

Buisness Plan Assignment

["www.itubes.com"](http://www.itubes.com)

Rob Mausser and Ryan Lukasik

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Business Plan

["www.itubes.com"](http://www.itubes.com)

## Executive Summary

### **Business Description**

[www.itubes.com](http://www.itubes.com) is an internet based, fully automated audio processing facility, that will offer various vintage, analogue recording equipment and effects processors to small-sized recording studios for post-production use. It will offer these smaller studios the ability to purchase internet based access to use this vintage analog equipment, that would be otherwise unaffordable, unavailable or inconvenient for them to use.

Through a web interface, recording/mixing engineers could pay a small fee to upload unprocessed recordings which would then be re-recorded through the vintage equipment and then returned to them online, through a completely quick and automated fashion. This vintage, hardware based equipment is still used readily by many larger studios, and is a key element in producing a high quality professional recording. The reason is that "Analog tape machines are still well sought after as some purists label digitally recorded audio as sounding too harsh, and the scarcity and age of analog tape machines greatly increases their value, as does the fact that many audio engineers still insist on recording only to analog tape." ([http://en.wikipedia.org/wiki/Recording\\_studio](http://en.wikipedia.org/wiki/Recording_studio))

This is why a way to mimic this sound is sought after by many smaller studios wishing to obtain a similar quality production with their digital equipment in order to remain competitive. This way, we are creating an opportunity for these smaller studios to compete with higher end productions on a smaller budget.

### **Ownership**

The company would either be a co-ownership between Rob Mausser and Ryan Lukasik, with a debt investment of \$, for 2 years to cover startup costs until we become self-sustainable. Although the company is providing an intangible web service, there is a low-risk factor for an investor because we are also dealing with a lot of tangible products (ie, the equipment) that can be repossessed.

### **Key Initiatives and Objectives**

To Provide affordable access to high quality analogue post-production equipment over the internet, quickly and affordably for a worldwide audience.

To create enough of a marketing buzz to at least break over the 307 transfers per month that would need to be created in order to make a profit from this business.

## **Marketing Opportunities**

### **Competitive Advantages**

This process is advantageous to smaller studios in many ways. First, the only other affordable options for small studios to achieve a professional sounding recording to compete with larger studios is either through the use of software emulation plugins, which mimic the sound of the real vintage equipment, or through rental of the equipment.

These processes are both inferior for their own reason. Most software plugins designed to emulate the sound of vintage hardware gear do just that, they attempt to fake the desired effect created by these devices, and do not compare to the real thing. Also, these products range from around \$400-\$800 dollars, and are still expensive in their own right, especially considering that they are simply an emulation of the real effect. The one major advantage these products have is that since these studios are already recording in a computer based environment, it is very quick and easy for them to add these effects to their productions since they are software based as well.

The other method of renting the equipment for a fee has the disadvantage of being a cumbersome process, as one must wait for the device to be ordered and transferred, as well as the need to schedule the time to use it. Therefore, it is not a very efficient method as far as time is related. Also, as with even owning the vintage gear, the studio must have the proper equipment and resources in order to use the product with their recordings, as there must be an intermediary between the digital world they are recording in and the analog equipment, in other words, using the gear is not nearly as easy as with adding a software plugin, like described before.

Owning the equipment also has its own disadvantages. Not only is this gear relatively expensive for smaller studios, but it is also a rarity and difficult to find, as well as maintain.

Therefore, our method is advantageous in that not only does it allow these smaller studios to use the vintage equipment on a cheaper "per-use" fee than actually owning it, as well as the ease of staying within the digital domain in which they are recording. Since the customer sends us an unprocessed digital recording, and receives the processed audio track back in the same digital format, there is no hassle to have to convert back and forth from the digital and analog realm. Also, our method is comparably fast to the method of using software emulators, but with the quality advantages that come with using the real vintage equipment.

Comparison of Competition and Advantages/Disadvantages of each service.

Product	Software Emulation	Rental	Owning Equipment	iTubes
Advantages	-is quick, easy to use, never need to convert from digital to analog	-good quality, is the “real deal”, affordable.	-good quality, no time limit for use.	-good quality, using the actual device, no need to convert digital to analog, and is reasonably fast and affordable.
Disadvantages	-only mimics the desired effect, not the real thing, fairly costly for the result.	-Slow, time wasting process, must work schedule around rental, need to convert digital to analog.	-very costly, rare equipment is hard to come by, must also invest in a method to convert digital to analog for use, also repair costs.	-minor, requires internet connection, some small wait times in busy periods.

**Summary of Financial Projections**

With a monthly cost of \$7685 to pay back the \$175,000 loan within a 2 year period, we must process at a minimum 307 transfers of \$25, 10 minute audio clips per month in order to break even. We are expecting an average of 2000 audio clips per month over the first two years, with a revenue of \$50,000, and a profit of \$42385 per month.

Business Overview

**Ownership**

The ownership will comprise of both of us, Rob Mausser and Ryan Lukusik because of our knowledge in the audio and internet field of the company. Although we are seeking a Debt Investment for the initial startup costs, we are willing to negotiate a part ownership through an Equity Investment as well. Both of us feel we are qualified for our own reasons to manage the company on our own, if possible.

Rob Mausser

Rob Mausser is qualified to take on the challenges of this business because I’ve had a good amount of experience with audio gear, new and old, as well as experience with the web and web related activities. Currently in third year of Radio and Television Arts at Ryerson University, specifically focusing on the audio recording portion of the program, and has had experience before and after working in small recording studios, that would benefit from this type of service. As well as having a good knowledge and interest in many different types of vintage audio gear, he also owns some vintage audio equipment,

a 1972 Traynor bass amp, a reel to reel audio recorder, as well as an old tube microphone preamp. Thus, he knows the delicacies of the equipment and how to handle and use them properly. Rob Mausser has also owned a small studio of his own for many years and has used many different software recording applications such as Nuendo and many different software effects plugins on a computer recording workstation.

As far as knowledge of computer systems is concerned, Rob Mausser has been repairing and building PC based computers for many years, and know their workings inside and out. Also, he has taken several robotics hobby programs and understands how to design an automated motorized device such as the one proposed for this project. In terms of the web based side of things, he also has a CCNA Cisco Computer Networking Certificate that he earned while in High School and from that is certified and has the knowledge to build business sized computer and web based networks. Finally, he also took a Web Design course in University, and knows how to build and create working web sites and script in HTML.

### Ryan Lukasik

Ryan Lukasik is an upper-year Radio and Television Arts student at Toronto's Ryerson University, specializing in audio production. Experienced in live and studio-recorded sound, Ryan is knowledgeable about a wide variety of microphones, amplifiers, effects processors, mixing consoles, etc., as well as most major industry standard audio production/post production software suites, including Digidesign Pro Tools, Steinberg Nuendo, Apple Logic, and MOTU Digital Performer. Of all the tools he uses, Ryan ranks his ears as most important, and takes pride in the ability to recognize and create high quality recordings. He also has several years of experience as a computer technician/instructor, including diagnosing and fixing problems with both hardware and software. Ryan is also a skilled back-end web programmer, with particular proficiency in the PHP hypertext preprocessing language. Ryan also has some financial experience, having served in a temporary (4 month) capacity as an asset manager overseeing a \$15,000 portfolio.

Therefore, the ownership will be specifically us, since we have a good knowledge in this vintage gear we are acquiring, the process of integrating it into the site, and on building and maintaining a website. We are interested in hiring IT and support personnel once the company reaches a certain growth and sustainability.

### **Location and facilities**

We will require office space with dedicated sound-proof rooms for rack-mounted equipment, and room reverb recording, as well as a large room with isolated sound-proof compartments for the live recording of certain analogue devices such as amplifiers. We will also require a dedicated room for IT equipment, as it generates a hum which cannot be present on recordings. We estimate approximately 7,000 – 10,000 sq. ft. of space would suit our needs, as well as allow short term expansion. In the long term, as more recording and processing devices are added, we would need to relocate to larger premises.

Because most business with customers will be conducted over the Internet, the physical location of our offices is not of great importance, however, we do not want to be physically inaccessible from

such a large market as Toronto. Fortunately, commercial real estate within two hours of driving from downtown Toronto (in the Barrie, Peterborough, Newmarket, and Aurora areas specifically) is available at a significantly lower rate than in the city itself.

Market averages in those areas suggest approximately a \$5,000 monthly lease for a space of the size we require.

## Products and Services

### **Description of the Products Services**

The service would be offering rare recording/processing equipment over the internet, mostly channel strips from old consoles, tube amplifiers, analogue compressors, distortions units, reverb units and reverb rooms. These are devices that are considered to have a more traditional and enjoyable warm tone, rather than a colder, harsher tone of digital recording equipment. Since this is used vintage equipment, the actual gear purchased may slightly differ from the proposed items, but they will still serve the same purpose. These items are becoming a rarity, which is one of the purposes of this service, to offer these items to studios unable to get access to them, but at the same time makes it difficult to predict exactly what items will be used for the business until a purchasing deal, through an auction or whatever means is established.

Since we are planning to first start out small, and grow within the terms of the demand we gather from growing interest, we first hope to offer a product lineup of

-A Vox tube guitar amplifier.

-A Neve Module Strip Preamp

-A Gates (Gates Model MO 3529A) and Urei (Urei 1178 Dual Peak Limiter Compressor) Tube Compressors

-Akai reel to reel GX-635D Reel to Reel Analog Tape recorder.

-Vox spring reverb tank

-Fulltone Tube Tape Delay

-Manley Tube Mic Pre-Amp

-2 reverb rooms, one large echo reverb tank (50 feet by 80 feet), and one room-sized reverb room (15 feet by 20 feet)

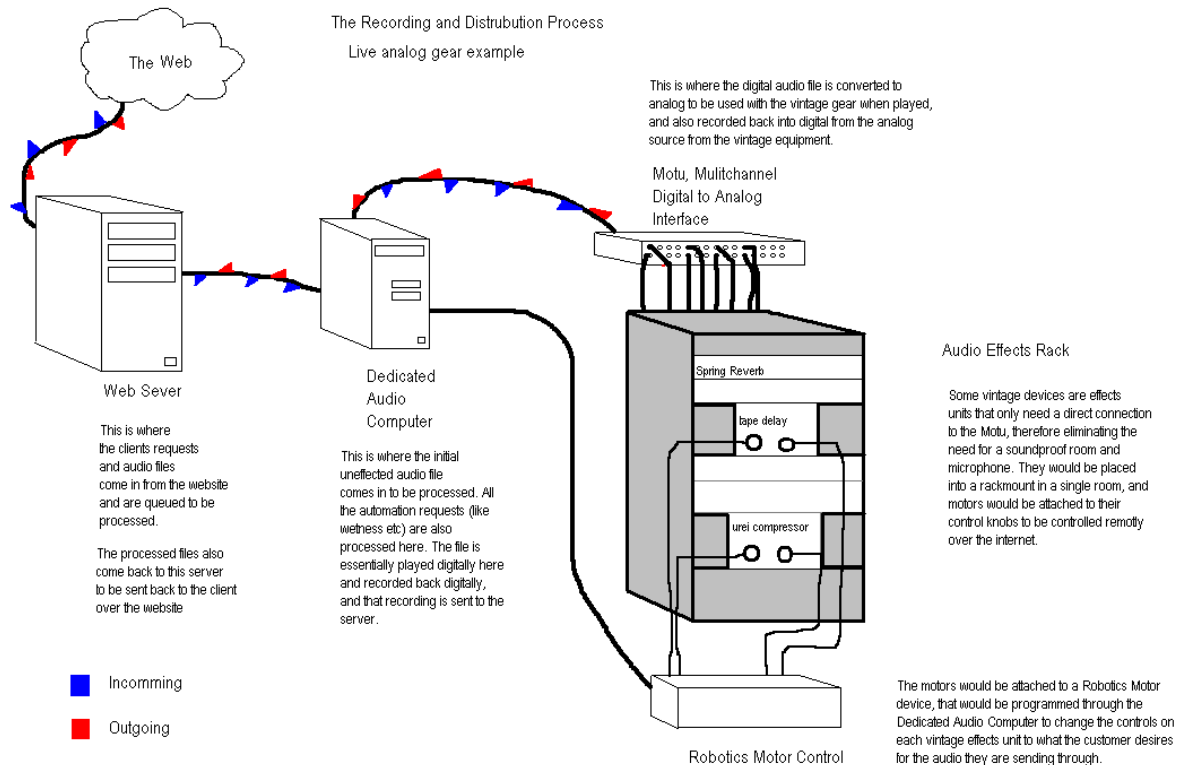
All of these products would then be connected through an automated computer server and isolated in various ways to allow each user to use the product which they desire, when the users time

becomes available. Since the recordings will be used for professional applications, there must be great care in creating an environment that captures the sound of the devices and lets the users manipulate the devices in a professional manner.

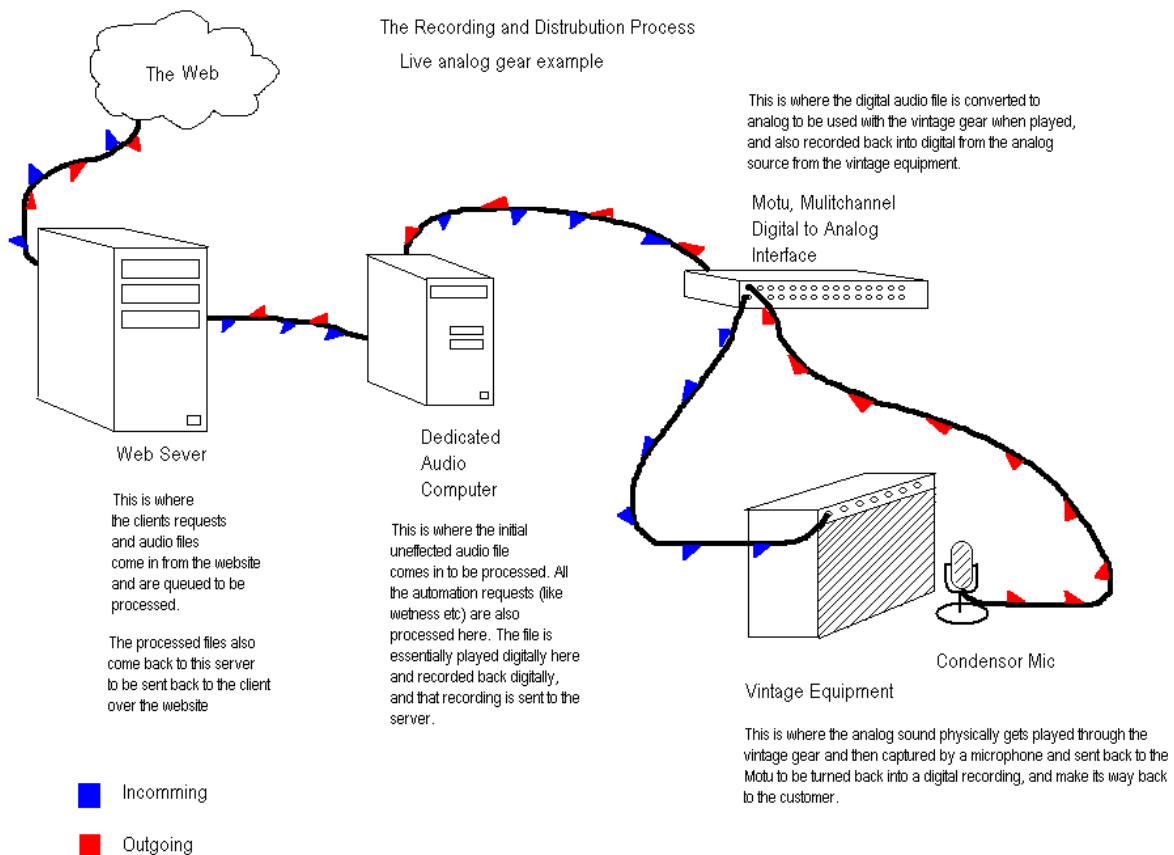
Some products, including the Vox tube amplifier, the Akai reel to reel, spring reverb, and reverb rooms will be set to optimum “default” settings, and all of the adjustments would be done electronically in post, by taking the entirely “wet” signal and mixing it with the original to get the preferred amount of effect the person is looking for.

For the products requiring control directly in an analog environment, such as controlling the attack and release on a compressor or the amount of delay in seconds on a tape delay unit, an automated system of motors controlling the variable controls on these devices connected to a computer would enable each user to adjust the vintage gears settings to their desire for the audio clip they are about to send through it. The computer would store this information until the time came to “effect” their audio clip, in which the automated system of motors would adjust each unit before their audio clip was processed.

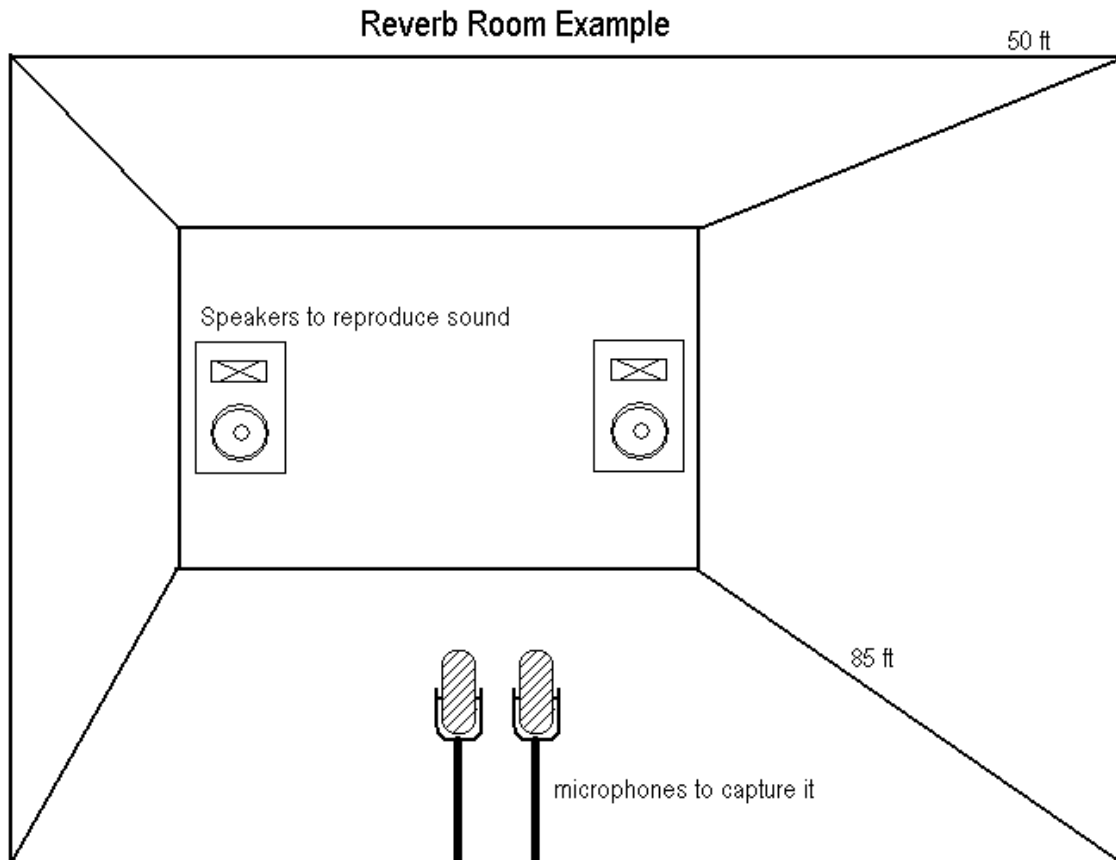
The rack mounted products and products which just require a physical audio in and out, such as the Neve Console Preamp, would be housed in a room in rack mounts. The audio would just be directly patched into these units from the computer, and the customers sound file would simply go directly electronically through the units to be effected, recorded back into the computer, and then sent back to the customer.



For the units which require the physical reproduction of sound through a speaker for their unique effect, would each need to be independently housed in their own soundproofed room, in order to maintain the purest sound possible, without any bleeding of sound from other products or users. Also, high quality, realistic Earthworks QTC 50 (<http://earthworksaudio.com/5.html>) microphones, which have a very true sound, and will as accurately as possible reproduce the live sound of these units will be used to capture the sound.



For the reverb rooms, two microphones will be used to capture stereo, and two accurate studio monitor speakers will be used to produce the sound being played into these reverb tanks. These will most likely be fairly large, accurate midfield monitors such as the Dynaudio AIR 25's for the larger reverb room, and a smaller pair of speakers such as the Dynaudio AIR 15's for the smaller room.



The website would be simply laid out with a small description of each vintage product, and a link to their own independent page, with more in depth info and pictures of the product, as well as audio examples, a free 10 second audio trial, with an IP tracker disallowing anyone from trying a product more than once a day, and the cost per minute use of each product. A limit of 10 minutes per audio file for each device would be enforced, since the service is one-per-use, and this would prevent someone from overloading the service with an extremely long sound file. There would be however, a special provisions allowing people to contact us if they wish to send through an audio file of longer length, and after determining the peak hours of the site, low-use times would be allowed for those people to send longer audio files through the system. Once the user pays for the use of the product, they will be taken to a secondary page to adjust any automated controls (like wet and dryness, or compression attack) before sending their song or track through the desired product.

## **Key Features of the Services**

We are offering a high quality, fast, convenient method for smaller studios to use vintage gear in their recordings.

The specific quality of the recording would be dependent on the file given, but the system will be able to handle up to 192 kh/z 32 bit recordings, which is a very high standard, used on DVD-Audio recordings. The audio signal would be in either stereo or mono, depending on the gear, since a reverb room would need to be stereo, and a Vox guitar amplifier would be Mono. Surround sound applications would not be supported, since all of this gear was designed before that time, and most surround sounding mixing is done with stereo and mono recording tracks, which would be the tracks that the studios would be sending to us. In order to save on bandwidth, the files would be compressed into the FLAC (<http://flac.sourceforge.net/>) format, which is a free format that is lossless, meaning it does not lose any of the original sound quality, and is up to 60% smaller in size. This conversion would be done on the customer's computer integrated into the website, and on our end as well, before delivering the file back, but would be seamless and unknown to the user.

Also, each of the rooms will be acoustically treated and soundproof, so that they offer the best, purest sound for the equipment being recorded. The microphones recording the speaker related vintage gear, the gear which physically must reproduce sound, are rated for 5hz-50,000hz, well out of the human hearing range. Overall, there will be a very professional recording environment, similar to that in any professional recording studio.

Other than just sending us the audio file, the user will have control over many parameters as well, to tweak the sound as they need. The website will include wetness and dryness controls, meaning how much saturation of the effect they want on their final mix, as well as controls specific to each unit, such as control over the attack or release of the compressors, or the delay and feedback on the tape delay unit. There will be a realtime, although very low quality software representation of the outcome of their tweaks of a 20 second sample of the sound file they are about to process...so they have an estimate to what the finished file will sound like, in realtime, while tweaking the controls. Finally, there will be a free, 10 second trial, of the actual processing of the sound file that they can hear, in a low quality mp3 format, to get an idea of what the final processed audio file will sound like.

Finally, even before all of this, there will be examples of sound that has been processed through our gear, and also comparative examples between the real gear, and other software plugins that only emulate the sound.

## **Production of Products and Services**

Customers will use our web site to upload their unprocessed recordings to our secure servers. Our back-end software will then redirect the recording files to be played through the equipment selected by the customer, as well as configure the equipment to the settings specified by the customer. The recordings will then be processed by the selected equipment, rerecorded, and sent back to the customer online. For example, if a mixing engineer has a guitar track recorded "dead" (with no effects processing or room tones), but wants it played through one of our amplifiers, he would upload his

recording to our web site, at which point the software would instruct the appropriate amplifier to play the recording, while an ultra-high fidelity microphone records the newly coloured sound. The new recording is then sent back through our computer network, over the Internet to the customer.

Multiple effects are also possible, as the customer can select an entire “signal chain” of devices for processing a recording. In the above example, the same process may be repeated by recording the new version of the track in a reverb room before it is sent back to the customer.

Altogether, the wait time for this service would be the length of the track to be processed, multiplied by the number of devices through which it is to be processed, plus data transfer time over the Internet, and potential waiting for high-demand devices during peak hours. Based on the data transfer capacity of our intended IT setup, waiting periods should not be significantly longer than one hour for any track.

### **Future Products and Services**

A key component of our business strategy is to be constantly monitoring studio closure auctions, hobbyist sell-offs, and other means of acquiring high quality vintage recording equipment. Every time we are able to successfully acquire a new piece of equipment, and install it in our system, it becomes a new service.

This happens fairly often, as the recording industry is currently going through a process of polarization. Digital processes make more options available to smaller studios, taking business away from mid- size studios, which then close and sell off their analogue equipment (which small studios do not need on a 24/7 basis or cannot reasonably afford to buy).

We are hoping to continue to expand our products to more and more types of vintage gear, and repetitions of the same gear in accordance to how much demand is put on specific devices. There really is no limit to the amount of devices and products we can offer, but would have to move into a larger facility if more live recording and reverb rooms were desired.

### **Comparative Advantages in Production**

While smaller studios are able to do more and more with software- based emulations of analogue equipment, the quality of the emulators still leaves much to be desired. To make up for this, studios are often forced to rent individual pieces of analogue equipment, which are of high quality, but the rentals are both expensive and inconvenient, requiring the equipment to be picked up, set up in the studio, used, and returned.

Our service incorporates the quality of the rental solution (since it uses the very same pieces of equipment) with the convenience of the software solution. Since the equipment is permanently installed in our system, no studio has to pay for it any longer than the actual time it is being used (an amount of time which, due to the lack of need for travel or setup, is significantly shorter than with the rental solution).

Our service matches the quality of the highest quality preexisting solution, while nearing the convenience and affordability of the best in those areas.

## Industry Overview

### **Size Of the Industry**

Since we are offering our service online, there is no geographical barrier to whom we are marketing this product to. Therefore, the industry that we are selling our service to is every small studio operation worldwide, who has access to the internet. Almost every small, computer based studio would have this access though, as they are already using a computer system to record with, and also most likely use the internet as a means for uploading music to.

We are catering this website to both small, professional based studios running a business, and to home, computer based studios run by individuals for personal musical use. It is very difficult to get figures for how many home studios exist in the world since they are usually privately based, but the general consensus is that they are very plentiful, and are continuing to increase. This is because anyone with access to a computer in the world can fairly cheaply purchase software and a microphone and begin recording their music to be posted on sites like [www.myspace.com](http://www.myspace.com) in hopes of garnishing a recording career. We would expect these people to be occasional users of the website, and use our service whenever they would require to create a very professional sounding recording, for self-promotional use.

As far as small, business recording studios are concerned, it is also difficult to estimate, although Music Directory Canada lists over 90 small studios alone in Ontario.

(<http://www.canadianencyclopedia.ca/index.cfm?PgNm=TCE&Params=U1ARTU0002937>)

These studios would be the types of companies we would hope to become dedicated users to the website, and it is our goal through our promotional techniques to create established relationships with these businesses with special benefits (ex. unlimited recording times at non-peak hours) in order to become an important and constant part of their recording process.

So, considering that our market is the developed world with computers on the internet, our market has the potential to gather a large number of occasional users, and many dedicated small recording studios throughout the world.

### **Key Product Segments**

The recording industry runs on the function of products such as microphones, mixing consoles, monitoring speakers, and effects processors. A functional studio incorporates high quality elements of each. Our service creates a synergy between these areas and the IT world, relying a great deal on secure Internet servers and high-speed transmission. All of these, at a high quality level, are rather expensive (our service would be dealing with specific microphones that run in the range of \$1400, for example).

Existing services for the same purposes as ours typically exist in the form of expensive and time-consuming rentals, and lesser quality software emulations, but a convenient, low-cost, high quality solution does not yet exist. This is an issue our service intends to address.

### **Key Industry Trends**

The recording industry is currently undergoing a process of polarization. Large, high-end, high-volume production studios, through budget and facilities, are able to offer access to equipment and space that is desired by media producers with large budgets. Smaller studios offer more limited services to producers on tighter budgets (common in Canada). Until recently, there was a healthy market for mid-size studios, which offer some of the higher-end services of large studios, but at a lower cost. New technological advances in software emulation of recording equipment are making smaller studios more and more competitive with mid-size studios. The smaller outfits can offer more of what was once available only from mid-size and large production houses, and though the quality is not quite the same, the difference in cost is enough to make them competitive with the mid-size market segment. As a result, mid-size studios are struggling to remain in business, and many are closing.

### **Industry Outlook**

With a continuously polarizing market, the eventual result will be an industry dominated by the extremely large and the extremely small, with very little room for medium enterprises. However, as much as the importance of small studios grows, they are still limited by a lack of access to high quality recording equipment and recording space. Software emulations, good as they are, are noticeably worse than legitimate analogue equipment for high quality, professional recordings, and many small studios would benefit significantly from being able to advertise that they use such equipment to their customers.

### **Purchase Process and Buying Criteria**

As of now, there are only limited ways for small studios to purchase the ability to “warm” their sound up with vintage equipment. The service that we are offering is unique in that no one else is offering the use of this vintage equipment in such a way. For now, studios can do this by either buying the equipment, renting it, or using a similar method, such as software plugins.

These vintage products are becoming more and more rare, and in order to acquire them, the most available method for a small studio is through an online auction, such as Ebay. This method can be expensive though, as something like a Fulltone USA Tube Tape Echo Delay unit just sold for \$ \$1,080.00 American. Plus there is the restriction of location, as some auctioneers will only ship their products to local locations.

One website, [www.gearworksaudio.com](http://www.gearworksaudio.com) offers rentals of vintage equipment for around \$150 a day. Again, they are located in California, so shipping would become an issue. Software plugins are not

cheap either, and a product such as Nomad Blue Tubes (<http://www.nomadfactory.com/products/bluetubes/>) costs \$500 American.

As for the value of using any of these technologies to make a small studio recording a comparable option in terms of quality, it would generally cost someone \$75,000 per 13 song CD to record in a professional studio with this type of gear on hand.

([http://www.usatoday.com/money/industries/technology/maney/2004-08-24-homerecording\\_x.htm](http://www.usatoday.com/money/industries/technology/maney/2004-08-24-homerecording_x.htm)) To record in a personal small studio would cost much less, even to start up a small studio for personal use would cost more than a quarter less.

This is why we believe a fair rate to offer our service of using the vintage equipment quickly and easily over the internet is around \$25 per ten minute recording.

### Marketing Strategy

#### **Description of key competitors/Analysis of Competitive Position**

A service quite like ours does not yet exist. Anyone seeking access to recording equipment of the type we plan to acquire must currently either pay for time in a top-end studio, rent the equipment at inflated rates, or use lesser quality software emulators.

Competition with large studios is not much of an issue, as our target market is different from theirs. They sell to media producers with large budgets, whereas we sell to studios with small budgets. Competition with rental services puts us in the advantageous position of offering a lower cost solution of the same quality. Competition with software emulators has us offering a higher quality solution at a similar price.

We believe our service would be in a competitively advantageous situation with all existing solutions.

#### **Pricing Strategy**

Due to the price of other alternatives outlined in Purchase Process and Buying Criteria, we believe that an average cost of \$25 per month is a fair introductory starting price for sending a 10 minute file to be processed through our equipment. This would vary between the popularity and worth of each device, as some devices are not as valued as others. Also, this price is sustainable to make a profit for the amount of traffic which we expect to receive, which is outlined in the Summary of Financial Projections. At first, we don't believe we should charge any more than this price, in order to gather interest from all fields of the industry, but rather rely on small web space advertising at first to gather enough revenue if we do not meet our floor, or our bare minimum of users per month at first.

This is why we propose an introductory cost of;

\$40 per five minute file on the neve module

\$40 per five minute file on the Urie Compressor

\$10 per five minute file on the spring reverb unit.

\$30 per five minute file on the tape delay

\$20 per five minute file on the analog tape recorder

\$30 per five minute file on the Vox Tube Amp

\$30 per five minute file on the Gates Compressor

\$20 per five minute file in the room reverb

\$30 per five minute file in the large reverb room

### **Promotion Strategy**

Our target to promote to is the home recording enthusiast or home recording musician using a computer based recording studio. Also, we are attempting to cater our services towards small, independent business oriented recording studios.

Although we are aiming for a lot of word of mouth on internet forums, and also deliberate placing in forums to gather interest, we also hope to place advertisements in small studio magazines such as Electronic Musician and Playback. We also hope to advertise our service at trade shows like Namm and web advertise on audio websites like [www.Harmony Central.com](http://www.Harmony Central.com), where people are looking for reviews on the vintage gear itself.

### **Target Markets**

Although we expect a lot of occasional use to come from small, home based recording studios, we will also be marketing our website towards small business oriented studios, like the 90 mentioned in Ontario and also abroad Canada and the U.S.A. It is our intention to offer these companies promotional advantages such as unlimited length for audio files during slow hours or a larger monthly fee that would pay off with continuous use for these businesses. This way we will try to attempt to cater to these businesses which we believe although there are less of them, they will be easier to create a more sustainable customer relationship with a higher demand for our products.

### **Distribution Strategy**

Our service would be distributed over the Internet, via a web site that not only advertises our available equipment, but also allows customers to complete their transactions with us in real time.

Recording files would be transmitted to customers through the File Transfer Protocol – a high bandwidth Internet solution for sharing data.

## Management and Staffing

### **Organizational Structure**

The business would be organized with the two co-owners working as managers of the company, as well as handling the initial startup and implementation of the audio, computer, and web design aspects of the business. This means in the beginning stages of the company, we would be the only employee's. This would include acquiring and setting up all initial audio gear, designing and setting up the web based network server and the audio/automation computer, and also designing the website. The only temporary work needed for the startup would be the implementing of the robotics motors for the automation, as we would need to temporarily hire a robotics expert to install this sort of service.

### **Staffing**

Since the business is mostly an automated web based service, there is little staffing required. Once the initial startup was complete, then some staffing would be required to maintain the service. This would include:

- an IT personnel to maintain the network and server portion of the service, as well as the website.
- a PR/Sales representative to deal with the promotional aspects of gaining interest from customers.
- a phone and email based tech support individual, who would answer any inquires with customers, and relay any issues to either us or the IT personnel.

Once these jobs would be filled, our position in the company would turn towards managing all these aspects, as well as dealing with the audio technical portion of the service, including managing the equipment already being used, as well as scouting for new equipment to expand the service with.

### **Regulatory Issues**

The data we collect and distribute is other people's intellectual property, which comes with a host of regulatory issues. The global nature of our market further complicates the matter, due to discrepancies between our legal territory's treatment of intellectual property regulations and those of the legal territories of our customers.

To maintain security, it is essential that our software only distributes files to the rightful customers over secured lines, so that their intellectual property is not subject to piracy, which comes with a great deal of legal troubles for us, the distributor. We also run the risk of a customer submitting recordings for processing which are not their own. For this reason, it will be necessary to have each customer agree to a statement indemnifying us for any ramifications of the use of material processed by our service, despite our attachment to the project.

## **Risks**

Our primary risk is that of obsolescence. If software emulation ever gets good enough to replace analogue equipment, there ceases to be any need for our service, and we are left with a great deal of very expensive paper-weights.

Given the current state of software emulation, we feel that this is a long way off. A skilled set of ears (such as those of our professional clientele) can notice a large difference in quality between an analogue compressor set up by a professional recording technician, and a computer compression algorithm. Many currently opt for the latter due to costs, and commercial recording productions often turn out poor in quality because of it (especially in Canada, where production budgets tend to run low). We believe that given a similarly-priced option for higher quality results, the majority of media producers would take it.

## Financial Plan

### **Startup Costs**

We would require \$25,000 for the startup costs of the business. This would include;

-\$2,200 for the IBM dedicated network server.

-\$800 for the automation and sound processing computer

-\$500 for the Motu

-\$7600 for the vintage equipment

    -\$25 for the spring reverb

    -\$500 for the Vox Tube amp

    -\$2000 for the Manley Preamp

    -\$1000 for the Urie Compressor

    -\$1000 for the FullTone Tape Delay

    -\$300 for the Akai Analog Tape Machine

    -\$800 for the Gates Compressor

    -\$2000 for the Neve Module Strip

- \$6000 for the Monitor Speakers
- \$7000 for the microphones
- \$200 for the robotics
- \$300 for the wiring and miscellaneous audio
- \$0.50 per square foot for soundproofing insulation

### **Monthly Costs**

After this initial startup cost, we would also be required to pay \$5000 per month for rental costs of a 7000 sq.ft office space, as well as \$ 1240 per month to have an unlimited hosting solution, like that offered at [www.tera-byte.com](http://www.tera-byte.com), a Toronto based internet hosting solution. This is because we are expecting a maximum of 9000 clips per month for the first 2 years, and with a 10 minute audio clip being 50 Megabytes in size, we expect a maximum monthly transfer rate of 900 Gigabytes per month. (50 Megabyte file transferred 2 ways x 9000 transfers= 900 Gb of transfer, which costs on average \$1240 per month.)

We do not expect to require additional staffing within the first two years of starting the company, and we are expecting to have paid off all debts by this time, and have become a self sustaining, growth oriented company.

### **Creating Revenue and Profit.**

First off, there is a limit to how many audio clips we would be able to process in a month. Since each of these analog devices can only process one clip of audio at a time in realtime, meaning that if someone sends a 6 minute audio clip, it will take 6 minutes to be processed, we would have a limit of 43200, ten minute clips per month. This is because we have 10 different machines. Since there would most likely not be this even of distribution between devices, since more people will most likely happen to favor one machine than the other, we are expecting a limit of 20% of this, or 9000 clips per month. Still though, with just over 90 small studios in a place like Ontario, with a population of 12,449,502, we do not expect to reach this amount with our dedicated and occasional customers.

Since we have decided on \$25 per 10 minute audio file being processed, which we decided to be a fair price competitively, in order to break even we would need at least 307 transfers per month.

This is because we expect to pay back our loan, with interest in two years. Since it will cost us \$25,000 for startup costs, and \$5000 per month for office rent, and \$1240 per month for web hosting, we are looking at a loan of \$174,000. With an interest of %6, we would need to pay back \$184,440 within two years. Broken down, this is \$7685 per month for two years. Therefore in order to break even and pay this back in two years, we would need to process a minimum of 307 transfers per month.

We believe that in two years we would be able to exceed these number of transfers per month, and are aiming for something around an average of 2000 transfers per month over 2 years, which would equal a revenue of \$50,000 per month, and after costs, a profit of \$42385 per month.