describe what you hope this document will do for you. Examples might include:

- The purpose of this business plan is to assist with the securing of start up funding.
- The purpose of this business plan is to help your partners and investors understand the mission of the record label.
- The purpose of this business plan is to gather in one place the ideas for the mission of the business.
- This business plan is being prepared as the first step in the launching of {Name of Your Record Label}.

**NOTES:**

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**Your Record Label Mission Statement**

While the objectives, the purpose of the business plan and the mission statement all seem very similar, each serves a very important independent purpose. The Mission Statement is the place where you can describe your philosophical reason for starting the company. A mission statement is just that, a statement of the goals and mission of the company. The Mission Statement will define the lines of endeavor the company will venture into and define areas that the record label will NOT be going into as well.

The Mission Statement is a cornerstone statement of corporate values that will not only live on in every aspect of your business but also become a foundation for the future of your record label in general. Many companies post their mission statement prominently to let all who enter your corporate facility know exactly what you are about.

Another value of the mission statement is that you can define the values, the corporate principles and the corporate culture that will be a big part of how your record label functions on a day-by-day basis. If you want the company to realize your personal vision, state it here along with a thumbnail discussion of what that vision is. If you want your company to be a fertile delta of creativity and musical community, describe that here and your vision for how that will come about. It is amazing how prophetic a business plan vision and mission statement can become.

**NOTES:**

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Measurements of Success.

“How do we know when you have made it big?” This would be a legitimate question an investor or potential partner might ask about the record label that you are discussing in your business plan. When you discuss your measurement of success, it gives those who may be entering into your vision with you a good feel for how ambitious and how realistic your plan is. There are multiple levels of success to discuss including…

- Financial. The most obvious measurement of success is profitability. When do you project going in the black as a business? What are your short, medium and long term financial objectives for your company that will tell you that you are successful.

- By Representation. You may feel you have reached your first tier or success when you represent five bands. What will be the “breakthrough” or watershed goals in terms of bands represented or other measurements of achievement in the music business that will show your partners that this business concept is a strong one?

- By Product. You can express your measurement of success in number of releases, tours supported, contracts signed or other tangible measurements of success. In many ways, these are more meaningful success barometers than the financial goals.

- By Philosophical Measures. In your mission statement, you may have discussed some of the ideological or ethical reasons you have for starting your own record label. If those values can be realized as a measurable success story, that could be used as a measurement of the realization of your dream.

Remember though that one of the primary reasons for having a business plan is to help your investors, financial institutions, vendors, business partners and future customers see the viability of your business approach. The primary measurement that will accomplish that goal will be financial or some other business related measurable value.

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The Company

The sections of your record label business plan that we have discussed so far represent the high-level summary of what your company is all about. We gave these sections significant attention because they will be the parts of the plan that will be most important to the foundation of the company, the definition of what the record label is about and the course it will chart for itself once it is launched.

Now we get into the specific areas or components of the company profile that need additional definition. These areas include a more focused discussion of your new company, the products and services your record label will focus on, the market niche your company will draw business from as well as your marketing plan, your record label business infrastructure in terms of management and organizational structure and your financial plan.
Every company is unique just like every person is unique. In this section of your business plan, you will provide a little more detail about the background of how the business concept went from dream to this point of realization. You will also discuss routine but critical elements of your how your record label will approach the craft of conducting its affairs in the music industry.

This overview of your new company will include a discussion of the history of your new record label, the rule your investors and that essential start up money will be used, what will be needed in terms of office space or what is referred to at your “physical plant” and how your record label will function operationally on a day to day basis.

**NOTES:**

The History & Background of Your New Record Label.

Your potential investors, backers and partners would benefit from a brief discussion of how the creation of your new record label came about. Perhaps the need for the record label came from your bands who needed a record company that could respond to current market trends more quickly. Perhaps your record label is an outgrowth of already existing and successful music industry entity. The story of how the need for your record label came about will communicate a number of important facts to potential partners in the project including.

- You’re already in place relationship with signable bands. If your future partners know that, you have one or many bands ready to sign and start being productive for your new label, their confidence of the profitability of the venture will go up dramatically.

- Already established investors. You will discuss your financial details in a later part of the business plan but if you discuss investors or partners who are already on board for the new project, that shows that your new record label is a work already in progress.

- Industry and Business Savvy. When a new company starts, everyone who associates with it wants to know that the top management knows what they are doing. As you discuss your prior dealings in the music industry, your knowledge of the business and how the inner workings of how business deals works you will give your potential partners confidence that they are in good hands working with your team.

- Market Savvy. Similarly, it is important for any new business to know its market. If your record label grew out of an existing label or out of extensive workings with other bands, labels and promoters, you can reflect in your history that you know the current music market well and know how to avoid the pitfalls and where to find success.

**NOTES:**
The Role of Investors and Partners

Every company has a corporate culture and a corporate philosophy on how decisions will be made and who will play a part in the future of the company. Because your business plan is the cornerstone of a record label that is coming into existence, that corporate philosophy will be reflected in this document. The writing of your business plan, particularly this part of your business plan will give you the chance to get down on paper your vision of how the internal workings and decision making of your company will work.

One business paradigm is to centralize the decision making at the core executive level so the directional flow of the company is consistent. In that case, you may limit the influence investors and partners have on the direction of the company.

A different business paradigm is more collaborative. By soliciting and encouraging direction and participation from investors, partners and even employees, you encourage ownership in the business entity and exploit creative thinking at all levels of the organization.

Your future investors and partners will want to know what role they will play in the direction and success of the new company. To be sure, they want to know there is strong, experienced and forward thinking management at the top that can make the record label a success. So if you favor a centralized management style, that conveys confidence and bold leadership which inspires your partners to contribute.

However, if your preferred method is collaborative, your future partners may view that as a positive because they see the open door for their suggestions should they see a flaw that may not be obvious to management. If those who contributed to the start of the company can have input and leverage some decision making along the way, that will strengthen the company and facilitate a shared approach of both the successes and the set backs ahead for the record label.

A blended approach may be the best solution but that is highly dependent on your vision for your new record label. The important thing is that those who will be helping make your new record label a reality see your vision clearly and understand how they as investors and partners will play a role in that success.

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Securing and Use of Start Up Capital

You have to be more than just good musicians or even passionate members of the music community to run a good business. You also have to be a good businessperson and know how to handle the financial, legal and political issues that go into managing a business. Securing start up capital is a big part of what the business plan is all about. So in this section you will discuss with those who have a vested interest in reading your business plan your strategy for putting together the resources you will need to start your business.

If you already have some capital funding arranged, discuss that here in a general way. Don’t go into detail about the numbers. Those details will be discussed further down in the business plan when you discuss your financial organization and strategy. But if you have some financial resources lined up, that will impress the investors you want to come on board and your business plan is an important tool in bringing them on board.
Whether or not you do not have funding yet, you will need a plan for gaining funding. Do some research on how others have accomplished this important step in building their business and put together a plan for securing the funds you will need. It is more than just go to the bank and get a loan.

You should have a diversified financial strategy for gaining investors and venture capital. You should discuss here the nature of your arrangement with investors whether that be in the form of shared ownership in the business or some other security you will provide to them as well as your anticipated return on investment for those who are backing you. ROI or “Return on Investment” is a powerful term to investors so prepare the ROI strategy well and carefully.

Your business plan is not just written for your investors however. It is also written for your business partners which include your suppliers, the executives in the venture that will help you be successful, key middle management and even employees who are the talent you have to have to make your record label a reality.

Your business plan will also be important to your key customers which are the bands you wish to sign. Before they enter into legal contract with you, a new record label, they will benefit from seeing your business plan. And you can be sure all of these parties will scrutinize how you will fund your business and your plans for financial solvency and profitability so they know they are entering into a relationship with a viable business entity.

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Your Record Label’s Facilities and “The Physical Plant”

While the investors and talent that will make your business succeed are critical parts of your business plan, the mundane issues of offices, studios and supplies is just as important as the talent and executive power you bring to the table. Before finishing your business plan, you should have completed your research into the availability of office and studio space, how much you will need, the costs and when you can take ownership of these facilities. Very often, we think of a business as a place so the kind of physical space you provide to your staff as well as to your creative talent and customers will have a large influence over their productivity.

On a more nuts and bolts side of the matter, you have to have a good feel for the start up costs you will need as we discussed earlier. By doing that homework up front, you demonstrate to your partners and investors that you are genuinely ready to get your business moving because you have the facts and figures and you have a keen vision of the future, both long term and immediate.
Don’t let your plans for your physical plan and facilities end with getting a building. Make a checklist of all of the resources you might need. Appendix C gives you a form that will start your checklist. Notice that there is space for you to document costs and suppliers. Having that research and those contacts already completed when you present your finished business plan to your partners will give you credibility and get your business up and running much more quickly.

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**Description of Products & Services.**

A company is nothing without something to make or something to sell. Whether it’s an idea, a show, a CD or a relationship to other companies and services, every corporate entity offers a value to the market for which it is paid. Your new record label will be no different. How the investors and strategic partners that the business plan is being written for view the actual tangible products or services that will make your business a success will itself play a big role in the success of the launch of your company.

So it is appropriate in this section of your business plan to provide some detail about your “catalog” of products and services. While a business plan is a business document and as such the details of the business should be presented in an orderly way, this is a part of the document where it is appropriate to demonstrate your passion for what you produce and the excitement you have to get the opportunity through your record label to offer your products and services to the public.

What your record label produces might be broken down into musical products, promotional products, performance products, ancillary products and future products.

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**Musical Products**

It goes without a lot of need for explanation that the primary products of a record label are musical products. Music is what drew you to the idea of starting the label in the first place and in many ways, starting your own record label is a natural extension of your desire to produce music. So your charter for your record label will obviously dictate that your corporate mission is the production of musical products.

Your description of products and services will go to the next level by breaking down the types of music to be produced and the variety of products that will come under your corporate umbrella to produce. The world of music is a very diverse one indeed. So your music products will no doubt be focused on one or more particular genre’s of music and on a particular market niche of music lover.
The genre of music you will be focusing on in your record label may be implied in the name of the label. But even within genre’s there may be a need for more definition of what you will be developing and what you will not be offering in the music catalog of your label. For example, you may be focusing on alternative rock as your genre but you know that within that genre there are many sub-genre’s that might be represented including punk, house and grunge. While those terms may not specifically define what niche of the music industry will be your focus, they are a start.

Take the time to be very specific as to the genre that your record label is focused on. This will help keep your business focused as the details of going into business begin to occupy your mind. But a secondary rational for the definition that you do here is that it helps the bands who are looking for a record label to determine quickly if there is a match to their talents and your ability to represent them. It is more than an issue of taste. If your specialization is on a niche of the market, so too are your contacts and your knowledge.

The description of the types of musical products that will represent your catalog for your record label also helps you get more definition on the kind of equipment you will need. Different genres require different equipment, settings and instrumentation to produce the music correctly. So this section will tie closely to the discussion of resources, supplies, facilities and the physical plant that we reviewed earlier in this book.

**NOTES:**

**Promotional Products**

Success in the music business is about much more than just selling CDs. There are a wide variety of other "products" that go into a successful CD. The CD insert, the art of the "album cover", the posters and other promotional material that go into getting the word out about the band and their new release have to come from somewhere.

Now it might be the best choice economically to have those produced for you but even so, you should discuss the variety of promotional materials you will need and demonstrate that as a business entity, you have a plan for getting those materials produced and ready for the release date of the artistic product.

**NOTES:**
The heart of good music is the show. In many ways, the entire purpose of the CD is to give the listener a small sample of the feeling they will enjoy by attending a performance. So while much of the physical space and equipment you need will go into production of CDs, you will not be offering full service to the bands you represent until you support their performances as well.

Performance products in truth are both a product and a service. If you produce a tour or a single show for the band you are promoting, that concert is both a product and a service. And there will be a vast array of promotional products to produce to make that show a success such as posters and newsletters.

Your budget for your record label will include line items for the support of concerts and tours unless you specify in your statement of business philosophy that you will not participate in that level of promotion. In this section of the business plan, nail down in as much detail as you can get to exactly what you will need to fund for the production of shows for your bands. These descriptions will flow directly into the budget for the first one to five years of life of your label.

This can be a bit daunting and may take several tries before you have a list of performance products, a definition of the level of production you will need to go into and the costs. A lot of questions come to the surface including:

- How many bands will you be representing in your first one to five years of life as a record label?
- Of those bands, how many will you support on tour?
- What will those bands require? Different bands have different needs. This goes further than the color or the M&Ms in the dressing room. The size of the band, the size of their road crew, the complexity of their stage show and props, any unique needs in terms of instruments or other sound equipment and dozens of other special considerations will influence your business plan.

This exercise is going to demand some research and work from you but the good news is that if you have thought all of these details through in the course of writing your business plan, they will not be out there to surprise you once you are in business. And if you have these details defined in your business plan, you can get them funded and not face an “eleventh hour” money crisis just before the show goes out on the road.

NOTES:

Ancillary Products

Anyone who has studied the workings of a music industry business entity like a record label knows that not all of the revenue for that company comes from the sales of CDs or concert promotions. Just as in the movie business, the support products that go along with the business are very important to the revenue stream for the business. As such, these types of products deserve some space in your business plan.
First, you will describe what types of ancillary products your record label will be producing. The variety can be quite striking and can include…

- T-shirts
- Posters
- Cups and Mugs
- Cross-promotional items with other media such as movie memorabilia etc.
- Music videos
- Other promotional clothing such as hats or socks.
- School related items such as notebooks, notebook covers, lunch boxes or pencils.
- Spin off cartoon shows
- Web site memberships
- Promotions outside of the music industry such as interviews or appearances on game shows

And the list goes on and on and it seems to be only limited by the imagination. Now the genre and the types of bands you represent will dictate what kind of promotional items you find yourself producing and selling. While not all bands will spin off a cartoon show, almost all could have a t-shirt to sell at their concerts.

The second area of discussion concerning ancillary products are the costs of production. Here again, advance research will pay off big when writing this part of your business plan. Whether you plan to have these items produced by a vendor or look to produce them yourself, the costs should be represented as well as the potential revenue growth that will come from the sale of these items in your business plan.

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**Future Products**

Part of the purpose of your record label business plan is to define the scope of business over which the new business will seek to gain mastery. Limitation of scope is vital because you have to have a narrow focus to attain short-term gains with start up funds. So your business plan serves as a touch stone that the company leadership can go to often to retune their vision to assure that the resources of the business are being used wisely.

However, once the record label gets up and moving, there may be many areas of the music business and indeed, the entertainment business that would be a natural growth step for your business. By listing such “blue sky” dreams here in your business plan, your partners and investors can catch the vision for a long and prosperous future for the company as well. It is healthy for management to have such long-term visions for the future. Some areas that your record label might branch into might include.

- Concert Promotions.
- Music Video Production
- Festivals
- Music industry publications like magazines, newsletters and ezines.
- Blogs
- Television and/or movie production.
By including these future visions in your business plan, you can go back to it many years in the future and show that such expansion was part of your initial vision should there be any dispute about the future of the company.

**NOTES:**

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**Services**

Musicians and bands require a number of services to successfully navigate the waters of the music world. Perhaps you too navigated those waters as you moved through the stages of your career to this point where you are starting your new record label.

For a musician very often the effort of learning the legal, financial and political details that one has to know to get your CD out or get your career moving forward are baffling and confusing. So as a service to your bands, you can offer related services that may not be directly tied to production of their CD but would help them focus on the business of creating their art. Such services might include:

- Legal services including contract advice and resolution of problems with suppliers or other business entities in the music business.

- Management by either giving them the option of turning over the management of their band to the record label or by serving as a referral service to trustworthy managers who will help the band move forward with their careers.

- Financial advice on how to manage funds to assure that they take good care of profits they make from their efforts. This advice can also help early in a band's career just managing their limited funds to keep their band mates and workers eating and healthy as they wait for their big break.

- Personal, career and health counseling including providing someone or some place they can turn to should substance abuse become a problem in the band.

- Networking help so the band can make connections with other musicians.

You can probably think of dozens of other areas that would be of great benefit to your bands that you would list as possible services your record label could offer to those you represent. This not only helps musicians who need someone they can trust to perform these duties but provide other forms of revenue generation for your growing company.

**NOTES:**

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Your Marketing Plan

There is a good reason that companies spend millions of dollars for just a few moments advertising during the Super Bowl. Even if you have an outstanding product, it will do you no good if nobody knows about it. Sometimes the marketing aspect of business is something we overlook as artists wanting to work together on the creative vision of a record label. But it is just as crucial as the creative genius that goes into your composition and performance of your music.

Not having a marketing plan actually IS a marketing plan. It is a marketing plan for failure. Your investors and partners in your new venture want to know that before the first band is signed or first microphone is purchased, you have a strong understanding of the music industry market, where the niches exist that your new record label can exploit and how you will go about marketing to this audience to meet that need.

This part of your business plan is your chance to shine in discussing your in depth understanding of the music business and how the market accesses music in a modern world. The music business and the market it serves has changed a lot in the new millennium and your understanding of that market and what will and will not work to serve it will be a big reason why your record label is going to be very successful and why investors and partners will want to join you.

So take some time in this part of your business plan to discuss the target market, the market niche that your record label will exploit, and your competitors and why your record label will have a creative edge over your competitions and your strategy for deploying a successful marketing plan into this complicated thing we call the music industry.

NOTES:

Your Target Market

For any business to succeed, it must understand its market. As we discussed already in this book, the market for a record label could be highly specialized. Not all record labels serve the same market. If your label is going to produce Latin music, that is an entirely different target market than a Hip-Hop record label.

Nonetheless, there is a basic principle that any future business must discuss and that is the market need for your products and services. Your investors will not be willing to launch a new venture if they feel the market for your products is saturated with the same kind of product you are producing. So a beneficial step is to conduct a market survey or have it conducted by a professional organization who can tell you if there is a need in the marketplace for the products and services you are offering.

Don’t be dismayed. Just because there are many record labels and you are going up against some very impressive competition, there may still exist a market need for your services. The need may be for someone who can bring new bands that are breaking to a local market that is not getting service from the national labels.
The need may be in the form of a new genre that is beginning to break that can be a wave of success for your new label. Interviews with the citizens of your market, with your potential bands along with surveys that would reflect dissatisfaction with the current products and services coming out of the music industry will serve to answer these questions.

- Who are the people who will be your customers?
- What is the market need for your product or services and can that be documented?
- What is the niche market your record label will serve?
- What marketing devices and strategies will best work to reach the market you wish to serve?
- Are you connected well to your market and can you quickly translate market need into profits for your record label?

**NOTES:**

Your Competitors

“Know your Enemy” is good advice that those who do battle in the military often obey to be successful in war time. And while we are not in a physical battle, the competition for the music buying public’s dollars, for their attention and for airplay is intense.

Your investors and partners are going to want to know that you know who your major competitors are and understand their business well. If you are going up against one of the big national record labels, your strategy will be much different than if your competition is coming from many local indie record labels. Define in this section who those competitors are and discuss their success in the target market or lake thereof.

**NOTES:**

Your Competitive Edge

Something is going to give you the edge so you can take market share from your competition. While you may feel intimidated by this section of your business plan, just think about what makes you and your record label unique and what inspired you to begin the process of starting a record label. The thing that makes you feel that you can bring something new and valuable to the market is your competitive edge.
That thing that is your edge in the business may be an extension of what made your band stand out when you were performing. There are numerous ways your record label is unique such as

- A new sound
- The inside track on a new musical movement that has not broken on the national stage.
- It might be your knowledge of the local music scene
- Exclusive relationships with local bands that are destined for greatness.
- An approach to performance or how to stage a show that will excite the music buying public and bring them to your doorsteps rather than to the doorsteps of your competition.

As with many other parts of our business plan, thinking though exactly what your competitive edge is will be a valuable exercise and help to refine and fine tune your vision of what your record label will become once it is launched.

NOTES:

| Your Marketing Strategy |

Now that you know your competition, your target market and your competitive edge, it is a natural conclusion to discussing your strategy for success in the market you have chosen. Your marketing plan is one of the cornerstone components of your business plan because without marketing, even the most talented musical talent and even the most brilliant record or CD will not go anywhere. There are numerous layers to marketing to consider when putting together your plan including.

- Your marketing goals. Now you may think that all marketing goals are the same, to sell a lot of music and make a lot of money. But we want to be more specific. Your marketing goals will state not only where you hope this particular CD reaches in the charts but what music chart or charts it will get notice from. Your goals have to be reasonable. You may be satisfied if the first CD from the band gets on the charts at all and then the next one you may target to reach the top 100. Set goals that can be reached so you know when you celebrate a victory.

- Your contacts. You are well connected in the industry. Its time to tap those resources to get your bands some notice. You can contact promoters, owners of local venues, blog writers and others who are opinion makers in the market you serve to begin to get some buzz going for the new creative output from your band. If you already have a following for the band in the form of fan clubs or mailing lists, tap those as well to get the faithful enthusiastic and doing their best to evangelize others to get to know the band and buy the new record as soon as it hits the stores.
Your promotion strategy. There are a number of ways to promote a band or CD and how you sequence your promotion is what makes it a strategy. You will want one promotion to feed off of the momentum of the last one. For example, you have a performance coming up for your band where the music from the new CD will be played. You take advantage of the promotion for the festival or event and get your band in the public view through interviews and/or appearances on local radio to generate excitement. You promote the performance by posters and in the newspaper mentioning the CD name along with the band name and the show dates. You use any venue you can to keep building public awareness of your band so that by the time the performance takes place, it is more than just good music onstage, it is the culmination of a very well deployed marketing and promotion strategy.

Your use of media. Will you use music videos or any unconventional advertising venues to draw attention to your band? You may shy away from skywriting but getting your band reviewed in the newspaper or using spots in free press newspapers can be very effective.

In store promotions. When the CD hits the stores, will you have the band members there to sign the CDs and give autographs? A tie-in to the local radio station who are supporting the promotion with a DJ on the spot and frequent on air interviews with the band and fans can have a big impact for getting your band and the CD noticed.

You know this business well so you can devise a marketing strategy that you know will work well for your bands. Your business plan is an idea place to share this competitive knowledge with those you hope will partner with you for success.

NOTES:

Your Record Label’s Organizational Scheme

Every company has a management hierarchy. Even in a creative organization, whether you plan for it or not, someone has to be in charge and others are charged with carrying out the vision of the business plan in certain areas. A company cannot survive without a good organization scheme. On the other hand, an organization scheme that is clumsy and that hinder the flow of communication and business will reduce the company’s ability to function in the marketplace and cost the company and its investor’s money.

You may not have thought a lot about how you want your company to be organized. The exercise of documenting your organization scheme in your business plan is a good one because it forces you to think out your organization plan rather than leave it to chance.

Chaos will create an organization plan for you that will not benefit you, those that work for you, your investors or your market. By spending time organizing your “troops” in a way that maximizes their skills and talents, your record label will be empowered to deploy that competitive advantage we talked about. Key to the organization plan is the management team which we will discuss next.

NOTES:
Your Management Team

The success of your record label will depend a great deal on the team you gather around you to make the dream come alike. Your team is not just management. It will include subject matter experts in music, sound production, accounting, law as it pertains to the music industry and many other specialized experts whom you will come to depend on. As you began to imagine the new record label that eventually brought you to the point of writing this business plan, you saw some key players, people you can trust and depend on, who would become part of your management team.

Your management team will all have unique skills and experiences that will enhance the corporate culture of your record label. Probably the most important thing any new member of your team must have is an understanding of the philosophy of doing business as spelled out in your businesses plan and a shared dream of what this new company can become.

However, you may not yet have individuals in mind to fill the key positions in your new business. This part of your business plan will detail who will comprise the management of the company and how they will function within the structure of the company. Will you have tight controls over decisions being made or give your management team lots of leverage to use their judgment? Philosophical concepts such as the one we just posed will translate directly into how your company is organized.

If you have people in mind or already on board to fill management positions in your record label, this is where you will discuss them. Introduce them to your future partners and investors and discuss their backgrounds, skills and training and how they will make a significant contribution to the success of the enterprise.

Showcasing the talent and resources you already have on board in your business plan like this shows that you have already made significant progress in the development of your plan and it gives interested partners and investors the assurance that their investment in your company is a wise one.

After you discuss management team members you wish to have involved at a decision making level, then you should discuss the key management areas. Those would include.

- Accounting
- Legal
- Production
- Recruitment
- Investor Relations
- Human Resources and/or employee/band relations
- Marketing
- Auditing
- Procurement
- Facilities Management

To name just a few. This is not just a bland laundry list of different job descriptions. The real value of this part of the business plan is that this gives your partners a chance to see how the new company will be organized and that all important areas of business are being covered well.

NOTES:


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The Organizational Flowchart or “Org Chart”

An Organizational Chart or “Org Chart” is an excellent communication tool to depict how the infrastructure of your record label look from an organizational point of view. The organizational chart shows graphically the flow of authority within any organization. The top boxes in the chart are the owners and top executives of the company. Reporting to them are the department heads and under them managers of specific functions. Finally the staff is shown under each manager.

An organization chart can be a useful tool for spotting needs for streamlining management and improving communication. It helps the citizens of your company understand the authority structure. But it helps even at the business plan level to help your investors and partners see the infrastructure of the company you will build and observe that the plan is solid and the infrastructure is one that will be responsive to the market demands the company wishes to serve.

Below is a sample of a small Org Chart

When you create your actual organization chart, you can list each major department and then break the departments down into working groups as you see fit. At the business plan level, the inclusion of a well thought out organization chart shows the depth of planning you have already going into which raises the confidence of your investors and partners.

Moreover, the Org Chart will reflect your management philosophy. If you want a highly tiered organization with many levels of management, you can show that in an easy to understand diagram. If you want your organization to be more “flat”, meaning fewer levels of management and more empowerment of the employees, that too will be visible in the chart of your organization.
In order to help with the development of your Org Chart, we have provided a blank template in the appendices of this book that you can edit online or print off and work through during your planning sessions. This exercise will help you move forward with your thinking of how your record label will function and the role of management in your new company as well.

**NOTES:**

Your Record Label’s Financial Plan

A record label despite the creative nature of the business is like every other business in that it is fundamentally an economic entity. It was no accident that when we listed the areas of management responsibility earlier, the Accounting Department got top billing. That is because no matter how creative and inspirational and innovative we are in the level of producing music, somebody has to make sure that profits are made and the bills are paid. After all, they say an army marches on its stomach, the same can be said of musicians. They do much better when they can eat and that is why the finances of your record label are important.

But there is a secondary reason that explains why we should have a thorough discussion of our financial plan in the business plan. In order to get your record label off the ground, you will require significant start up funds. You need these to get your offices and studios built, to fund the process of signing and then recording your first CDs and then marketing and distribution of those CDs so the revenue stream and begin flowing your way.

In order to secure those start up funds, you need investors, partners and small business loans that can be structured to give you the time to build your business before repayment is called for. We discussed start up money earlier in the business plan but here in your financial plan you will present details of start up funds needed and anticipated revenue so your investors can analyze what you are asking of them thoroughly.

Some of the concepts of building a financial plan may be unfamiliar to you. Here are some brief descriptions but it is best to secure the help of training accounting professionals in putting these documents together so you know they look right. Moreover, these documents will be the foundation of your financial reporting and accountability system for your company so its wise to get them off on the right foot by having a qualified accountant help you put together this part of your business plan.

- **The Income Statement** A quarterly or annual financial statement that shows a corporation's business results. It specifically shows all revenues, earnings, expenses, costs and taxes.

- **A Balance Sheet** A financial report showing the status of a companies assets, liabilities and equity on a given date.

- **Cash Flow Analysis** A type of financial analysis that compares the timing and amount of cash inflows with the timing and amount of cash outflows. A firm’s cash flow position can greatly affect its ability to remain in business.
Break Even Analysis

The break even point for a product is the point where total revenue received equals total costs. A break even point is typically calculated in order to determine if it would be worthwhile to sell a proposed product, or to try to figure out whether an existing product can be made profitable.

NOTES:

Start-up Capital Requirements

This part of the financial plan for your business plan, like many in this part of the report will consist primarily of a spreadsheet type of table that will list your start up costs by category and provide anticipated revenue requirements to be used for the request of investment capital. These numbers should not be estimates. As much as possible secure actual quotes on the cost of each line item from a source you will be using once you are actively in business.

Your investors will look to this initial analysis of costs as they evaluate the performance of the business and anticipate break even and the profitability which will facilitate the repayment of their funds. Below is a short list of areas of cost and to get you started. Expand on this list until you and your accountant are certain that your costs have been accurately and thoroughly documented.

- Salaries
- Offices and Studios
- Equipment
- Supplies
- Production Costs
- Post Production Costs
- Marketing
- Consulting and professional services costs.
- Artwork
- Travel and Touring Costs
- Distribution

As you research and prepare the cost evaluation of your start up business, simultaneously start developing the same calculations over longer periods of time. You need to have a firm estimate of operating costs once you are in business. Present those costs “by project” and in various time increments. A quarterly operating cost report helps get your cost evaluation to a precise enough level that investors can see what it will take to run this new business. Once those costs are understood, you can project them out and produce an annual plan as well.

NOTES:
Sales Forecast

Just as you are going to document in precise detail the anticipated costs for the start up of your record label, in this section you will project your sales and profits. Your experience when you preformed or in other areas of the music business will help you project your sales. You start with some targets in terms of number of bands signed, number of releases, tours and other products per band and any other project you see label launching as a revenue generation strategy.

As with other part of the business plan, by forcing yourself and other members of your team to work through the projection process, you come out with a much stronger plan that will facilitate getting the label moving much more quickly than if you had not gone through the exercise. Moreover, it will give your partners and investors a good idea of how much revenue you expect to generate, how that revenue balances against costs and when you expect to break even and then turn a profit with your new record label.

CONCLUSION – GET SOME HELP

We mentioned in the previous section securing the help of a qualified accounting professional to produce the financial statements and analyses you will need to make your business plan a credible document. But don’t stop there. There are a number of fine resources you can use to get a feel for what goes into a business plan and how to put your own business plan together. Some good sources are:

- Sample business plans from other record labels. You can contact record labels that are just getting started and get a copy of their business plan from them for example purposes. You may have to sign a confidentiality agreement but if you are working with a friend or associate who is mentoring you through this process, they can help you get copies of existing business plans of fully operational record labels.

- Your small business administration. Most cities have an active small business association. If you have not attended some of their meetings, now is the time to start. In addition, they can put you in touch with experts in the area of building a business plan and a kit to help you organize your plan, usually free of charge.

- The internet is rich with resources on how to build a record label and how to write a business plan. Use your favorite search engine to locate some of these sources. There may be some cost to purchasing a kit or a tool for building a business plan but compared to the value this document will bring you, the costs will be minimal.

We hope our discussion has been helpful in giving an overview of the structure of your business plan as well as some help with content and outline of the plan.
Appendix A – Confidentiality Statement Template

COMPANY NAME

BUSINESS PLAN

CONFIDENTIALITY STATEMENT

This is to document that the contents of the business plan found in these pages is a confidential document and should be treated as such. Access to the confidential information contained in this business plan is granted only upon the provision that the reader read and sign this confidentiality statement.

By signing below, the reader agrees that the information provided by {COMPANY NAME} herein is confidential. As such, the reader agrees that the information contained in this document will not be disclosed to a third party without expressed permission of an authorized agent of {COMPANY NAME}.

The undersigned acknowledges that the information in this document is proprietary and protected by copyright and is not to be disclosed or used by the reader or anyone except the offices and employees of {COMPANY NAME}. Except for information that is in the public domain, all information in this document is considered protected from distribution and it is acknowledged that any discloser by the undersigned may cause significant damage and business harm to {COMPANY NAME}.

Please sign this document before utilizing this business plan and return to {COMPANY NAME}.

Signature _____________________________________________________
Print Name _____________________________________________________
Dated _________________________________________________________

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Appendix B – Organization Chart Template

This template is ready for you to use. Simply click on any part of the organization chart below and the template will open for you to add your details. This is a Microsoft Word object so it is very easy to work with. You can add the titles and names of the various offices and officers if you know them. You can add additional boxes to a layer eliminate functions or expand what you see here.

You can also select the entire template and take it to a separate document to experiment with or to include with your actual business plan. As you “play” with the template, you will get used to it and find it a very useful tool for the building of the Org Chart for your Business Plan.
## Appendix C - Facilities and “The Physical Plant” Check List

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