

# Place Records

## Summarized Business Plan

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## 1.0 Executive Summary

### 1.1 The Opportunity

Place sees the recent shift in marketing and distribution thought within the music industry not only as an opportunity to enhance the visibility, marketability and prosperity of Canadian music acts, but as a chance to redefine the administrative environment of commercial music in this country. Understanding its position as a service provider rather than an artistic proprietor will invariably help Place to reinvigorate the enthusiasm and dreams of Canadian musicians, and offer them the modernised services they need to make a splash in the music industry.

### 1.2 Description of the Business

Place intends on providing its customers with personalized solutions intended to achieve three objectives: to enhance the artists' visibility on a local and national stage, to provide them with the resources to advance the quality of their art, and to provide an affordable platform through which to publicly showcase their talents. Three services are provided are: personal artist representation (consultation services to offer potential resources to complete larger projects for artists, such as record recording and grant application and research), in-house services (uses Place's in-house subject matter experts in the realm of promotional material design, website design and maintenance, and eventually recording services), and touring design and administration.

### 1.3 Competitive Advantage

Place firmly believes that the unique and modern approach it has taken to providing independent musical artists with valuable resources and services to accelerate their growth will create significant competitive advantage over potential imitators. Place Arcade realizes that it is taking on a leadership role in this new service-based music marketplace does not guarantee perpetual market superiority. Building a community of enthusiastic and participative members via Placemachine.com will allow Place to take on a cost leadership role when it eventually moves into the lucrative realm of recording and distributive services. Through fusing its many competencies and growing pool of strategic assets Place is confident that its controlled and realistic growth will be largely sustainable well into the future.

### 1.4 The Target Market

Music enthusiasts, both male and female, between the ages of 15 and 35 with technological competence who are willing to pay to attend musical events. A second group of customers are the musicians involved with the concerts themselves, often relatively established musical acts with the capability to draw audiences, an ambition to grow, and resources to travel to perform if necessary.

### 1.5 Management Team

Place is headed by General Manager Daniel Kaunisviita (12 years of concert promotion experience, Carleton graduate and full-time promoter), who is backed by

administrator Sam Steadman (Carleton University legal student, part-time musician), Toronto-based promoter and media presence Andrew Pulsifer (Algonquin journalism graduate, works in marketing with Ipsos-Direct and part-time promoter), and web designer, promoter, and University of Ottawa finance student Michael Johnson.

### **1.6 Financial Projections Summary**

Place began in 2008 with an initial personal cash injection of \$5000 made by two founding members of the firm, with no secondary sources of capital. The balance of accounts on that investment remains as the firm broke even on its investments in its first year of full time promotional operation. Place hopes to significantly scale back its reliance on investment beginning in 2011 and become 80% self-sustainable by the year 2011.

### **1.7 What the Business Needs**

Place requires an independent investment totalling \$25,000 in order to rent and furnish a permanent office location, hire one full time staff, and complete and launch its website prototype. The firm plans on renting the office location from an existing arts organization at a subsidized rate, but still needs initial capital in order to furnish the location in a professional and attractive fashion.

### **1.8 Exit Strategy for Investors**

Although Place Arcade has no immediate plans to leave the industry, Place Arcade will rebrand or reincorporate when its operation becomes viable on an international scale. The current management's goal is to cater to a niche market in Canada, and welcomes prospects of corporate expansion. It would be at that point however, that the company would likely be sold.

## **2.0 The Business**

### **2.1 The Opportunity**

Anyone with any stake or interest in the music industry, or even isolated artists alone have seen the trend: sales of recorded music are decreasing (Tschmuck 2006). Music giants Vivendi, owners of Universal Music Group, saw a 7.8% drop in revenues in 2008 from their previous levels, mostly due to the emergence of digital downloading and internet piracy as a viable way for even the most pedestrian web user to acquire 'free' media. Erstwhile, digital media sales rose 31% in the same time period (IBISWorld, 2008). In the wake of this digital distribution revolution, in which bands are seeking more control over the creative distribution of their works, it is increasingly clear that the role of the record label itself is in serious need of reinvention (BBCNews, 2008).

It has become apparent to many individual artists that live music has become an instrumental source of revenue in this modern age. For much larger touring acts, the enlistment of promotional specialty firms charged with addressing their specific production needs has been

commonplace. Communications firm ClearChannel hit the nail on the head with the launch of its 'LiveNation' live events company based out of California. The firm currently represents such gatecrashing acts as Madonna, U2, and Jay-Z. LiveNation, on a macro-scale, has presented itself to its roster of artists as more of a service provider than an owner of music.

In Canada, the reality is much the same – Americanized labels seeking to impose legal and commercial restrictions on its artists in order to maximize its revenue generation. For fledgling newcomers to the industry seeking professional representation, a 'do it yourself' attitude can be a welcomed alternative to the rigours of working under the legal constraints of a record contract. The internet and digital distribution, through MySpace or other means, has made it increasingly easy to follow through on a DIY-attitude, but these accessible medians fail to offer artists much in the realm of promotional opportunities and career advancement. As a result, many groups and artists just fade away into eventual obscurity, their lost potential a mere freckle in the complexion of Canadian music. In addition, changes to liquor license bylaws and regulations have made booking shows in established venues an often expensive and unattractive endeavour, pricing many bands out of the performance aspect of music and stifling their experience. Some bars with a capacity of 100-150 patrons charge north of \$800 just for a four hour time slot, an astronomical amount to most emerging and young artists.

Recording music is a different monster altogether. Without label representation, many artists have ventured into the realm of home recording, or using relatively inexpensive means to produce mediocre (at best) recordings. Many simply 'settle' on this course of action in hopes of eventually landing a recording contract with an aforementioned 'major label', in essence signing over the rights to their music in exchange for the opportunity to produce and record it in a quasi-professional manner. This milestone for most acts can seem miles away and largely discouraging, leading for another early exit for potentially lucrative and enriching careers.

Place plans to change all that and more. Place sees this shift in marketing and distribution thought not only as an opportunity to enhance the visibility, marketability and prosperity of Canadian music acts, but as a chance to redefine the administrative environment of commercial music in this country. Understanding its position as a service provider rather than an artistic proprietor will invariably help Place to reinvigorate the enthusiasm and dreams of Canadian musicians, and offer them the modernised services they need to make a splash in the music industry.

After all, why settle for reality when you can live your dream?

## 2.2 Business Description

From the onset, Place intends to deliver its services through two primary internal means: Place events, or concerts promoted by Place's roster of promoters, and through its personalized suite of professional services. The revenue generated by the firm's existing promotional efforts, spanning four major population centres goes directly towards subsidizing the suite of services. Each of these is described in more detail below.

### **2.2.1 Place Events/Engagements**

For Place, this is where it all began: two promoters pooling resources in order to carry out their vision of acting as a service provider to emerging independent artists devoid of fiscal and professional support. The money for this endeavour came from the engagements that the founders were investing in – instead of lining their pockets, the money went towards a larger fund, eventually growing into Place Records.

Now, the scale has completely changed. Place has amalgamated with promoters in Ottawa, Toronto, Montreal and Gatineau to form a cadre of like-minded and experienced concert presenters with over 120 years of combined promotional experience in each of their respective markets.

The team typically presents 5 – 6 shows per month, generating the lion's share of the revenue for the firm. This represents significant growth from the 1 to 2 shows Place was able to present on a monthly basis originally. Promoters still take a cut from each performance they present, but the Place brand accepts a high percentage of each presentation (typically anywhere from 50 – 75% of the net margin). The exact percentage cut varies from presentation to presentation, depending on the levels of risk associated with each contract and the anticipated and actual personal resources required to carry out the engagement.

The monthly revenues generated from presenting these engagements are then invested in (in order of most to least important):

- subsidizing the services provided to the firm's artists
- investing in larger scale presentation opportunities
- internal administrative remuneration

### **2.2.2 Personalized Suite of Professional Services**

It is through their suite of professional services where Place is able to add its value. The realization of an ability to expand a service base internally came from the initial founders remarking that ‘promoting’ was not all they were good at – they had other skills which they could lend to emerging artists.

Both Johnson and Kaunisviita had significant technical experience (Johnson with web design and graphic design, Kaunisviita with graphic, sound, and video design experience) that they realized they could lend towards building an advanced website for Place and artists alike, building promotional materials, and recording, packaging and distributing music.

Place offers this suite of services comprehensively to the artists it directly represents (ie. those approached by Place or whose applications for support are accepted by Place), or selectively to artists who solicit Place independently. At its inception, Place represented 3 artists comprehensively – in 2010, Place now represents 12 artists.

This new level of visibility and experience will be beneficial to all artists, and is also free on contractual obligation, meaning that Place will act as a viable springboard to launch determined acts into another realm of popular recognition while artists retain their material rights. Place’s main intention is to act as a service provider to emerging artists rather than an overpowering and self-interested label presence.

Eventually, Place hopes to use its resources to provide affordable and professional recording services to select artists to continue to help them succeed at the highest levels of the industry.

### **2.2.3 Company History**

Place was born as the musical pet project of guitarist Dan Kaunisviita and synthesizer player Sam Steadman in early 2001. The band eventually grew to incorporate a third member, Andrew Pulsifer, and accumulated a small cult following in the Ottawa area. After playing actively across Ottawa’s underground music community for almost 4 years, the members found themselves faced with university commitments and an inability to fulfill the often full time obligations associated with participating in the band. In many ways, the band found that it had hit the music world’s ‘glass ceiling’, a point at which full financial and personal commitment was required to continue moving forward, with little or no guarantee of future success or remuneration.

After a number of failed musical endeavours, ‘Place’ eventually became the collective moniker for the promotional efforts of Sam and Dan in Ottawa, and Andrew in Toronto. Enlisting the services of promoter and web designer Michael Johnson, the Ottawa branch of Place has promoted and staged dozens of highly-publicized and well attended shows in venues all across the city. The firm is responsible for booking a monthly residency at Ottawa hot spot Mercury Lounge in a series known as ‘Dubsonic’, the first instalment of which featured popular Juno-award winning recording artist Cadence Weapon.

Place achieved its first major promotional milestone in early 2009 when it was contracted by upstart Halifax rockers Play Guitar to book a cross-Canada tour beginning in September.

In July 2009, the upstart firm achieved another landmark achievement, staging shows in Toronto, Ottawa, Gatineau and Montreal concurrently. The Toronto branch of the firm staged Place’s first festival event called ‘Synthfest 2009’, which attracted over 500 attendees over the span of a weekend long event. The event also garnered attention from Toronto’s online and print media outlets, and featured the release of Place’s first independently-sponsored recording.

2010 brought even more growth, as the firm joined with the Quebec-based Meat Collective promotion group, allowing it to stage more than an event per week. The firm gained another residency in Gatineau, and expanded its represented roster to 12 artists.

#### **2.2.4 Mission Statement**

“To promote the sustainable development of Canadian musicians and musical groups through providing the services and platform needed to succeed in the modern era of the music industry.”

#### **2.2.5 Objectives**

Place has five primary (present) objectives it hopes to accomplish within the next eighteen months, and five secondary (future) objectives it hopes to achieve within the next two to five years. They are as follows:

##### Primary Objectives

1. To network and build positive relationships with the largest number of individuals and locations on a localized level in four distinct areas of Canada – Ottawa, Montreal, Gatineau and Toronto (hitherto referred to as the ‘Districts’). These contacts will help to build the backbone of Place’s strategic resources and help to build confidence amongst patrons and clients in the firm’s ability to deliver on its vision.

2. To enlist the direct sponsorship of three local firms in each of the Districts, as well as two high-level corporate sponsors for the national-level operation.
3. To stage one Place-administrated and promoted engagement per month featuring a second-tier (high-level) artist.
4. To market and promote the revitalized Placemachine.com website and sign up 1000 subscribers to the messaging service by the end of 2010.
5. To open a permanent headquarters office location in Ottawa, with one full time staff and one part-time events coordinator.

### Secondary Objectives

1. To expand the number of Districts from three to six (possible expansion locations include Kitchener/Barrie, Vancouver, and Halifax) and hold regional Place Showcase contests in each of the regions.
2. To open a promotional office in both Toronto and Montreal, and add one full time staff member in each location to serve in the role of 'Regional Coordinator'.
3. To expand the functionality of the Placemachine.com website to include a weekly Podcast which will be carried on local radio stations to further improve artist visibility, and achieve 5000 total subscribers.
4. To see at least one Place-sponsored artist or group signed to a major label deal.
5. To open an independent recording studio under the 'Place Records' moniker and contract select Place artists to record and produce their album, as well as offer professional recording services to emerging artists at a largely subsidized rate.

## 2.3 Industry Overview

Technology, especially file-sharing and the emergence of digital distribution as a viable means of media presentation, has revolutionized the music industry as it is today. The portrait is simple – people aren't buying CDs or physical music-based products anymore, in Canada or the United States. The ramifications of this trend have had a dire impact on traditional major record labels and artists alike, who rely on each other for their mutual existence. Services such as iTunes, who now distributes 23% of all downloaded music, have become a go-to source of media for music lovers, buying individual songs for 99 cents instead of entire albums for upwards of \$20.

Figure 1.0 describes the tremendous losses being suffered in the net value in the shipments of physical music products being delivered to audiences, as outlined by the Canadian Recording Industry Association:

**Fig 1.0**

	<b>2008</b>	<b>2007</b>	<b>% change</b>
DVD	41548	45519	-9%
CD	322956	384622	-16%
Other Formats	567	850	-33%
Total Value	\$365071	\$430991	-15%

Source: CRIA Statistics, 2008

To contrast this, Figure 2.0 outlines the tremendous growth in the public consumption of online goods as an alternative to seeking out physical goods in stores. Of particular note is the column outlining ‘other’, which is primarily made up of music consumed via online media streaming, a service offered free to all Place artists.

**Fig. 2.0**

	<b>2007</b>	<b>2008</b>	<b>% change</b>
Internet Downloads	45438	27564	65%
Digital Mobile Content	21632	20592	5%
Subscription-based	4599	3144	46%
Other	2829	552	413%
Total	\$74498	\$51852	44%

Source: CRIA Statistics, 2008

Trends point to the switch towards digital consumption to continue at break neck speeds. Another industry trend that all players in the music industry should be conscious of is the main source of revenue loss – internet piracy. Figure 3.0 outlines the astronomically higher amount of the population who are choosing to download music for free, as opposed to purchasing it online or in stores.

Fig 3.0

### Downloading Music From the Internet

	% Who Have Purchased Music	% Who Have Downloaded Free Music
<b>Overall</b>	11%	30%
15-20	23%	68%
21-34	15%	43%
35-54	8%	22%
55+	4%	7%

Base: Respondents that access the internet. (n=1,602)

Source: Canadian Film and Music Opinion Study, Decima Research, 2005.

It is clear to all industry professionals, but especially musicians on the emergent or independent levels to whom Place caters, that the revenue in the music industry will have to come from live performances as opposed to a physical medium. While a mere twenty years ago, live performances were almost considered to be an accessory to the physical album (artists performed to sell more CDs), it is now the opposite, with artists performing more because they are no longer selling CDs. Despite economic conditions, concert revenues in 2008 increased 7% to \$4.2 billion (LA Times, 2008) – a clear indicator of where the money lies today, and what Place is working towards for tomorrow.

## 2.4 Competitive Advantage

### 2.4.1 Business Model

The business model for Place can be best described as four primary components – core strategy, strategic resources, partnership network, and customer interface. These are outlined in brief detail below:

*a) Core Strategy*

The main focus of Place's competitive strategy revolves around its mission statement: "To promote the sustainable development of Canadian musicians and musical groups through providing the services and platform needed to succeed in the modern era of the music industry."

Place will focus its efforts on delivering two products to its customers, who can be defined from two standpoints: its primary clientele (musicians who take part in Place's services) and its secondary clientele (the audiences of the musicians, the audiences of the shows promoted by Place, and the majority of website traffic). These consumers play an almost symbiotic role in the development of Place and the subsequent consumption of her services.

Place's primary product from an immediate standpoint is its Place events that their promoters stage. These engagements do not always involve Place artists exclusively, but rather focus on presenting acts appropriate to a city's demographic capacity. For example, if a touring act is in demand in Montreal, Place will contact that artist's representation in order to arrange the presentation. If appropriate, Place acts conducive to the main act's sound can be added to the bill, drastically enhancing their visibility in many instances. This method of promotion also ensures that Place's audiences aren't limited to concert goers simply interested in Place music – their audience expands to patrons interested in similar music, who are directed towards Place as a reputable promoter. These converts then subscribe to Place for updates or frequent the website where the upcoming events are listed, and inherently are exposed to the artists represented by Place. Regardless, audiences end up being exposed to the Place brand of promotion, as well as their artist roster.

It is through these events that Place hopes to build a following and support for its online endeavours, making the brand that much more attractive to other acts considering participating in the future, as well as to audiences who follow them and external acts.

*b) Strategic Resources*

Place's staff and visionaries are made up of experienced promoters in each of the Districts where performances will be taking place. These promoters are not only resourceful, experienced and charismatic businesspeople, but also musicians who fully appreciate the wide array of challenges and hardships facing their clientele in day-to-day life. Place's highly competent staff understands what services are valuable to musicians and the unique environments they operate in. In many ways, Place is a company of musicians, made for musicians by musicians. Because of this, Place's volunteers and employees understand how to create value for emerging artists, and also appreciate the leverage offered through brand recognition in the industry. The 'move it or lose it'

attitudes consistently presented to Place staff in a promoter or artistic capacity have allowed them to develop excellent leadership capabilities, and build an inherent drive to create a sense of sustainable competitive advantage over other local promoters just looking to cash in off of the efforts of the artists.

Place, as a micro-label and as a service provider to musicians, understands it is in a wholly unique position within the marketplace with very little direct competition. While it may seem like an attractive proposition, the ambitious long-term focus of the firm stresses growth and sustainability (through web services expansion, recording capabilities, distribution and learning resource development, etc) in order to combat imitation.

*c) Partnership Network*

Place recognizes the potential for high costs which immediately faces firms attempting to make an imprint in the music industry. As one of the most integral and instrumental components of its business model, Place's broad network of corporate, municipal and public sector partnerships offers the firm a wealth of stability in a variable operating environment. From an internal standpoint, these partnerships can be examined on both a micro and macro scale.

On an organization-wide or macro-level, Place is partnered with the Canada Council for the Arts and the Ontario Arts Council as a major resource for operational advice and support. This partnership also helps Place deliver and finance its online Placemachine.com function. They are also closely connected to popular music retailer Long and McQuade by ways of mutual investment and sponsorship, an alliance that supplies Place with a solid backbone of production materials, in terms of both professional lighting and sound equipment. For production assistance in Quebec, Place has a close working relationship with Fleet Sound and Lighting's operations and Casino du Lac Lemay in Gatineau, affording them a wealth of technical expertise and production assistance.

On a District-specific or micro-level, Place partners with a variety of firms in each individual location. In Ottawa, an promotional alliance between Place and professional document printers Bypass Printing helps to drastically offset costs associated with the production and printing of promotional materials. In return, Bypass finds their name, logo and information printed on each article of Place's promotional materials. Place is also closely linked to several of the city's most prominent venues, including downtown hot spots Mercury Lounge (who offers a monthly residency free of charge), Babylon Nightclub, Arts Court/SAW Gallery, and Canteen Gallery. These partnerships allow Place infinite flexibility in its booking options and relatively lax (or even nonexistent) rental and staff costs.

In Montreal, Place works extremely closely three other promoters to put on shows using pooled resources and planning. This is an integral and necessary alliance for Place, seeing as the firm's personnel are stationed in Toronto and Ottawa making direct promotion of events in Montreal difficult.

#### *d) Customer Interface*

Place sells its brand and services over two primary mediums: in person at Place concerts and other Place-sponsored concerts, and over the internet on Placemachine.com. The firm's target market is very clearly defined: music enthusiasts, both male and female, between the ages of 15 and 35 with technological competence who are willing to pay to attend musical events. A second group of customers are the musicians involved with the concerts themselves, often relatively established musical acts with the capability to draw audiences, an ambition to grow, and resources to travel to perform if necessary.

Place intends to be a service firm, offering support to artists involved in Place events and other emerging acts. Building close relationships with bands and artists is a main priority of Place, with the intention of creating a personalized atmosphere and establishing a sense of mutual trust and understanding. The impersonality and corporate bureaucracy inherent in large recording companies in Canada and abroad is a trait Place intends to avoid subscribing to, in favour of a more modernized and professional sense of representation. This will act as one of Place's defining features as well as one of its most attractive qualities when expanding its roster of artists and followers.

Operating as a very small organization will help Place offer its artists affordable services. Place events are offered to artists free of any rental of equipment costs. The ticket pricing remains \$10-\$20, as set by Place itself and acts as the remuneration for the event's procurement. Average concert ticket prices in North America exceeded \$50 in 2008, making Place's prices at 20%-40% of the going rate extremely attractive and reasonable. Membership on Placemachine.com will be offered free of cost, as well as any resources and multimedia hosted by the site. Place plans on adding optional features to the site in the future which may require artists to pay a small fee, such as representational services for promoting an artist and their completed online EPK, or advertising spots on the main community page itself.

### **2.4.2 Creating Sustainable Competitive Advantage**

Place firmly believes that the unique and modern approach it has taken to providing independent musical artists with valuable resources and services to accelerate their growth will create significant competitive advantage over potential imitators. Place Arcade realizes that it is taking on a leadership role in this new service-based music marketplace does not guarantee perpetual market superiority. Building a community of enthusiastic and participative members via Placemachine.com, as well as attracting the

best in musical talent through its concert promotion efforts, will allow Place to take on a cost leadership role when it eventually moves into the lucrative realm of recording and distributive services.

Place also hopes to grow and change as the industry sees fit, constantly adding new services and resources for its patrons. Through fusing its many competencies and growing pool of strategic assets (customer data through broad marketing efforts and online profiles, experienced concert promoting and entrepreneurial personnel, building strong relationships with sponsors, venues and other promoters, etc) Place is confident that its controlled and realistic growth will be largely sustainable well into the future.

## 2.5 Current Status and Requirements

### **2.5.1 Where We Stand Today**

Place Arcade is currently a collaborative effort involving 11 volunteer personnel working to promote shows in Ottawa, Montreal, Gatineau and Toronto. Place coordinates and presents an average of 5-6 shows per month across the four Districts, typically generating revenues upwards of \$5,000. There is no permanent office location, and a fully-operational website was launched in mid-2009. Place currently has an active roster of 12 musical acts, four of which tour Eastern Ontario consistently. It is funded by personal investments in the firm, promotional income, and sheer sweat equity. Place uses almost entirely volunteer efforts in order to design, produce and distribute its marketing materials.

### **2.5.2 Resources Required to Move Forward**

Place requires an independent investment totalling \$100,000 in order to rent and furnish a permanent office location, enhance its marketing and promotional capacity, build a social network application for its website, and to hire one full time staff and three part-time staff. The firm plans on renting the office location from an existing arts organization at a subsidized rate, but still needs initial capital in order to furnish the location in a professional and attractive fashion.

Place also intends on contracting a part-time marketing agent (contracted on a 1-2 month temporary term) for its corporate purposes, as well as a part-time web developer (contracted on an hourly basis) to oversee the administration of its web applications. With the full-time employee in place in a headquarters capacity, Place can move forward with the full-time job of promoting and supporting even more events in all four Districts.

Place intends on using the money set aside for promotions in order to drastically improve the scale of the events they stage. With even \$25,000 of capital, Place can become the

highest-end promoter in the entirety of Ottawa, and after several significant events, become a major promoter for concerts passing through the region. Residual income from this enhanced revenue stream can be put towards establishing stronger presences in Toronto and Montreal, areas already rife with promotional firms.

Place also needs to meet its sponsorship objectives through securing a pair of corporate-level sponsors to offset administrative costs and promote independent events, as well as local-level sponsors to facilitate the procurement of the localized events.

### 3.0 Management Team

Place's team of managers is currently made up of four core members, coordinating an additional seven promoters and twelve acts. The operational team is the group of individuals currently in place and participates in the day-to-day operation of the firm. There are four members of the operational team currently, supported by a team of hardworking and dedicated volunteers:

#### Daniel Kaunisviita – Director

Daniel is the father of Place Records, and one of the founding members of the original Place band who eventually took on an administrative role while pursuing his career as a musician. Daniel's primary function is as a major promotion force behind Place's events. Having organized and presented over 50 shows over the past 4 years, he has built an extensive network of contacts in the arts community from coast to coast in Canada and in the northern United States. A graduate of Film Studies at Carleton University, Daniel is an experienced computer technician, having worked for 5 years with the Apple Group prior to committing his energies to Place. His experience in CSS and ASP web design have contributed greatly to his vision of Placemachine.com as a viable social networking tool for members of the same independent music community of which he has been a part of for over 12 years.

#### Samuel Steadman – Publicity, Legal

Sam, one of the original Place members, is the driving force behind the conceptualization and corporate vision of the firm. A philosophy graduate of Carleton University, he is currently pursuing a graduate degree in law from Carleton. Sam acts largely in a very vocal advisory role, and is instrumental in contract and any legal documentation drafting the firm encounters between artists, venues, and promoters. Sam uses his extensive background as a musician to facilitate the growth of Place's policy and professional objectives. He is the architect of Place's independent recording projects.

#### Andrew Pulsifer – Promoter

Andrew is Place's presence in Toronto. A graduate of Algonquin College's journalism and print media program, Andrew is Place's media expert and one of its most active promoters. Andrew instrumentally organized and presented Place's first festival presentation, SynthFest 2009, over

the course of a weekend in Toronto in July 2009. The festival was a huge success, drawing over 600 attendees over two nights and garnering significant positive media attention. Andrew currently works for market research firm Ipsos-Direct and uses his knowledge base in and media experience to maximize Place's publicity efforts.

#### Michael Johnson – General Manager, Web Designer

Michael, an undergraduate in the University of Ottawa's finance program, has extensive experience with web-based initiatives, especially those involving a level of interactivity. He is currently employed as a dynamic web designer with Canada Revenue Agency where he leads efforts to develop Web 2.0 content for government applications. With over ten years' experience as a member of the arts community and six as a promoter, Michael works to develop the physical image of Place and is currently the lead on the PlaceArcade.com development efforts. He is also active in the development of their print and digital media and in managing the micro-label's growing roster of bands and artists.

## 4.0 Marketing Plan

### 4.1 Product Feasibility and Strategy

As a service provider to independent artists, Place intends on delivering a set of services to acts drawn to their platform and approach to promotion through two primary means: Place events and the Placemachine.com web community. The services Place will provide its artists are outlined in broader detail below, as are its two primary marketing vehicles.

#### **4.1.1 Place Artist Services**

Place intends on providing its customers with personalized solutions intended to achieve three objectives: to enhance the artists' visibility on a local and national stage, to provide them with the resources to advance the quality of their art, and to provide an affordable platform through which to publicly showcase their talents. These services are:

- 1) *Personal Artist Representation* – artists may approach Place Arcade with the intention of gaining more opportunities to enhance their visibility on a local and potentially national scale. Almost like a financial or estate planner, the Place representative will work to learn as much as possible about the band or artist's long and short term objectives, and will help to develop a personalized advancement plan with clear goals. The representative will also work continuously to connect them to the resources they need to achieve their objectives within the specified time frame. Place will also act in an active

advisory role as well, providing direction to emerging artists intending on completing larger or smaller projects, including but not limited to: EP (3-5 song sampler) recording and production, LP recording and production (full-length album), web site development and maintenance, graphic design and promotional materials design, federal and provincial grant application research and writing, document and print media printing services, intra-provincial, cross-provincial and multinational touring booking.

- 2) *Booking Agent Representation* – in order to ensure that the focus of their artists remains on what they love most - creating and performing music - Place acts as a booking agent charged with carrying out their specific desires in the realm of live presentation. As a promoter, Place reverses the work, using her contacts with the booking agents and promoters they deal with regularly to book shows across Canada and the United States on behalf of her roster.
  
- 3) *CD Production, Packaging, and Distribution* – CD production, distribution, and packaging often represents the single greatest cost to artists. Place offers its artists the opportunity to record at select studios in Ottawa, Toronto and Montreal at discounted rates achieved through supplying their own engineers. For post-production, Place takes advantage of having a professional mastering technician on its staff to complete the process at literally a fraction of the cost.

When it comes to CD packaging, Place uses bulk deals with printers and replicatory services to offer its artists supplier discounts when producing larger quantities of CDs, another advantage not afforded to an artist representing themselves independently. When it comes to producing the packaging, Place prefers to print its own eco-friendly packaging (again achieving sales through volume deals, lack of shipping and sponsorships) in a just-in-time, customizable fashion to increase scalability.

Place is also active in distributing recorded music, through these primary means:

- Online, through the online PlaceStore available through the Placemachine.com website.
- Online, through an extraordinarily wide network of online distributors. Place fronts a cost to list the music on upwards of ten prominent sites through an agent, again achieving savings for its artists.
- Online, through the popular iTunes application and a bevy of other tools. To apply to be listed on iTunes, artists require a registered business

number which Place can provide, and an independent would have to otherwise pay for.

- At all Place events
- In record stores, not just locally but in all cities with a Place presence. Therefore, an Ottawa-based artist would have their music instantly available in Toronto and Montreal as well.

- 4) *Web Design & Hosting Services* – In addition to acting in an advisory role, Place can offer an array on in-house web design solutions for its clients. In addition to having a highly-visible profile on placemachine.com, Place will design a professional website for all its artists using its in house designers and graphic artists.

Place is also able to offer free hosting to its artists through a partnership with their existing web service provider.

- 5) *Graphic Design Services* – always one of the hardest resources to contract as an independent artist, Place offers a group of experienced graphic designers to its artists. These designers could be put towards developing customized album artwork, inserts, posters for upcoming shows, as well as support for the web design function.
- 6) *Tour Design and Administration* – Already one of Place’s most popular services is their ability to oversee the planning, production, financing, and administration associated with touring. For a fee (for non-Place artists), Place will book acts into locations fitting their desired itinerary and act as the artist’s booking agent in the process. Place will use their knowledge of the Canadian independent music scene to fill the bills in each city with compatible local talent capable of drawing crowds and filling venues. They will help artists to accurately plan the trip’s logistics and realistic projected costs. The associated fee will depend on a combination of the scale of the planned tour itself, and will also consider the hours spent planning the tour.

#### **4.1.2 Promotional Vehicles for Place**

Place intends to sell its services and role as a viable service provider to independent musicians and artists through three primary means: Place sponsored concert events (with no Place artists involved), Place artist engagements (where Place artists are involved), through guerilla marketing, and the Placemachine.com website. With the specifics of these vehicles already discussed, below is Place’s understanding of each of their unique marketing properties.

- 1) *Place Events* – Place’s events exist as the firm’s most recognizable and public selling proposition. These events take place five to six times per month on average, and typically draw 200-300 concert goers. Promotional materials outlining Place’s platform, services and dedication to artists development, as well as contests designed to direct traffic towards Place’s website and advertisers turn these events themselves into a marketing bazaar of sorts for the Place brand and create a tremendous amount of visibility for all Place artists, whether they are a part of the event or not.
  
- 2) *Placemachine.com* – As audiences counting into the thousands seek out information related to Place events, as well as those following links present on separate Place sponsored events and promotions, Placemachine.com will act as an instrumental hub of information. Modern design and formatting will keep visitors ‘hooked’ and build a membership base from which Place can draw a wide variety of demographic information about its audience and clientele alike. This information can be useful when investing in promotional endeavours in the future, and can help the firm save on marketing costs that might be blindly misallocated otherwise. Linking from dozens of other independent music websites present online will also help to drastically increase the visibility of the site, as well as involve Place in the online social networking that has become so prevalent in past years. Place is always in a state of anticipatory awareness when it comes to harnessing the power of the online ‘buzz’ factor.

#### **4.1.3 Concept Testing**

Place’s effectiveness as a promoter and events coordinator have resulted in over 50 sold out or close to capacity events in Toronto, Ottawa and Montreal. General feedback has included the mention of high visibility through print and digital media throughout the host cities, as well as excellently diversified programming. In terms of acting as a service provider, Place has organized three successful intra and inter-provincial tours for different bands, built and maintains websites for twelve artists, and acts as a referral resource for a number of other projects seeking to package their products through eco-friendly means considering a limited budget.

Place hopes to continue testing its product following the inception of the Placemachine.com website. This hands-on concept testing will continue even through the website’s official launch and will be an integral part of making Placemachine.com an ongoing ‘living’, and personalizable project.

## 4.2 Pricing Strategy

The key component of Place's pricing strategy is realistic affordability. Place's temporary pricing strategy for its services are outlined as follows:

<b>Service</b>	<b>Price</b>
Grant Application writing	\$10/hr, averaging \$40/grant
Place Recording Services	Studio costs: \$75/hour, 5-hour package at \$350, 10-hour package at \$675 Mastering/post production costs: \$50/hour
CD Distribution and Print Promotion	Package deal: Citywide distribution at \$125 (Ottawa) and \$200 (Toronto and Montreal). Add promotion (posters provided) at \$100 (Ottawa) and \$200 (Toronto and Montreal). Promotion involves one month visibility, with two rounds of postering in Ottawa and three in Toronto and Montreal.
Promotional Material Design	Pricing varies based on the scale of the project. Designs charged at \$20/hr for print media, and \$15/hr for most digital media.
Website Design and Maintenance	Pricing varies based on the scale of the project. Typically, design charged at \$15/hr with maintenance provided free assuming the updates are not major.
Touring Services	Pricing varies based on the scale of the project. Typically, administrative costs total \$15/hr (averaging \$150 for a mid-sized tour)
Website Advertising	Clients are charged at a 10 cent click-through rate.
Place Event Ticketing	Tickets are \$10-\$20 for all Place events.

These services are rendered free of charge to artists represented by Place, and still at a premium for artists employing individual services.

## 4.3 Channels of Distribution

Place intends to move its products and services through two primary channels: in person, either at the Place offices or at Place-sponsored events and dealing face-to-face with a Place representative, or online through online forms detailing the type of services being requested and outlining their parameters.

## 4.4 Promotions and Advertising

Place intends to use its media connections throughout each of the three defined districts in order to promote its product. In print media, independent zines, arts newspapers, university publications, and free tabloid products will be targeted when advertising Place's services. In

the realm of radio, Place's connections with university radio stations in all four Districts, coupled with affiliations with Hot 89.9 and CBC's local affiliate in Ottawa will help to build awareness. There will also exist a tremendous push in relatively inexpensive online advertising, posting banner ads on local independent music message boards and blogs, as well as creating a MySpace and Facebook presence to help raise awareness. Place also intends on investing in keywords on major search engines such as Yahoo! and Google through search engine optimization, and purchasing local-level banner ads on the Facebook social networking service.

#### **4.4.1 Guerilla Marketing**

For such a cost conscious operation, guerilla marketing has always been a great strength for a firm possessing so much internal creativity. Place's efforts in guerilla marketing have resulted in a high level of visibility for its events, artists, and releases. Some of the methods are outlined in Appendix D.

## **5.0 Operations Plan**

### **5.1 Method of Service Delivery**

In Place's business model, cost minimization is a major factor considered in its goal of providing quality for affordable prices in its services. Due to this, most of the services provided by Place are just that – provided by Place staff itself. The firm realizes that one of its core strategic assets is having a wealth of direct and internal associates with very diversified skill sets.

For its grant writing, recording services, promotional material design, web site design and maintenance, touring services and events, Place will be able to procure them using its own staff and costs.

For some of its services, however, the technical capacity does not exist within the firm itself to be completed. The activities that will need to be outsourced include the physical printing services (outsourced to Bypress Printing in Ottawa, Digitime Print and Graphics in Toronto, and TLC Printing in Montreal) and the web hosting services for the hosting of Placemachine.com, as well as any other sites designed and implemented by Place. The web hosting service will be outsourced to GreenGeeks 300% Green Web Hosting Services.

The Place headquarters location will be in Ottawa, in a rented single office space at Arts Court (2 Daly Avenue). The office will feature a work station for the one full time staff in an isolated area, as well as a meeting location serving as the 'physical face of Place', at which clients and Place staff can discuss service delivery.

Placemachine.com is another method of service delivery, offering music streaming of full albums, an e-commerce interface through which to purchase physical products and merchandise, and a very visible marketing tool through which to promote the artists themselves. Placemachine.com averages close to 2500 unique visitors *a month*, a feat that surprised even the site's owners themselves.

## 5.2 Qualified Labour Pool

Place Arcade only exists today as a realistic business proposition because of the enthusiasm and hard work of a concentrated core of volunteers. The firm also benefits from being a part of four developed and active arts communities across the Districts, all of which contain personnel more than willing to aid in carrying out Place's various tasks. Place uses primarily volunteers to do the majority of its poster work, and holds a roster of five to six individuals in each of the operating locations who have experience in print material distribution for a variety of other arts organizations.

In terms of technical computer-based or web expertise, three of the four core staff members at Place have had experience in a full-time position related to computer and web programming, as well as systems maintenance and graphic design. As a younger organization in terms of member age, Place's extensive list of contacts grant it unparalleled flexibility in terms of design options and alternate personnel should the need for any work beyond the technical abilities of in-house members arise.

In terms of promotional efforts, the availability of street teamers is close to unlimited. Offering free merchandise, and perhaps moreso, free tickets to Place events, is enough that Place received more than thirty applications in Toronto *alone* when the poster requesting participation was launched.

## 5.3 Business Partnerships

As discussed in the description of Place's business model, many of its strengths lie in its extensive roster of business partnerships and service providers. The list of effective partnerships can be described in three sections: government level partnerships, operational level partnerships, and strategic partnerships.

### **5.3.1 Government Partnerships**

Place partners with government organizations on the federal, provincial, and municipal levels. Its partners include:

- Canada Council for the Arts (federal): the Canada Council for the Arts supports, promotes, and celebrates the work of Canadian artists and arts organizations in Canada and abroad. The Music Section provides Place with expertise and resources

promoting and operating its capacity as a touring promoter, in exchange for recognition on promotional materials funded by the program.

- Ontario Arts Council (provincial): OAC works to support and promote the development of new and emerging artists in the province of Ontario. It provides Place with support for its activities as an arts organization and administrator, in exchange for recognition on promotional materials directly funded by the organization.
- OCRI Entrepreneurship Centre (municipal): the purveyor of the City of Ottawa's entrepreneurship expertise centre has worked closely with Place to oversee the effective development of the firm's financials, along with assistance in grant writing, applications, and tax advice.

### **5.3.2 Operational Partnerships**

- Bypress Printing, Digitime Printing and Graphics, TLC Printing: these three professional printing and graphics firms offer Place largely discounted rates on its long runs of promotional print materials, based on its role as a consistent customer and sponsor.
- Long and McQuade: since a number of Place members have held employment at the nation-wide music store chain, it provides Place with vastly discounted rates on equipment rentals and financing.
- Arts Court: Arts Court rents Place's office space to them at a discounted rate under the terms of a program for developing arts organizations offered by the Ontario Arts Council.

### **5.3.3 Strategic Partnerships**

Place has forged partnerships with established promoters in Ottawa and Montreal, including high-end Ottawa-based Revolution Rock, as well as Montreal's Boyscout Killers and Blue Skies Turn Black promotional firms.

Place is also contracted by three venues in Ottawa and Gatineau respectively to act as a booking and promotional agent for their regular events.

## **6.0 Financial Plan**

### **6.1 Capital Requirements for the Next 3 Years**

Place began in 2008 with an initial personal cash injection of \$5000 made by two founding members of the firm, with no secondary sources of capital. The balance of accounts on that investment remains as the firm broke even on its investments in its first year of full time

promotional operation. In order to meet its internal objectives over the next 3 years and expand to provide its line of services to a greater audience, Place will require investment from private investors and seeks an additional \$100,000 from independent investors for the purposes of developing its Placemachine.com community resource, and establishing an office space with a full time staff, establishing part-time staff in Montreal and Toronto, and building its promotional scope to first-tier artists. Place hopes to significantly scale back its reliance on investment beginning in 2011 and become 80% self-sustainable by the year 2011.

## 6.2 Overview of Financial Projections

Place Arcade's financial projections for the years 2010-2012 are based largely on the following assumptions:

- Place is able to stage a total of 52 third and second-tier shows as a part of its independent and Place artist-focused promotional efforts in 2011, with each show selling approximately 200 tickets at a price point of approximately \$10.
- First tier shows would sell approximately 2,500 tickets at a \$25 price point.
- Second tier shows would sell approximately 500 tickets at a \$15 price point.
- Place is able to stage 52 shows in 2012, including two first-tier shows and five second-tier shows.
- Place is able to stage 52 shows in 2013, including five first-tier shows, and fifteen second-tier shows.
- The general economic conditions in the three cities where the competition operates remains generally stable.
- Place is able to successfully launch its Placemachine.com website, garner 500 subscribers by the year 2011, and generate web traffic averaging 5000 hits per month.
- Place is able to renew its sponsorship agreements with sponsors for the year 2011.
- The interest in independent music as compared to commercialized music continues to rise, with digital downloads and media streaming becoming the industry norm.
- A taxation rate on corporate income of approximately 27%.

## 6.3 Income Statement

Place Arcade's pro forma income statement for the years 2010-2012 can be found in Appendix A.

## 6.4 Cash Flow Projections

Place Arcade's pro forma statement of cash flows for 2010-2012 can be found in Appendix B.

## 6.5 Payback and Exit Strategy

Assuming its financial projections are accurate, Place should be able to reimburse the entirety of its \$100,000 independent investment by 2013.

Although Place has no immediate plans to leave the industry, Place will rebrand or reincorporate when its operation becomes viable on an international scale. The current management's goal is to cater to a niche market in Canada, and welcomes prospects of corporate expansion. It would be at that point however, that the company would likely be sold.

## 7.0 Critical Risk Factors

Place's critical risk factors are interpreted in terms of four risk categories: management risks, marketing risks, operating risks, and financial risks. Each are outlined in broader detail in the sections below.

### 7.1 Management Risks

As a relatively small niche venture, the greatest risk in terms of management is losing administrative talent to larger, higher paying occupations. If Place finds itself unable to secure the funding necessary to implement a number of full and part-time employees in the foreseeable (2-3 year window) future, key players on the Place team will likely be forced to pursue Place as a part-time endeavour, thus damaging the firm's ability to grow and provide the highest quality of services at the lowest price to their customers. As a firm with a young staff, members will eventually be starting families and will be more likely to leave Place if it is not a source of gainful employment for them come that period in their lives. Replacing the talent amassed by the current manifestation of Place is one thing, but the entrepreneurial spirit and vision of Place's immediate future lies in the minds of its current staff.

### 7.2 Marketing Risks

The primary risk associated with Place's marketing ventures, primarily Place events, is poor attendance or an incident in the case of mismanagement at one of the events that could tarnish Place's fledgling reputation. As with any entrepreneurial or promotion-based venture, the success of the event lies heavily on its appeal to audiences before, during, and after the event takes place. In an industry that is all about first impressions, if the first round of top tier acts fails to garner the attention from the public it was supposed to, it could make it difficult for Place to grow the operation to other cities, as well as hinder its ability to put on more than one top tier show per year (thus damaging its financials and future projections).

The impact of such an occurrence would be felt not only in Place's ability to break even on its production budgets, but would also cast a shadow over the visibility of the other services offered by the firm. If audiences aren't aware of the services and products offered by Place, encouraging artists to become clients and eventually pay for in-house services will become an even more expensive and drawn out endeavour that could pose a threat to the viability of the firm in the short and long term.

### 7.3 Operating Risks

Operating funds were scarce when Place began operating in a corporate function in early 2009, but promise to become almost ten times what they were at that point with the necessary investment. Although large sums of cash can indicate a level of profitability and excitement within the operating environment, it can also pull at the strings of one of the most potent natural human emotions: greed. If the money and clients are coming fast in three cities with one recording facility available, it is easy to conclude that it would come even faster in six cities with three recording studios. Place firmly believes in its business model and the enthusiasm of its potential clientele, but also must take a realistic approach to expansion and growth should the opportunity arise. If the expansion becomes too rapid, the initial business model would be largely compromised and would likely do more harm than good to the long-term viability of the operation.

### 7.4 Financial Risks

Recessions and economic troubles do not just disrupt Place's clientele's propensity to invest disposable income on her services, but also affect the government's capability to provide adequate funding for the programs already enacted by the firm. Losing the support of the public, or receiving considerably less than expected on any given engagement could put significant strains on an operation largely reliant on two primary revenue streams: independent investment and revenue from live performances. Any alteration to funding arrangements could absorb anywhere from 10 to 25% of Place's current revenue streams, a considerable amount for a young corporation still working to build capital. These risks are being addressed by Place's spending mandate, which focuses on building a model of self-sustainability in the shortest period of time possible so as to offset the effects of funding changes.

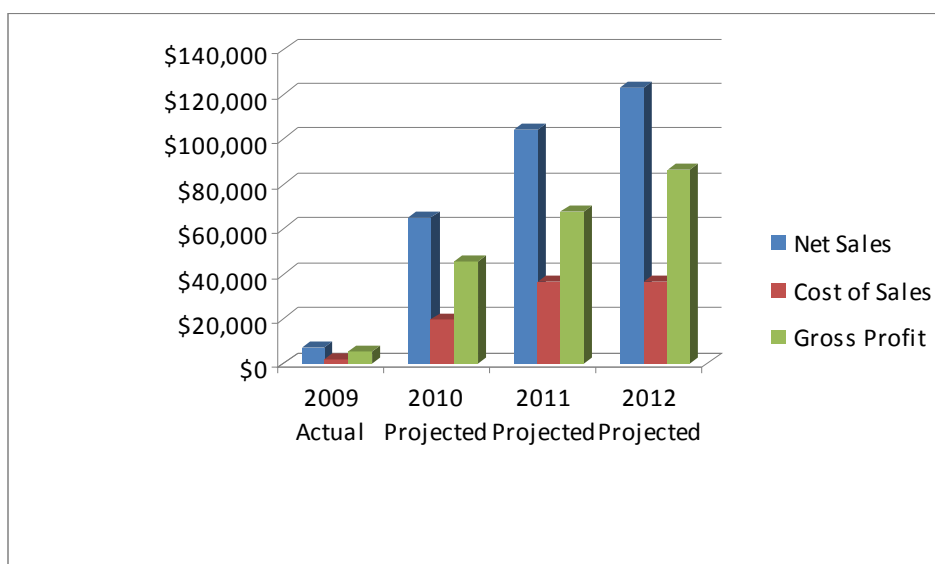
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## Appendix A: Pro Forma Income Statement, 2009-2012

### Pro Forma Income Statement for Place

	2009 Actual	2010 Projected	2011 Projected	2012 Projected
Net Sales	\$7,500	\$65,000	\$104,000	\$123,000
Cost of Sales	\$2,200	\$19,500	\$36,400	\$36,900.0
Gross Profit	\$5,300	\$45,500	\$67,600	\$86,100.0
Operating Expenses				
General and Administrative	\$3,000	\$27,500	\$35,000	\$40,000
Operating Income	\$2,300	\$18,000	\$32,600	\$46,100.0
Other Income				
Interest Income	\$250	\$1,200	\$2,100	\$3,000
Interest Expense	-\$750	-\$3,000	-\$3,500	-\$4,500
Other Income, net (expense)	\$500	\$1,800	\$5,600	\$7,500
Income Before Taxes	\$1,800	\$16,200	\$27,000	\$38,600.0
Income Tax Expense	\$486	\$4,374	\$7,290	\$10,422.00
Net Income	\$1,314	\$11,826	\$19,710	\$28,178.00

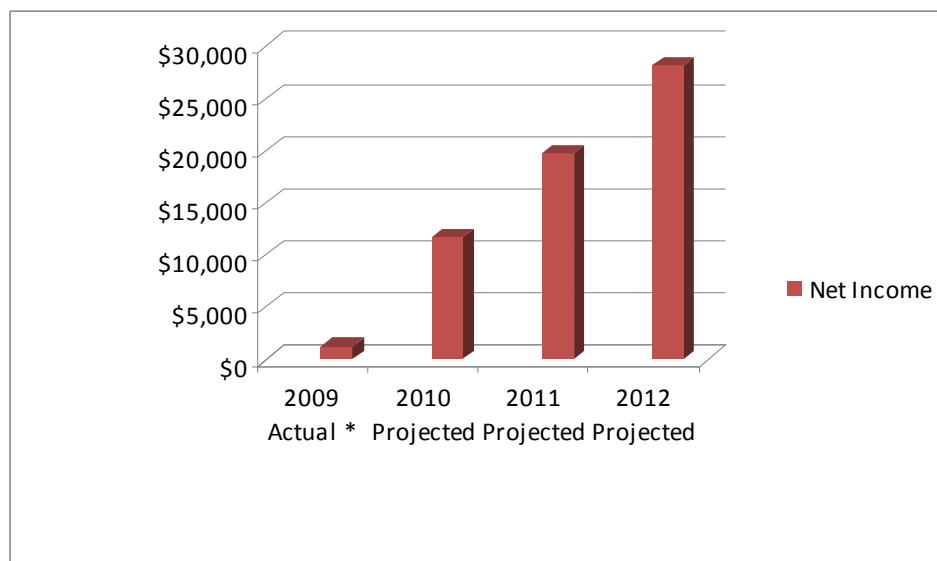


## Appendix B: Pro Forma Statement of Cash Flows

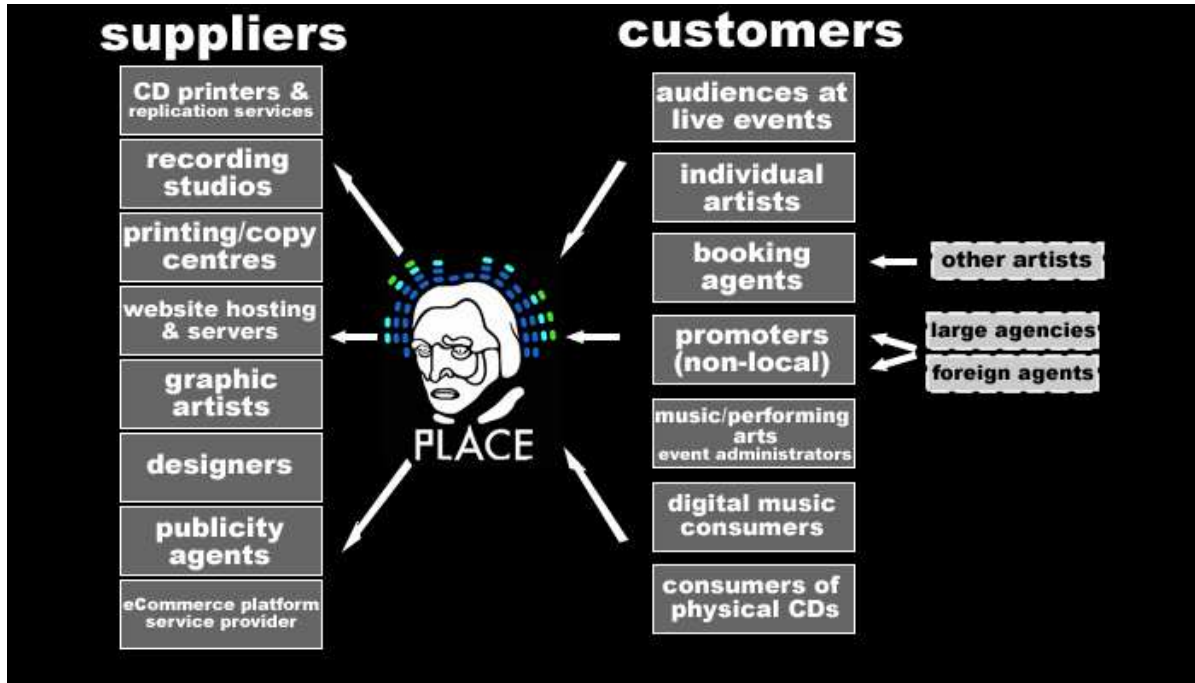
### Pro Forma Statement of Cash Flows for Place

	2009 Actual *	2010 Projected	2011 Projected	2012 Projected
<b>Cash Flows from Operating Activities</b>				
Net Income	\$1,314	\$11,826	\$19,710	\$28,178
<b>Changes in Working Capital</b>				
Increase (decrease) in Accounts Receivable	n/a	\$750	-\$150	\$0
Increase (decrease) in Accrued Expenses	n/a	\$1,000	\$1,100	\$2,000
Increase (decrease) in Accounts Payable	n/a	\$500	\$500	\$1,250
Total Adjustments	\$0	\$2,250	\$1,450	\$3,250
Net Cash Provided by Operating Activities	\$1,314	\$3,750	\$3,050	\$6,500
<b>Cash Flows from Investing Activities</b>				
Purchase of Equipment	\$0	-\$3,500	-\$9,000	-\$1,500
Net Cash Flows Provided by Investing Activities	\$0	-\$3,500	-\$9,000	-\$1,500
<b>Cash Flows from Financing Activities</b>				
Proceeds from Increase in Independent Investment	\$5,000	\$25,000	\$0	\$0
Net Cash Flows Provided by Financing Activities	\$5,000	\$25,000	\$0	\$0
Increase in Cash	\$5,000	\$25,250	-\$5,950	\$5,000
Cash and Cash Equivalents at the Beginning of the Year	\$0	\$6,314	\$43,390	\$37,440
cash and Cash Equivalents at the End of the Year	\$6,314	\$43,390	\$37,440	\$42,440

\* the firm's first year of formal operation



### Appendix C: Business Ecosystem



## Appendix D: Guerilla Marketing Techniques

Technique	Description
Handbills	Place routinely sends street teams and volunteers to other shows taking place in the cities where they are presenting to distribute material to fans of a similar genre. Fans leaving the venue or entering are then presented with promotional material for similar events being procured by Place.
Message Boards/Blogs	Place has a presence on almost every major message board and music blog in Toronto, Ottawa, and Montreal, and regularly promotes their events via digital ‘word of mouth’.
Post-Its	Printing information on post-its is a surprisingly inexpensive and easy way to plaster a city with information. By just putting a web address and a seemingly personalized invitation on a post it and sticking them everywhere, awareness begins to grow.
Chalk Attack	Place will send teams out to draw on sidewalks of major foot traffic arteries or intersections. People are always surprised by chalk in public and take immediate notice, regardless of their interest in the event.
Street Team	In order to save money on outsourcing to a media materials distribution firm, Place uses street teams – groups of volunteers who plaster the city with Place materials, in exchange for non-monetary compensation such as tickets or merchandise.