ENTREPRENEURSHIP (STARTING A BUSINESS)

SONAR, LLC

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4/12/16

**I. Executive Summary**

Sonar, LLC is a new web platform enabling independent artists to connect with the resources necessary to thrive in their respective fields. Sonar provides a place that connects and cultivates relationships between multiple facets of the creative industries and brings together the independent creators of the world. By bridging the communication barrier through connecting individuals to a central platform, this new company helps establish connections not readily available outside of this medium. Starting off, Sonar’s platform is designed for (but not limited to) musicians, photographers, videographers, web and graphic designers, audio and live sound engineers, event planners, and anyone seeking these particular services. There is a major need in the creative networking space, and by filling that, Sonar has limitless uses for the way people connect and grow.

Individuals aspiring to make a living in the entertainment industry will agree that networking plays an important role. However, there is currently no central location for these resources and connections. Artists are able to use Facebook and Twitter, but those outlets only go so far. Artists who are starting off their careers commonly struggle with meeting the right people and finding reputable opportunities that benefit their career path. As of yet, there hasn’t been any platform available to make this process more efficient.

Sonar’s plan is to fill this gap, acting as a web-based for-profit LLC out of Nashville, Tennessee. By year three, Sonar is expected to profit $310,015 with the potential to continue to grow. In order to begin this journey, Sonar is seeking to raise seed capital of $120,000 for 17.5% equity in the company.

**II. PROBLEM**

The music industry is fast paced and constantly evolving. With so many amateur artists starting off, it is common to struggle with finding the right connections to further their brand. Many creatives, though they may be extremely talented, struggle with reaching connections that are core to their brand’s growth. Creating social media pages and attempting to network through those mediums is no longer enough to accomplish all of a brand's most basic needs. At a certain point, it comes down to meeting the right people to get plugged into the right situations. With Sonar, the promotion is done for the individuals, not by the individuals. Sonar gets freelancers’ portfolios into the hands of clients seeking that precise field.

On top of this, many well-known artists are now abandoning the record label route that has historically been the only way to earn a decent living in the music industry. With new technologies and Internet platforms, artists see that they are able to make more money being independent and owning more of their brand. By using Sonar, these artists (not just musicians) are exposing themselves to a wider audience and channels that they may have never marketed towards.

On the other side, Sonar offers services that turn event coordinating into a more streamlined process. Event coordinators are likely people with no prior experience in the music industry, they may be brought on by a charity or an organization at a University with the intent to gather musicians to perform. With no prior history or knowledge of the market, these coordinators cannot efficiently book the event’s talent.

Sonar’s event planning division of the site will allow these individuals to easily filter through musicians to perform, photographers and videographers to capture the event, graphic designers to create an event logo and poster, live sound engineers to run the event’s audio, and more. Sonar allows for this process to be unified into a single hiring contract available for all parties to approve and confirm prior to the event, clearing up the messy logistics usually tied into this process. This leaves all parties involved with a clear message of the services, details for an event, and reduces the headache of dealing with all the information coming from multiple different channels.

**III. CUSTOMER SEGMENTS**

In the beginning, the company will focus its resources on filling what it sees as five key markets of the website: musicians, photographers, videographers, graphic designers, and recording studios. While these fields will not be the most lucrative in the long run (event planners will fill that slot), they will be the cheapest and easiest to initially target. As a tech firm, building up a solid user-base that continues to visit the site and utilize its services is the strongest long-term investment that can be made. It is absolutely vital to the life of the company for individuals to believe in the platform and the leverage it can provide.

Within these five fields, Sonar hopes to further hone in on the market that it will be focusing most on: college students. Students around the country struggle with networking, especially outside of the classroom and university. The team believes its service will be more attractive for these students and also one they are more willing to experiment with. By focusing on this target market, customer acquisition costs are kept to a minimum.

**IV. UNIQUE VALUE PROPOSITION**

Sonar will act as a social media resource as well as a hiring platform for artists. Specifically, artists who are in need of a process that allows a supplemental income for its users and an opportunity to network with those who can advance their career. Sonar is the most appropriate option for its market because of its focus on this niche industry, making it more viable than the networking of Facebook or Twitter and the hiring services of websites like Thumbtack and Elance.

**V. CHANNELS**

Sonar is most confident in the potential behind an incentive program that will be implemented from its launch. Sonar will offer a ten percent discount on any hiring to a user who has referred three creatives to the platform. This ten percent will be, as discussed in the financials, taken out of the cut that Sonar will receive from a transaction done through the website. So while the bank account will take an initial loss from this strategy, it will be beneficial for the company in the long run in growing users.

The company plans to allocate resources towards sending a marketing team across the country to meet with individuals in colleges with reputable music and music business programs. These are different campaigns that are specifically tailored for each region. This plan is further expanded upon in III. Customer Segments and VIII. Detailed Financials.

Besides these less conventional strategies, Sonar will be setting aside a sum of money to spend on community engagement and to popularize the name. As time passes and the business grows, Sonar will begin marketing towards customers outside of universities.

**VI. REVENUE STREAMS**

Sonar will have two primary streams of revenue at the initial point of launch that attack two very opposite but necessary parts of growing these brands. For any hirings, Sonar will take a 10% cut of the amount spent. Elance, a secondary competitor to Sonar, charges 8.75%. As Sonar is more specialized, taking 10% of each booking done through the site is appropriate. Ultimately, the platform is bridging a gap between two individuals struggling to find each other’s creative services.

The second revenue stream is a subscription based system put in place to prevent individuals from spamming potential clients. We want to make sure these people are getting work, but it is imperative that hirings are happening when they are needed in order to keep all parties involved satisfied with the service. For instance, the subscription service will prevent a videographer from contacting a musician with the intention of trying to sell them on their work. If this was not in place, a videographer could contact every musician in their region with no bounds, eventually causing these musicians to be frustrated with the service and maybe even terminate their account. In an effort to keep this nuisance to a minimum, Sonar will offer three different monthly subscription options. $5.99 a month for 12 initial messages a month, $8.99 for 25 messages a month, and $14.99 for 50 messages a month. LinkedIn, a secondary networking competitor, charges $99.95 monthly for their premium services, which include 30 messages to people outside of their network per month. For Sonar’s subscription service, the messaging system was taken and applied to their model at a discounted rate.

In these final projections, Sonar estimated the lifetime values through three different scenarios. The first being non-event hirings. Sonar can expect to retain each customer through this specific revenue stream for at least three hirings. As the brands of the clients grow, so does their need for these services. The second stream is subscription services. It can be assumed that the lifetime value of these consumers will be a minimum of 12 months ($119.88) being that there is no month-to-month subscription. The final revenue stream that bares its own lifetime value is event hirings. Sonar expects most of its target market for events to initially stem from University organizations. This means that the coordinator in charge would usually rotate annually. It is to be assumed that the lifetime values of these specific customers last for one event, however word of mouth is the strongest marketing tool with tech platforms and it is likely that the efficiency of the service will be passed down to their successors.

Sonar’s revenue from the three streams above are $38,176 in year one, $314,150 in year two, and $1,106,950 in year three. As the company spreads into new regions and new types of markets, revenue will continue to grow.

The gross margin in year one is -494%, the gross margin in year two is -8.09%, and the gross margin in year three is 49.28%. With a web platform being built to handle high traffic, Sonar projects significant initial costs. As Sonar's popularity increases, annual gross margins are expected to even out and transition into a profiting business.

**VII. COST STRUCTURE**

The team believes that a value-driven approach with a low-fixed cost structure will yield the most desired results. Sonar’s business model focuses heavily on customer satisfaction and the retention of users because the platform stresses the user experience to be the most vital selling point. The customer acquisition costs will decrease over time as the service gains a more loyal user base. These costs include focusing on building brand awareness, marketing to skilled creative freelancers, and having a strong user interface design. The human resource costs will include training the newly hired developers on the technical platform, general costs of salaries, and benefits for all employees. Sonar understands that its supplementary costs will include variables like office expenses, maintenance expenses, and any additional training required to stay up to date in this technology-driven environment.

**VIII. DETAILED FINANCIALS**

Sonar is an extremely ambitious project. In a relatively short amount of time, it could be used by independent artists around the world, with the company receiving a ten percent cut of the millions of dollars that will be traveling through it. However, due to the novelty of the idea, there will be a large sum of money that has to be invested into the development of the website. It will require three employees whose sole purpose is to code and to keep the website up to date and able to handle the traffic it will receive. The business will have to hire two more developers in the second year and four more in year three. Sonar’s growth is dependent upon having a well-functioning and elegant website, so these higher costs of development are absolutely necessary. The beneficial side of expanding a tech company is that no new costs have to be spent on real estate, manufacturing, or the other traditional costs associated with growing a business.

The second most significant cost in the first three years will be marketing. Sonar plans on bringing one salesman on to work alongside the Chief Marketing Officer. The salaries of this employee will be the greatest marketing costs, on top of the traveling expenses to universities. These costs will be relatively simple; including gas, food, and lodging. As the company grows, it will begin experimenting with sponsorships of different events around the country, allowing Sonar to advertise while also establishing itself as a major player in the entertainment and networking industries.

When the website launches, it will be in beta form for six months. During this time the company will market towards Tennessee clientele only, this way the user base will grow but be manageable enough for the development team to keep track of. Once the beta phase ends, it will be the middle of the summer season and a lot of college organizations and students will be unreachable. The marketing team will have to remain inactive for about two months. The team will then be able to begin their tour through the Southeast. Due to technological limitations during beta and the inability to reach large audiences for two months, Sonar’s first year will end in the red around $530,000.

During the second year the marketing team will be travelling to the Northeast and then Westward. At this point, marketing costs will increase slightly due to traveling expenses. However, as these new markets are broken into and the regions in which Sonar has already been exposed to continue to grow, the company’s earnings will be increasing significantly. At the close of the second year, the company expects to generate $314,000 of revenue, though Sonar will still have a loss of $240,000 for the year. The third year is when Sonar expects to break even. With word of mouth, the incentive program, and efforts to break out into new markets, the business expects to make $1.1 million and generate a profit of about $310,000.

In regards to the return on investment, roughly 45% of the $120,000 initial investment will be recuperated by the end of year three. Once seed money is raised, the beta platform will begin, creating a proprietary asset easily marketable for Series B investments.

Detailed financials for years one, two, and three can be found in Appendices A, B, and C, respectively.

**IX. KEY METRICS**

In order to strategically implement good business practice, it is imperative for Sonar to analyze all of its digital and financial data to determine the direction the company pursues. Through the use of data analyzation, the development team will be able to properly allocate resources to different areas of the business including marketing campaigns and keeping up with technological trends. On the software side, Sonar will track the features being used most by customers and clients.

**X. COMPETITIVE ADVANTAGE**

For a start up company, Sonar’s biggest asset is its first mover advantage: being the first company to address this issue, it will be able to establish itself as the major player in its field. Sonar is striving to cultivate lasting relationships with its customers, with the intent that they will continue to use the platform to meet their individual goals. In much the same way that Facebook captured an early footprint in social media, Sonar hopes to utilize a similar entry plan.

**XI. CONCLUSION**

In return for your $120,000 investment, you will receive a 17.5% stake in Sonar, LLC. This will revolutionize the networking and hiring industries for creative individuals. Providing a place for them to supplement their income, connect with like-minded people, and foster creativity is essential to the growth of this brand.

The return on investment is conservative and reflects the growth of an average tech company. The event hiring division grew by 7%, the subscription division by 10%, and the non-event hiring division grew at an average of 21%, monthly. It is imperative for Sonar to deliver an efficient, user-friendly platform to ensure that improvement continues. The first three years will provide ample time to generate loyalty and begin exponential grow. To launch a platform such as this, Sonar will require an upfront cost of $120,000 which will cover the completion of Sonar’s beta stage.

**XII. BIBLIOGRAPHY**

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