

Strategic Business Proposal

for

**Def
Jam
recordings**

For: **Def Jam Recordings**
www.defjam.com

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Introduction

Executive Summary

Since its start in 1984 Def Jam Recordings has remained an iconic part of hip-hop music and culture, providing an immersive experience for both the fan and the artist. A subsidiary of Universal Music Group (UMG), Def Jams roster includes over 35 of the Billboard's top artists (Def Jam Artists, 2018). On January 1, 2018, former CEO Steve Bartels stepped down from his position and appointed Paul Rosenberg as his replacement. This transition will provide Def Jam Recordings and their respective artists several new and decisive opportunities. Financially speaking, Def Jams two parent companies Universal Music Group and Vivendi reported declines in revenue related to operations, merchandising, and publishing at the end of 2017. This is due to the marketed shift in consumer preferences in relation to the rise of digital media consumption. The opportunity to phase out traditional legacy models into digitally focused strategies and into the development of a new Virtual Reality Concert platform will align with the preferred products and services of the industry consumer. The purpose of this proposal is to describe Paul Rosenberg's opportunity to rebrand and transition into a new VR Experience desired by Def Jam Recordings consumers. Specifically targeting male and female millennials ages 18-34 as they currently account for 72% of the hip-hop industries digital consumer (Nielsen Hip-Hop Genre, 2017). Justin Bieber, Kanye West, and Alessia Cara are three of Def Jams most influential artists to the millennial listener. Concert and promotional partnerships with these *artists* in the form of a new VR Concert Experience platform will transform Def Jam Recordings brand and the experience they provide.

1: Challenges & Solutions

Organizational Challenges

Steve Bartels stepped down from his position as CEO in 2017 and Paul Rosenberg assumed his position as CEO on January 1, 2018. With new leadership, comes a new vision of success and creativity. Def Jam Recordings has the opportunity to rebrand and set roots in the digital era that has swept the music industry with Rosenberg's guidance. His position has been met with a number of statements praising his new role. "Paul brings with him not only a remarkable record of success in hip hop, but an entrepreneurial drive and a deep passion for artist development that will build upon Rick and Russell's enduring legacy."(Grainge, 2017) Rosenberg is known for managing Eminem and supporting his creative expression to the fullest no matter the controversy that surrounds it. Any creative expression is a potential risk in this industry. Labels aim to shape and brand their artists in a manner that will have mass appeal. Rosenberg's appreciation for artist's expressive nature will aid in the rebranding of Def Jam Records and the signing of new career artists. "Def Jam is a place where artists are free to express themselves, their creativity and their vision. Paul comes from a place where artists and creativity come first. He supports artists taking creative risks and backs them 100% when they do. Def Jam continues to wave the flag of hip hop culture and Paul will imagine it anew."(Rubin, 2017) Steven Victor took his place as EVP, head of Def Jam's A&R in 2017. He will play a vital role in Rosenberg's agenda to go discover new hip hop talent. Together, Rosenberg and Victor, will determine the most innovative, state-of-the-art, and relevant steps to take when introducing new artists and their music to the public. Being on the frontline of technological advancements is a crucial element of any labels success. Physical albums are a thing of the past and digital downloads are decreasing every year. According to a report published recently by the RIAA evaluating the state of the music industry at 2017's halfway point, paid digital downloads are suffering the most, declining at a faster rate than even physical products, which many declared dead years ago.(Forbes, 2017) Digital downloads have dropped 50% in the past four years. Now live concert ticket sales are decreasing, ticket prices are increasing, and the number of live concerts are decreasing. It is only a matter of time before live concerts are dead as well. There is a void to fill in our industry and the millennial generation does so with technology, streaming specifically. With music sales declining as streaming and purchases of singles increase, artists and labels must turn elsewhere for income. New York Times states concert ticket sales were decreasing even in 2010, with shows by The Eagles and "American Idol Live" cancelling dates that summer. Live Nation even offered discounts on Goo Goo Dolls tickets and removed many service fees from ticket purchases. In summer 2014 MarketWatch showed a decline in ticket sales and revenue for Live Nation Entertainment INC., one of the largest ticket distributors. The sale of concert tickets declined 2% with second quarter profit declining 60% in the wake of the decrease. Def Jam's revenue streams are diminishing and we must take action immediately by taking advantage of virtual reality technology and our market's desire for technological advancements.

Proposed Solution

Def Jam Recordings has the top recording artist of hip-hop music to provide the hip-hop culture the best quality of music. It is pertinent that Def Jam utilizes new technology and do so before it is common use in the industry. So let's give them an experience that is unparalleled to any they have yet seen with virtual reality concerts. We will expand our Def Jam platform to incorporate the other side of live entertainment. Next VR creates virtual reality concerts for Live Nation, VR NFL events, and potentially Def Jam virtual concerts. The consumer will log on to the virtual reality division of Def Jam's home page to purchase virtual passes and access the virtual reality concerts. Virtual concerts and the VR passes will provide another revenue stream and a means to rebrand. "There's so much competition for attention, so anything that's new and potentially remarkable is going to get played with," says Ross Cairns, a UK-based creative director who worked on a VR video to accompany Biffy Clyro's single Flammable last summer. "Experiencing the concert in VR is something that people would be willing to pay for," he says. "In future it may be one of the most important revenue streams for musicians and producers." Album tours will incorporate immersive technology that transports the fan to an exhilarating alternate reality with their favorite stars. A year from now, our competition will follow in our footsteps. We need not follow. We must set the foundation, the bar, and be the first to truly utilize virtual reality technology. "Next on the agenda is to "refocus the brand," with an additional emphasis on digital strategy and signing career artists. "First and foremost, Def Jam is a hip-hop label, and the music that comes out of here should be connected to the culture," says Rosenberg, addressing his vision for the company. (Billboard, 2018)(Rosenberg, 2018) Focusing on a digital strategy will save monetary resources for the label, generate new revenue streams, and fit into the trends that are sweeping the industry such as streaming and virtual reality gear. In order to stay relevant and capture the attention of the consumer we must be involved with the latest technological advancements and the culture. The millennial culture thrives on technology. Justin Bieber is a hot item and relevant. He also has an extensive market that consists of both adults and their children. So, we will start with him. Initially, we will enter into a joint venture with Next VR for the 3D filming of the Bieb's year in the virtual world. The second year we will incorporate Kanye West and create an exciting realm for his virtual concerts. In year three of this venture, we will bring the young bold beauty, Alessia Carra, into the virtual reality concert experience. The fresh perspectives at Def Jam records from the newly appointed CEO and EVP, Paul Rosenberg and Steven Victors, will help shape and transform the digitally geared plans to success. As new artists are introduced to the label, we will incorporate them in the next three year strategy to bring virtual reality to the frontline of the label and the music industry.

2: Environmental Scanning

Internal Analysis

Company Overview

Def Jam Recordings, is one of the most successful music labels in the world (Magnetic Magazine., 2016). The label was founded in 1984 and still is headquartered in New York City, New York. The founders Rick Rubin and Russell Simmons are legendary music icons with over 30 years history of dominating the Billboards with internationally recognized artists. They have revolutionized the music business with acts like Public Enemy, Jay Z, the Beastie Boys and Run DMC. The company now possess an All-star roster of artist including Justin Bieber, Kanye West, Alessia Cara, and August Alsina. Although they are currently owned by Universal Music Group (UMG), who is owned by the multi-national multimedia giant Vivendi, Def Jam has established itself as a global brand dominating the music industry decade after decade.

Their mission statement “To present urban culture in its most true form to the people who love it and the people who live it.”, has beatboxed the world into submission (Entrepreneur, 2008). Hip Hop is now the number one grossing form of music in the United States and possibly the globe (Quora, 2018). This justifies the statement that Hip Hop is no longer considered urban culture but a huge part of American culture. Def Jam has successfully pioneered a global demand for the culture.

The company is now geared toward phasing out legacy business models like cd sales and onboarding with the new age consumer who prefers a mix of instant availability on any device, video, print, music, merchandise, social media and touring. This is an industry-wide shift as YouTube views are being calculated amongst the metrics once reserved for record sales and radio play (Ingham, T. (2016). Streaming has become the most profitable source of income for labels and the focus on music has transferred into giving consumers a full multimedia experience (IFPI, 2018).

UMG was recently given a valuation of \$40 billion dollars by Vivendi Chief Executive Arnaud de Puyfontaine (U.S., 2018). The company is currently privately owned but could see an IPO in the coming years. Vivendi’s market cap price in 2017 was \$24.2 billion, with \$11.97 billion in sales (Forbes, 2018).

Financial Standings

Def Jam financials are based on estimates taken from its two parent companies Universal Music Group and Vivendi. Def Jam Records is fully owned by parent company Universal Music Group (UMG). UMG is owned completely by Vivendi which at the end of 2017 UMG reported a full year guidance of

10% revenue growth and earnings before interest, taxes, and amortization (EBITA) of close to 20% (Houghton, 2018). Their momentum going into the new year is based on agreements and monetization through streaming services YouTube, Facebook, Spotify and China's Tencent. Vivendi's projects profits from streaming will continue to grow year over year (Billboard, 2018). *Appendix 4. Vivendi Market Summary Courtesy Google Finance (2018)*

At the close of 2017, UMG also reported profits down by 7.9%, earnings before interest, taxes, depreciation and amortization EBITDA of \$195.2 million which represents a 16% decline year over year (Billboard, 2018). In the same report, UMG reported declines in operating revenue, recorded music generating \$1.17 billion up .08 percent, publishing generating \$283 million up 6.6 percent and merchandising falling nearly 13% to \$103.14 million. *Appendix 2. Year to Date Total Market Shares. Courtesy Corporate Group (2017)*

It's clear why the company is banking heavily on the success of its streaming business amidst major retailers like Best Buy and Target Pulling Cd's off their shelves (Billboard, 2018). Still as reflected via the images taken from Music Week UMG still has a lion share of the entire industry as it is shifting to align with new media formats. *Appendix 3. Week 22 Top 75 Share Courtesy Corporate Group (2017)*

Organizational Strengths

Def Jams strengths include a star-studded roster of acts like Justin Bieber, Kanye West, and Grammys 2018 winner for "Best New Artist", Alessia Cara to name a few. They are also part of UMG which is "world's leading music company" operating in over 60 countries across the globe (UMG, 2018). UMG is owned by Vivendi which is the largest and most successful multimedia company on the planet. This means Def Jam has plenty of resources to pull from as it is successfully transitioning into a business model driven by profits from streaming. Recent contracts with YouTube, Facebook, Spotify and China's Tencent positions the label years of profitability through streams (Billboard, 2018).

Organizational Weaknesses

The 2017 restructuring of Def Jam executive management and staffing has created several issues for the company's business operations. CEO Paul Rosenberg accepted his new role January 2018 in conjunction with his long-time business, Shady Records. His transition between both roles has prompted the help of Music Executive Steven Victor, Executive VP Brand Strategy, Noah Callahan-Bever, and GM, Rich Isaacson. With each new Def Jam member, the company and brand has become increasingly less organized and focused overall (Rys, 2018). Rosenberg describes this shift to "Additional Emphasis on digital strategy and signing career artists" as next on the company's agenda. Def Jam records is synonymous to the hip-hop community and culture but has shifted from this company vision over the years, saying "Moving forward, we're going to pull things more in a hip-hop direction" (Rys, 2018). Consequently, this lack of structure has greatly affected the company's ability to remain fresh and dynamic to their millennial audience. This weakness has alienated fans from the Def Jam label as they should be more technologically savvy and engaged to their viewer desires and in turn has led to a loss of revenue and market shares.

Customers

Def Jam Records target customer encompasses male and female millennials ages 18-34 and generation x, ages 35-50. According to the Nielsen 2015 Hip-Hop Nation Survey, there is a deep and growing interest in hip-hop among younger generations (Nielsen, 2015). Def Jam Records signed artists appeal primarily to the millennial hip-hop listener audience. The 2017 Nielsen Music Tracking Report confirms hip-hop and R&B as the largest represented share for the calendar year ending with 24.5 percent of all music consumption in the U.S. (Nielsen Music, 2017). This target audience shows Hispanic and African-American males ages 18-24 as the core demographic for Def Jam Records. 27% of which reside in the Western region of the U.S (Nielsen Hip-Hop Genre, 2017). The current market share of on-demand audio streaming for hip-hop makes up 38% total audio consumption, 72% of which include the millennial listener (Tisdale, 2017). The millennial music consumer relies on digital streaming platforms to discover, listen, share, and engage with various social audiences. With an increased need to share in-person festival, concert and club experiences, accounting for 35% of hip-hop consumers average annual music spend (Nielsen Hip-Hop Genre, 2017). Similar to Def Jam Records target customer is that of the Virtual Reality market. According to MetaFAQS, male and female millennials between the ages of 18-34 years old are among the highest usage rates for VR content. This makes the VR Concert Experience an ideal opportunity for Def Jam to begin their newest VR department venture. The interest in both VR Entertainment and how it relates to the music industry and concerts rests in the target millennial audience's willingness to pay for these experiences. Def Jam Records stands to greatly benefit from the continued growth of this target market should they focus their advertising on multiple digital and social channels.

Collaborators

Def Jam Records is as a hip-hop record label operating as a subsidiary of Universal Music Group, Inc. (Bloomberg, 2018). The company began their first distribution deal with Columbia Records in 1985 producing their first full-length physical album, L.L. Cool J's class, "Radio" (McDonald, 2017). In terms of generating brand awareness through social media outlets and digital distribution Def Jam's original CEO, Russell Simmons founded the digital media company, *All Def Digital* in 2016 in partnership with Silicon Valley-based WPP Ventures. ADD has served as Def Jams distribution platform for content using traditional and digital advertising methods reaching more than 100 million users monthly via Youtube and Facebook (Gwynn, 2016). *All Def Digital* plays a key role in global hip-hop culture creating content for HBO, MTV, Fusion, Spotify, and SeeSo. Since the start of ADD in 2016 the company has grown their channels to over 3.5 million fans aged 18-24 (All Def Digital, 2016). In continuing this valuable collaboration with All Def Digital, Def Jam Records has the ability to creatively advertise directly to their target hip-hop consumer. Over 80 million millennials are influenced by this genre and are the number one users of technology and mobile platforms. Due to this increased activity distributing Def Jam's VR Artist Experience through ADD will provide a more engaging and seamless experience for their consumer from a recorded download, streaming, and advertising standpoint.

External Analysis

Competitors

According to Def Jam Records, the record label is parented under Universal Music Group. The record label is primarily a Hip Hop and Urban record label. Its direct competitors are Hip Hop and Urban records labels that are parented under major record labels. Def Jam's indirect competitors are record labels that produce various music genres and are parented under major record labels.

Direct Competitors

Roc Nation: An American Hip Hop and Urban record label that is parented under Live Nation Entertainment. Roc Nation was founded in 2008 by Shawn "Jay-Z" Carter. Sidney Madden from XXL Magazine stated that "Since launching in 2008, Jay-Z's Roc Nation management company has built up one hell of a rap roster. Spearheaded by HOV himself, the one-stop shop houses a record label, a talent agency, a touring and concert production company and music publishing company all within its four U.S. offices".

Cash Money Records: An American Hip Hop and Urban record label. The record label is parented under Universal Music Group. Cash Money was founded in 1991 by Ronald "Slim" Williams and Bryan "Birdman" Williams. Bryan "Birdman" Williams, "Baby" to his close associates, is a regular presence on Forbes lists like our new rundown of hip-hop's wealthiest artists. His exploits as the co-founder of

Cash Money Records, and as a rapper, solo and with the Big Tymers, his duo with Mannie Fresh, are well known (Serto, 2015).

Indirect Competitors

Atlantic Records: An American record label that specializes in Jazz, R&B, and Soul. The record label is parented under Warner Music Group. Atlantic Records was founded in 1947 by Ahmet Ertegun and Herb Abramson. In 2016, Warner Music Group reported that “Atlantic Records is enjoying exceptional chart success with a genre-crossing spectrum of artists at all stages of their careers. This week alone, the company has three albums in the top seven on the Billboard 200, and six out of the top 16 albums on the chart”.

RCA Records: An American record label that produces Pop, Rock, Hip Hop, Electronic, R&B, Blues, and Country. The record label is parented under Sony Music. RCA Records was founded in 1901 by Emile Berliner and Eldridge Johnson. In 2017, RCA and its most hit artist P!NK celebrated their success. FMQB reported, “RCA Records and global Pop superstar Pink celebrated years of success with a plaque commemorating over 42 million albums sold worldwide, 75 million singles, 5 billion audio streams and 3.3 billion video streams at RCA Records headquarters in New York City”.

Competitive Analysis				
Factor	Def Jam	Roc Nation	Atlantic Records	RCA Records
Product	Hip Hop and Urban albums	Hip Hop and Urban albums	Jazz, R&B, and Soul albums	Pop, Rock, Hip Hop, Electronic, R&B, Blues, and Country albums
Price	\$11.99 to \$20.00	\$15.00 to \$25	\$11.88 to \$29.69	\$11.00 to \$32.00
quality	Great	Good	Good	Great
service	Def Jam caters to 30 artist	Roc Nation caters to 100 artist	Atlantic Records caters to 227 artist	RCA Records cater to 112
Reliability	Great	Satisfying	Satisfying	Great
Stability	Great	Satisfying	Great	Great
Expertise	34 years	10 years	71 years	117 years
Company Reputation	One of the greatest record labels	The youngest record label	The most striving record label	One of the oldest record labels
Location	New York City, New York	New York City, New York	New York City, New York	New York City, New York
Parent company Sales	\$5.57 Billion	\$8.4 Billion	\$5.76 Billion	\$3 Billion

(Sources located in Appendix 1, page 28)

Business Climate

Political & Regulatory

Musicians, managers, artist, and creators are all regulated under The Digital Millennium Copyright Act of 1998. The Act regulates the rights of property for the artist and their creation. It sets penalties for copyright infringement. According to the WIPO “Intellectual property refers to the creation of the mind, such as inventions, literary, and artistic works; designs; and symbols; names and images used in commerce”.

Record labels are required to have an EIN for the business. The federal law requires all partnerships and corporations to use EIN. The record labels are required to keep track of income, expenses, and losses. Depending on the of business your required to file under publication 334, 541, 542,535, and 583. There are additional taxes within each state (IRS.Gov)

PROS

According to Jefferson R. from Lawyer Rock stated that “The Performing Right Organizations (PROs) ASCAP and BMI collect and distribute royalties that are earned from the performance of musical composers in the United States on behalf of songwriters and Publishers.

Songwriter Equity Act of 2015

Amends federal copyright law regarding the exclusive rights of sound recording copyright owners to remove provision that prohibits license fees payable for public performance of sound recording by means of a digital audio transmission, from being taken into account in any administrative, judicial, or other governmental proceeding to get or adjust the royalties payable to copyright owners of musical works for the public performance of their works.

Recording Industry Association of America (RIAA)

According to the RIAA,” We represent some of the most Iconic record labels- Atlantic, Capitol, RCA, Warner Bros., Columbia, Motown and countless others- behind today’s most popular artist. We work to protect artists’ creative freedom and promote the unique work that labels do to support them.

Economic

The United States seems to have an economic crisis every 10 years or so (Amadeo, 2017). In 2008, the United States went into a financial crisis. This came when housing prices started falling and mortgage

default began rising. Friday, February 2, 2018, the Dow market is down by -2.54%, Nasdaq is down by -1.96%, and S&P is down by -2.12%(CNN Money, 2018).

The target market for Def Jam is Millennials. The average Millennial that is 35 makes substantially in income less on average than \$40,356. (Spinelle, 2016).

Social & Cultural

Streaming

The cultural of the industry has changed with digital technology on the rise for consumers and industry professionals. According to Jeff Dun from Business Insiders, “Music Streaming is in the win because of its convenience. In the first six months of 2017, Americans logged 284.7 billion on-demand music streams”.

Social Media

Due to the rise of digital media, the industry has produced a media avenue for a company’s consumers, fans, and professionals to connect. According to Matthew Hudson from the Balance “Social media is a series of websites and applications designed to allow people to share content quickly, efficiently, and in real-time”. Social media is one of the biggest opportunities across industries to connect directly to consumers (Casey, 2017). According to the Nielsen report, Millennials spend over 6 hours per week on social media. 25% are female and 19% are males.

Apps

Apps are a piece of software that can run through a web browser or even offline on your computer, phone, tablet, or any other electronic devices (Karch, 2017). According to Artyom Dogtiev from Business of Apps “197 billion people use apps”. Apps for businesses allows the company to connect with consumers and bring in more revenue streams. Consumers and fans of the music industry have a closer connection with company or artist by using the app.

Technological

Smartphones and Smart Devices

Smart devices have changed the music business. These devices brought new ways for consumers to access music, news, and networking. Smart devices have impacted the industry sales in a positive and negative way. Positively it opens a revenue for music and video streaming and downloading. Streaming makes up 62% of the music business. Smart devices have also impacted the music business in a negative way. The billboard reported “that album sales, including track equivalent albums, are down by 16.9%. Allowing consumers to access music and videos anytime declined album sales. “Thanks to the

smartphone, all that faffing about is well and truly behind us- now we can stream pretty much any song that exists out of thin air using Spotify or YouTube, and a 4G or Wi-Fi connection,” says Kate Solomon from The Telegraph.

RFID/NFC Wristband

Technology has brought a new way of purchasing concert tickets and hosting events in the industry. RFID stands for radio frequency identification. The device has an electronic chip that collects and tracks data. According to Jessica Bowler from Print Some Insights, “they’ve popped up at music festivals all over the world...where attendees get a wristband with a small chip which they can scan to do things, for food and drinks, get access to VIP areas, or even upload a post to social media”.

Internet and Pirating

With all of the great things that internet allows business professional and consumers do, the internet has had a negative impact on the music industry. As technology increase pirating music increases. Music Business Worldwide reported, “in the decade of internet due to peer to peer file sharing site Napster merged in 1999, music sales in the U.S. have dropped 47% from \$14.6 billion to \$7.7 billion”. From 2004 through 2009 alone, approximately 30 billion songs were illegally downloaded.

Industry Trends

VR technology in the entertainment and music industry is modernizing the way fans experience their favorite music and artists. According to the Foundry, the shift from traditional music platforms into 360 stereoscopic territory has opened exciting new possibilities to the visual content creation world and music industry (Foundry, 2017). This is due to the increase in the VR market for video entertainment which currently accounts for a population of 450 million online households in the video addressable market. In terms of where the market is heading, the 2016 Goldman Sachs research report estimates 67.3% of the market have expressed an interest in recorded entertainment (GS, 2016). Which make monetizing VR an excellent long-term opportunity for the music industry.

Business Opportunities

Opportunities for Def Jam include utilizing Vivendi’s footprint to expand its digital media and merchandise into other countries. Also, UMG has ownership of Ubisoft and Gameloft gaming companies. As the entertainment industries continue to converge Def Jam can utilize these platforms to introduce VR albums, 4d experiences with the artist, exclusive gaming soundtracks and altered reality interactive venues similar to the Pokémon game. These technologies can be offered as incentives to fans, concert goers, and paid subscription holders. Facebook and YouTube are also rolling out their premium video subscriptions and are looking for content creators. Def Jam can release a multimedia network that

spans across both of the networks rewards early adopters with new and exclusive content found there first.

Business Threats

There are several threats that exist in the music industry pertaining to Def Jam Records. Specifically, the threat of substitutes in the market and new entrants. There are currently several hip-hop labels that have entered the market since the start of Def Jam Records. Young Money Entertainment, Cash Money Records, and Roc Nation. Each of which are direct competitors offering American Hip Hop under major record labels. As the music industry evolves so does the threat of staying relevant in the market. From a distribution and advertising standpoint the artists success is often lumped into the labels ability to make long term adaptable choices. The threat of file sharing lawsuits is equally threatening to Def Jam artists. According to the Recording Industry Association of America's (RIAA) file sharing lawsuits are not universally supported by musicians and labels, and many have spoken out against them claiming "they damage the relationship between musicians and fans" (McDonald, 2017). This not only threatens the music industry, it directly affects the business and service provided.

3: Strategy Formulation

Operations

For the first year of Def Jam Records, the company will focus on the artist Justin Bieber. Def Jam and Next VR will go into a joint-venture to produce Def Jam Records and Justin Bieber's first virtual reality concert. Once the concert is produce, Def Jam's promotion team will focus on promoting the concert. The concert will be promoted on different online and advertising streams. Def Jam's sales department will focus on selling the concert. The concert will be sold on UMG website, Def Jam website, and Justin Bieber's website. Consumers will be able to buy on these platforms by using a credit card, debit card, and PayPal. Def Jam will use its own customer service to handle any concerns or technical support of the product. Each employee from each department that works on the project will be paid an annual bonus.

Sales, Marketing, & Distribution

Marketing Mix

Justin Bieber's virtual concert will cost \$49.99.

Promotion

Online Advertising

The promotional message for Def Jam is “The Future is On”. Def Jam will use social media sites to promote the products. The social media sites are Facebook, Twitter, and Instagram. The product will also be promoted on Google and Yahoo banners.

Website

The products will be promoted on Universal Music Group website, Def Jam Records Website and the artist website.

Product Launch Party

The launch party will be the digital future for Def Jam Records. This will be a virtual reality concert release party. The attendees of the release party will be some fans of Justin Bieber, business partners, and employees. Justin Bieber will also conduct an interview to talk about the making of the concert and the benefits of buying the virtual reality product.

Legal & Ethical

Legal Factors

There will be a joint venture between Def Jam Records and NextVR. All copyrights will be given to Def Jam. There will also need to be a contract with Def Jam artist and employees for payroll.

Ethical Considerations

The strategic plan is focused on re-branding Def Jam Records for the future of its artist, employees, and leadership. The plan presented is relied on the vision of the C.E.O, Def Jam, and its partners. This plan will bring growth to Def Jam Records and establish a new ground in the music and technology industries. Most of all the strategy is looked in the best interest of Def Jam’s values, ethics, and company culture. It is remembered that Def Jam has an equal employment opportunity. Def Jam Records, we are moving forward!

4: Proposal Budget & Projections

Sales Projections

There are currently no other record labels with artists exclusively generating revenue using a Virtual Reality Concert Pass. Which is why we propose Def Jam Records make the transition from a traditional market to the VR artist experience as this will increase yearly revenue. Digital sales and the surge in streaming entertainment have topped all forms of music consumption with a 12.5% growth in the music industry year over year. Implementation of Def Jam Records VR Artist Concert Pass using one of the labels most popular artists, Justin Bieber will create new and dynamic possibilities for revenue. Justin Bieber's 2016 World Purpose Tour topped \$250 million in ticket sales based on AEG Presents box office tallies (Billboard, 2017). With an average monthly attendance of 530,368 people, and 6,364,416 million attendees worldwide during the tours 12-month run. Our calculations forecast the VR Development of this new experience to increase monthly audience viewers outside of physical attendees by 100,000 to reflect 630,368 as well as to account for an increase in worldwide VR viewer platforms. Therefore, the VR Experience projected units sold will reflect 7,564,416 viewers for the first year. The VR Development company NextVR will cost an estimated \$31,200 to record and produce the VR Artist Concert Pass for Justin Bieber. Def Jams VR Artist Concert access will be sold at \$49.99. The unit cost associated with this price will produce a profit of \$378,113,156 for the first year (Roadtovr, 2014). In the second year of Def Jams VR Artist Concert Pass, we project an increase of 297,615 projected units sold to account for the addition of Def Jam artist Kanye West, producing a profit of \$392,960,530. Year 3 of this new VR Artist Concert Pass will include Def Jams third artist, Alessia Cara. Our calculations forecast an increase of annual viewers by 150,000 to account for an estimated \$400,427,830 profit. Please reference Appendix six for a forecast of the below sales projections, revenue and cost analysis.

VR Artist Concert Pass	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Unit Volume	7,564,416	7,862,031	8,012,031
Unit Price	\$49.00	\$49.99	\$49.00
Unit Cost	\$31,200	\$62,400	\$93,600
Total Net Sales	\$378,113,156	\$392,960,530	\$400,427,830

Project Budget

The budget for Def Jam Records has been divided into operational, marketing, payroll, and legal expenses.

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Sales	\$7,564,416	\$7,862,031	\$8,012,031
Marketing	\$1,027,018	\$507,018	\$254,018
Employees	\$1,680,000	\$1,730,000	\$1,350,000
Payroll Taxes	\$336,000	\$346,000	\$270,000
Professional	\$1,780	\$1,780	\$1,780
Equipment	\$31,200	\$64,400	\$96,600
Facility Expenses	\$19,652	\$19,652	\$19,652
TOTAL	\$ 3,096,650	\$2,668,850	\$1,992,050
NET PROFIT	\$4,468,766	\$5,193,181	\$6,019,981

5: Strategy Implementation

Timeline & Key Milestones

In year one we will implement the virtual reality concerts in a joint venture with Next VR. Justin Biebers tour will commence on June 18, 2018. This will allow us time to stage the event for 3d filming by Next VR in April and to add the digital enhancement in May. On March 1st our development and design team will begin creating our marketing images. By March 15th we will have press kits released. Marketing and promotion will continue from March to June. We will evaluate vr passes and revenue generated in July.

In year two we will add another artist to the roster for vr concerts. Kanye West will begin filming no later than February. Press kits will go out in February. The promotion tools and images will be completed no later than the end of March. We will market his addition from April to August. Consumers will have access to his virtual reality concerts from September to November. In December we will evaluate ticket sales and revenue.

Year three will mark the addition of Alessia Carra. Next VR will film her in January. Our design team will prepare the marketing pieces in February. Marketing and promotion will commence in March and continue through May. Her concert will be accessible from June to July. In August we will evaluate her vr pass sales and revenue generated. We will evaluate the success of the entire three years in December and begin the next three-year strategy based on these numbers.

The addition of a second VR concert for each artist each year will be assumed, but are pending based on funding, time, and success of the strategy.

<i>Pre-Launch and Year One</i>	
<i>Date/Time Frame</i>	<i>Event/Milestone</i>
<i>March</i>	<i>Propose joint Venture to Next VR</i>
<i>March</i>	<i>Solidify contracts between Def Jam and Next VR, acquire insurance, begin developing the VR platform on Def Jam's page</i>
<i>March 15</i>	<i>Increase bandwidth and test the functionality of the platform, complete VR platform</i>
<i>March 20</i>	<i>press kits to be released, marketing/promotion begins</i>
<i>April 15</i>	<i>Assign tech help positions for VR platform, and customer assistance lines,</i>
<i>May 10</i>	<i>Next VR will record Justin Bieber's concert, the digital additions to the concert will be completed by the end of May</i>
<i>June 1</i>	<i>weekly newsletters sent out to social media contacts with images and updates</i>
<i>June 11</i>	<i>Next VR records Bieber's second VR concert, marketing and promotion begins</i>
<i>June 18- August 26</i>	<i>First Bieber VR concert posted on VR platform</i>
<i>September 1-October 31</i>	<i>Bieber's second VR concert posted</i>
<i>October 1</i>	<i>Evaluate 1st VR concert virtual pass sales/goal 2.5 million</i>
<i>November 1</i>	<i>Evaluate 2nd VR concert virtual pass sales/goal 2.5 million</i>
<i>November 28</i>	<i>Justin Bieber media release thanking his fans</i>
<i>December 1</i>	<i>Begin alterations of the VR platform for artist addition</i>

<i>Year Two</i>	
<i>Date/Time Frame</i>	<i>Event/Milestone</i>
<i>January-February</i>	<i>Complete VR platform to incorporate Kanye West</i>
<i>February 7</i>	<i>Next VR will record Kanye West's VR concert</i>
<i>February 10</i>	<i>Begin creating marketing and promoting tools</i>
<i>February 16</i>	<i>Press kits released</i>
<i>April 23</i>	<i>Begin marketing and promotion campaign for Kanye West, Next VR records Kanye's 2nd VR concert</i>
<i>August 3</i>	<i>Weekly newsletters sent out to social media contacts</i>
<i>September 8</i>	<i>Kanye West's VR concert posted to Def Jam's VR platform</i>
<i>November 12</i>	<i>Kanye's first VR concert removed from platform</i>
<i>November 1-December 28</i>	<i>Kanye's 2nd VR concert posted to VR platform</i>
<i>November 20</i>	<i>Evaluate 1st VR concert virtual pass sales/goal 2.5 million</i>
<i>December 29</i>	<i>Evaluate 2nd VR concert virtual pass sales/goal 2.5 million</i>
<i>December 29</i>	<i>Begin alterations to VR platform for Alessia Carra's addition</i>
<i>December 30</i>	<i>Kanye sends social media video thanking fans</i>
<i>December 31</i>	<i>Evaluate year 1 and year 2 virtual pass sales/goal 10 million</i>

<i>Year Three</i>	
<i>Date/Time Frame</i>	<i>Event/Milestone</i>
<i>January 7-14</i>	<i>NextVR will record Alessia Carra's VR concert, add digital content</i>
<i>February 1</i>	<i>Prepare marketing and promotion tools</i>
<i>March 7</i>	<i>Commence marketing</i>
<i>March 1-8</i>	<i>Send press releases</i>
<i>April 3</i>	<i>send weekly news letters to social media contacts</i>
<i>June 10</i>	<i>Alessia's first VR concert will be posted to platform</i>
<i>July 26</i>	<i>Alessia's VR concert will be removed from the platform</i>
<i>August 5</i>	<i>Evaluate virtual pass sales/ goal 2 million</i>
<i>August 20</i>	<i>Next Vr will record her 2nd VR concert, promotion begins</i>
<i>October 1-December 11</i>	<i>Second VR concert accessible</i>
<i>December 15</i>	<i>Evaluate 2nd concert's virtual pass sales/goal 2 million</i>
<i>December 20</i>	<i>Evaluate 3 year virtual pass sales/goal 14 million</i>
<i>December 28</i>	<i>Begin next three year VR strategy based on the success</i>

6: Future Plans

Long-term Opportunity & Development Plans

The future of music is the enhancement and curation of environments, ambiences, and neural opulent connections that allow for a completely immersive experience. Our position is to stay connected with the pulse of young urban music lovers, while continuing to fascinate and amaze them through delivering great new entertainment experiences across the platforms they love conveniently and with the best quality. Def Jam will continue to research and incorporate innovative cutting-edge technology that enhances the sensory experience and constantly engages with audiences.

Virtual Reality albums will allow Def Jam to create new connections with music lovers to become submerged in and connect in an audio-visual symphony that pleases the mind. It will also provide new opportunities for premium subscriptions, streams, pay per view and interactive entertainment for years to come. Conveniently delivering fans experiences of a lifetime, memories, and music that will be the theme songs to their lives.

The long-term plans for Def Jam include the incorporation and transition into connecting fans to entertainment experiences that fascinate all facets of the senses.

7: Appendices and References

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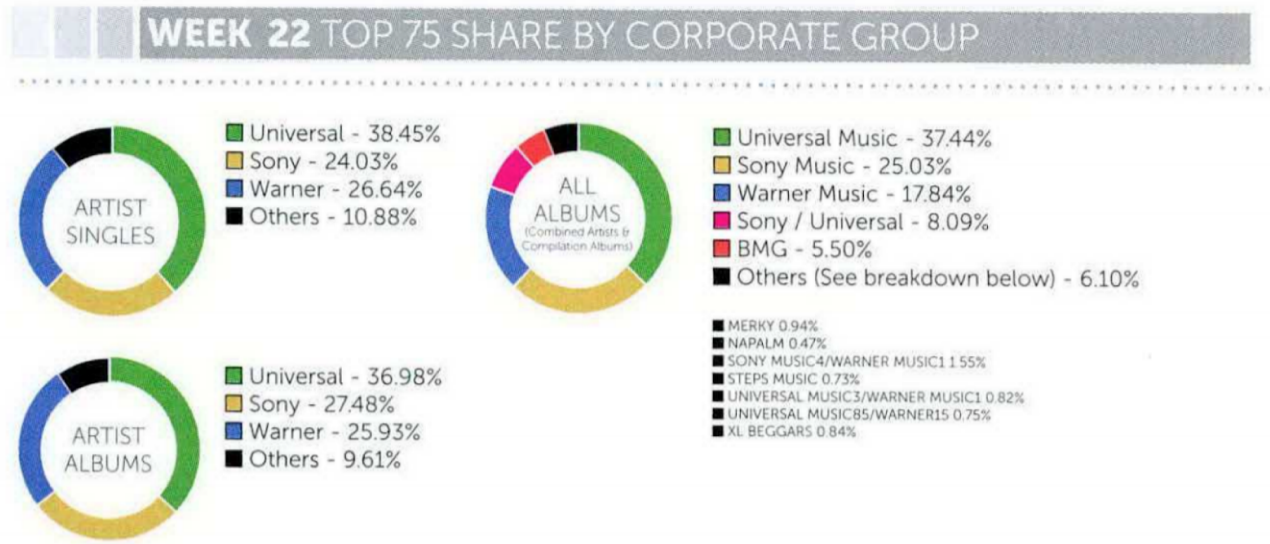
Appendices

Appendix 1: Competitive Analysis

Competitive Analysis				
Factor	Def Jam	Roc Nation	Atlantic Records	RCA Records
Product	Hip Hop and Urban albums	Hip Hop and Urban albums	Jazz, R&B, and Soul albums	Pop, Rock, Hip Hop, Electronic, R&B, Blues, and Country albums
Price	\$11.99 to \$20.00	\$15.00 to \$25	\$11.88 to \$29.69	\$11.00 to \$32.00
quality	Great	Good	Good	Great
service	Def Jam caters to 30 artist	Roc Nation caters to 100 artist	Atlantic Records caters to 227 artist	RCA Records cater to 112
Reliability	Great	Satisfying	Satisfying	Great
Stability	Great	Satisfying	Great	Great
Expertise	34 years	10 years	71 years	117 years
Company Reputation	One of the greatest record labels	The youngest record label	The most striving record label	One of the oldest record labels
Location	New York City, New York	New York City, New York	New York City, New York	New York City, New York
Parent company Sales	\$5.57 Billion	\$8.4 Billion	\$5.76 Billion	\$3 Billion

Appendix 2

Figure 2. Year to Date Total Market Shares. Courtesy Corporate Group (2017)



Appendix 3

Figure 3. Week 22 Top 75 Share

Courtesy Corporate Group (2017)

Appendix 4



Figure 4. Vivendi Market Summary Courtesy Google Finance (2018)

Appendix 5

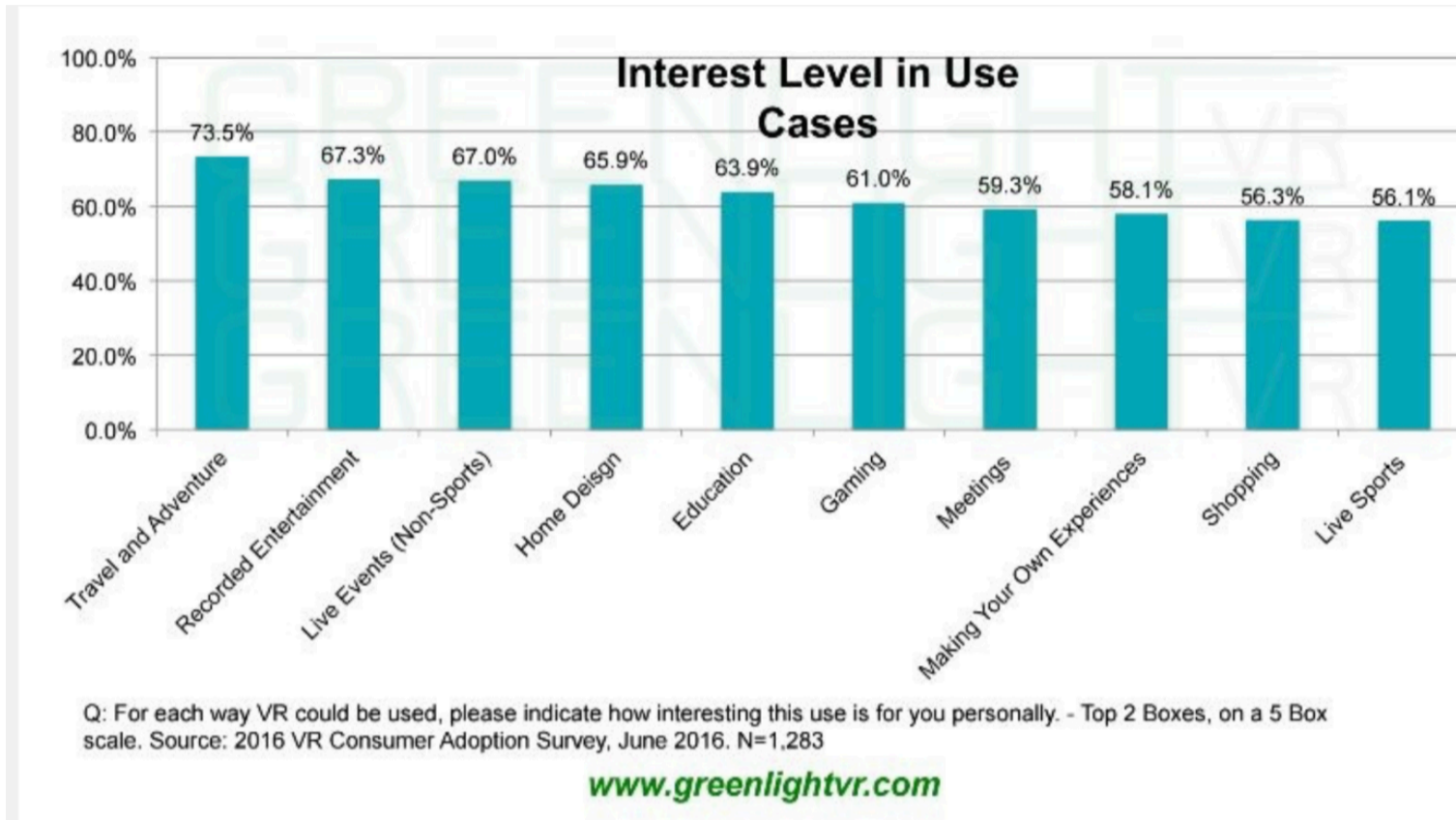


Figure 5.

Shows the interest level and industry trends of VR technology

Appendix 6

Sales	Year 1 Total	Year 2 Total	Year 3 Total
VR Artist Concert Pass			
TOTAL NET SALES	\$7,564,416	\$7,862,031	\$8,012,031
Expenses			
Marketing	\$1,027,018	\$507,018	\$254,018
Employees	\$1,680,000	\$1,730,000	\$1,350,000
Payroll Taxes	\$336,000	\$346,000	\$270,000
Professional Services	\$1,780	\$1,780	\$1,780
Equipment	\$31,200	\$64,400	\$96,600
Facilities Expenses	\$19,652	\$19,652	\$19,652
Total Expenses	\$3,096,650	\$2,668,850	\$1,992,050
Net Profit/Loss	\$4,467,766	\$5,193,181	\$6,019,981
Net Profit/Loss %	69%	51%	33%

Figure 6. Shows the projection sales, total expenses, and Net profit

