

RETAIL. SOCIAL. GRAMMYS. (YOUNG) MONEY: **DRAKE TALKS BUSINESS**

NOVEMBER 19, 2011
www.billboard.com
www.billboard.biz

Billboard

**MONSTER
ENERGY
LOOKS
BEYOND
ROCK**

WHO'S GOT THE BIG IDEAS

**CALLED UP TO
THE BIG LEAGUES:
WARNER/CHAPPELL
CHAIRMAN/CEO
CAMERON STRANG**

WHERE THE MONEY'S GOING

WHAT'S NEXT?

10
THE
Top Music
Startups
of 2011



**GYM CLASS HEROES
CHARLIE ZAA
CHILDISH GAMBINO
BETTY WRIGHT
& REMEMBERING
HEAVY D**

**KIMBERLY PERRY:
THE RISE OF
A SONGWRITER**



THE TOP 10 MUSIC STARTUPS OF 2011

FROM SOCIAL MUSIC TO A SERVICE FOR SONGWRITERS,
THESE YOUNG COMPANIES ARE TRANSFORMING
THE MUSIC BUSINESS

BY ANTONY BRUNO AND GLENN PEOPLES

New startups—aimed at solving the problems of the evolving music market with innovative technologies and creative business models—are one of the bright spots of the music scene. ¶ This renaissance is driven by three key factors. First, the music industry continues to seek solutions to the growing pains in the digital music business, particularly around music discovery and interactivity. Second, social platforms like Facebook and Twitter offer a quick path to viral marketing success and near real-time product feedback. And third, the rebound in venture-capital funding activity that began in 2010 continued this year, driving more than \$400 million in investments in the digital music sector alone so far this year. ¶ Only a handful of this generation of startup companies will survive though, and even fewer are likely to make an impact on the music industry's broader evolution. Here are the 10 that Billboard thinks have the best chance of doing both.

1. TURNTABLE

FOUNDERS: Billy Chasen, Seth Goldstein
FUNDING: \$7 million, led by Union Square Ventures
LOCATION: San Francisco
LAUNCHED: May 2011



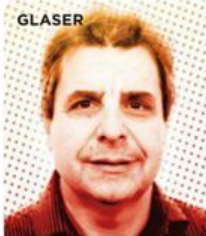
GOLDSTEIN

Talk about an effective pivot. Founders Billy Chasen and Seth Goldstein originally formed StickyBits as a way to merge virtual social networking with real-world products through a custom bar code. But this spring they created a collaborative social music game—the phenomenon known as Turntable.fm (@turntablefm). ¶ At its core, Turntable.fm is a social listening service. Users log in to group rooms where they take turns playing DJ, streaming songs from their library or Turntable.fm's catalog. Listeners can vote on songs, with DJs competing to earn points for positive votes. Users

can chat with each other, and comment on the music. ¶ While it was limited to a private beta for much of the year, the service took off like a rocket. It boasts more than 300,000 user-created rooms (some hosted by artists, for which Turntable.fm provides verified accounts and custom avatars), with one-third of its 650,000-plus registered users active at any time, resulting in more than 1 million daily streams. ¶ That's heavy engagement. Wale is using the service as the "opening act" on his Ambition tour—Turntable.fm's first partnership with a touring artist. He's playing lots of colleges, which is where Turntable.fm would like to be. Although the service operates under a Digital Millennium Copyright Act licensing model using MediaNet's library, it's negotiating with major labels and publishers for additional rights to expand its services. ¶ The key question for 2012 is whether the company can maintain its momentum and develop new services.

2. MOONTOAST

FOUNDERS: Marcus Whitney, Joe Glaser, Bucky Baxter
FUNDING: undisclosed
LOCATIONS: Nashville; Andover, Mass.
LAUNCHED: March 2009



GLASER

In January Moontoast launched Impulse, a free app that allows customers to sell digital and physical items from within an artist's Facebook page. The age of social commerce is cemented in code.

Early Impulse results have been excellent. Moontoast (@moontoast) can "all but guarantee" customers will generate "significant revenue" and in-

crease likes on their page by 68%, according to chief technology officer Marcus Whitney.

Moontoast has picked up an impressive list of clients including Big Machine, Universal Nashville, Sony Music, Island Def Jam, Inpop Records and the Orchard. Non-music clients range from publisher Simon & Schuster to Antique Archeology, the store best-known from the TV show "American Pickers."

Campaigns that generated five-figure digital revenue in the first hour helped Moontoast prove its concept, Whitney says. "Numbers don't lie. Having a few big launches that didn't include email has been really good," he adds, a reference to Moontoast's desire to show that e-commerce doesn't need email to succeed.

Other milestones in 2011 were partnering with Sony Music to power its Facebook commerce campaigns and expanding the service to support tablet-friendly transactions.

For 2012, the company is "investing big" in social commerce analytics to provide customers with insight into social engagement. It'll also roll out a business-to-consumer storefront that effectively lives within a display ad.

3. SCHEMATIC LABS

FOUNDERS: Steve Jang, CEO; Matt Paul, chief technology officer
FUNDING: undisclosed; True Ventures, Google Ventures
LOCATION: San Francisco
LAUNCHED: March 2011



JANG

Co-founded by former imeem chief marketing officer Steve Jang, Schematic Labs broke into the mobile app space full force at South by Southwest with the introduction of the first mobile app to tie together music, location and social networking in a user-friendly way. Called SoundTracking, the app is designed to be a "musical postcard" that lets users note where they are, add a message or picture and then tag which song they're listening to at the time by using the app's song ID feature or typing



PAUL

it into the update. Updates are shared through Twitter and Facebook (which more than half of its users do), and users can "follow" each other through the app as well.

After a whopping 100,000 downloads in the first two weeks after launch, the app now stands at 750,000 users. And engagement among users is high. According to Jang, a song is shared on SoundTracking every five seconds, and the app has remained a staple on Twitter, with key artists and music industry executives sharing their musical moments.

More recently, the company added "music neighborhoods" (the ability to tag a song to a neighborhood or city) and venues (through a Foursquare integration), and it's also developing an Android app. On Nov. 8 the company announced \$4.8 million in new funding.

4. HEADLINER.FM

FOUNDERS: Mike More, CEO; Bill Cromie, president
FUNDING: \$700,000
LOCATION: New York
LAUNCHED: August 2009



CROMIE (left) and MORE

Headliner.fm was like many startups, created to fix a specific problem. Co-founder Mike More wanted to improve how artists reach new fans on social media sites.

"Marketing is still the one big hole in the space for artists online," says

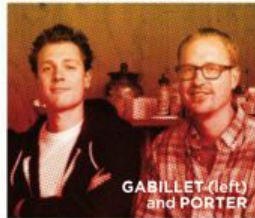
More, a serial entrepreneur who founded online video network Nabbr in 2006. While sales and distribution have been transformed and production is easier and cheaper than ever, More finds marketing to still be a challenge for artists.

Headliner.fm examines how people share music so artists can reach the fans of similar acts by trading favorable mentions—one act recommends the other to his fans and vice versa. Acts earn Headliner.fm currency—Band Bucks—by making these recommendations. Band Bucks can also be purchased with PayPal or a credit card.

By the end of October, Headliner.fm (@headlinerfm) had reached 320 million fans, representing a tripling of growth in one year. More than 110,000 acts have used the service. The company is making improvements, such as learning about Facebook users by following their activity rather than their stated interests, More says. "Now we can actually track the behavior, and the behavior is really exciting."

5. 8TRACKS

FOUNDERS: David Porter, CEO; Remi Gabillet, chief technology officer
FUNDING: undisclosed
LOCATION: San Francisco
LAUNCHED: August 2008



GABILLET (left) and PORTER

8tracks (@8tracks) stands out in the crowd of social-minded webcasters that broke out in 2011. Its secrets: great interfaces and quality content.

"We're an Internet radio network," says David Porter, an 8tracks co-founder and veteran of Internet radio service

Live365. Until recently gaining funding, Porter and co-founder/chief technology officer Remi Gabillet bootstrapped the company and depended on part-time work. Now it has nine employees—seven full time and two part time—and an advisory board that includes Independent Online Distribution Alliance founder Kevin Arnold and Spotify U.S. managing director Ken Parks. 8tracks is all about mixes. Its programming is created by the 5% of users who create mixes—which must contain at least eight songs—by uploading music from their collection or adding tracks from SoundCloud. DJs get to show off their tastes and knowledge.

The idea is working, Porter says 8tracks had about 3.2 million unique users at the end of October, up from about 1 million at the beginning of 2011, as well as a catalog of about 325,000 mixes. The traffic figures don't include users of its iPhone app or listeners using its embedded player on blogs and other websites.

The iPhone app, launched in April, gets "decent listenership," Porter says, and an Android app just hit the market. "Mobile is huge for us. Longer term, we think most listening will be taking place off the desktop."

For next year, Porter wants to hire an in-house ad salesman, expand the service to connected TVs and partner with additional aggregators. "We feel like we sit in a nice place in the industry," he says.

6. SONGTRUST

FOUNDERS: Justin Kalifowitz, Josh Deutsch
FUNDING: undisclosed
LOCATION: New York
LAUNCHED: March 2010



DEUTSCH

Songtrust is attempting to do for music publishing what TuneCore did for digital distribution: democratize a segment of the music business that has been off-limits for many artists. The goal is to be the easiest way to collect publishing royalties, co-founder Justin Kalifowitz says.

Songtrust (@songtrust) is a tool that allows songwriters to protect copyrights and collect royalties. It charges an annual

fee of \$50-\$200 and doesn't take a cut of royalties. Proving the concept has merit, TuneCore launched a similar service on Nov. 2.

Songtrust went into a private beta in January and to the public in March. Since its launch, it has signed up more than 1,000 artists, secured affiliations with all the global collection societies and begun making distributions to songwriters.

Next year the company plans to launch a new suite of services, Kalifowitz says, such as the ability for entire bands to sign up, tools for managers of multiple acts and enabling songwriters in other countries to register. (Songtrust is currently only open to U.S. songwriters.) The service also plans to simplify the process of licensing an independent artist's songs by giving members a "license my music" badge that goes on their website and links to a showcase page of members' music for synch opportunities.

7. FILTER SQUAD

FOUNDER: David McKinney, CEO
FUNDING: \$1.1 million, Yuuwa Capital
LOCATION: Perth, Australia
LAUNCHED: January 2011



McKINNEY

For many startups, where they're based is almost as important as what they do. But Filter Squad (formerly Jammbox), the developer behind the hugely successful Discov iPad app, breaks the mold by working out of Perth, a five-hour flight from Sydney. Founded by marine biologist/electronic music DJ David McKinney (@davidmckinney), the Discov app illustrates for users the connections between artists

they like and similar acts they may not know of. It has been called a visual version of Pandora, wherein users can start with one "seed" artist and quickly be led to other, similar acts through a visual thread of lines and hubs. Clicking any individual artist will reveal more details, including a bio, blog posts, YouTube videos and links to buy from various digital retailers. And all discoveries can be shared on social platforms like Twitter and Facebook.

The app quickly shot to No. 1 on the iPad's music category chart with 150,000 downloads in three days, and now has surpassed 1 million downloads.

Designed originally as an iPad app, Discov (@discovr) has since migrated to the Mac app platform, and an Android version is in the works. Future plans include a possible iPad music magazine personalized for readers based on their music library, preferences or listening history.

THE CLASS OF 2010

CATCHING UP WITH SOME OF LAST YEAR'S TOP STARTUPS

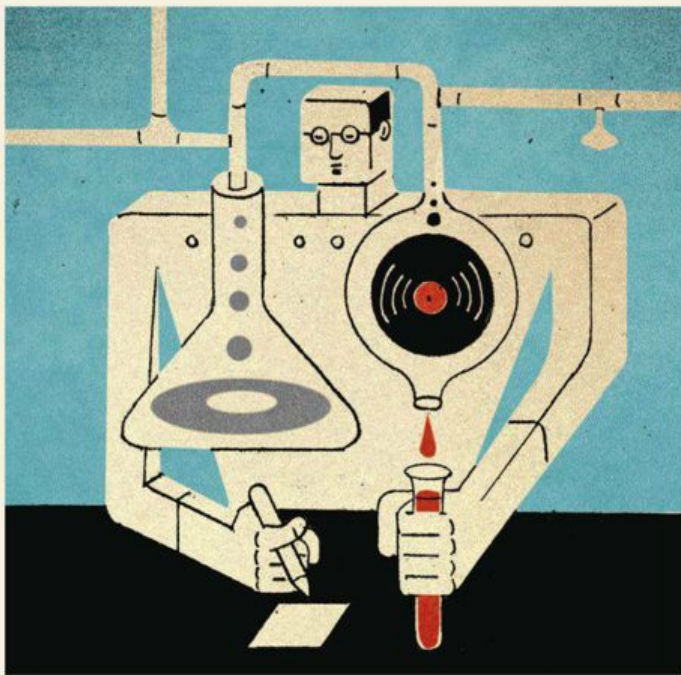
Billboard's 2010 list of the top startups included both big and small firms. From RootMusic, which raised an additional \$16 million in January, to Songkick, which expanded the distribution of its concert listings, the Class of 2010 has had a pretty great 2011.

Rdio has made big strides since being named Billboard's top 2010 startup. The subscription music service launched a free, ad-free version that'll help it better leverage the attention generated by its Facebook integration. It launched family-plan pricing and now offers gift cards at Target. Along with partnering with digital home audio company Sonos, it bulked up its catalog by signing a deal with Merlin that added such labels as 4AD, XL Recordings, Merge Records and IKT. Most recently, Rdio announced the launch of Oi Rdio, a partnership with Brazilian mobile operator Oi.

Since appearing on last year's list, music video network Vevo has grown tremendously. In September Vevo had 57.3 million monthly unique viewers watch 748 million videos, according to comScore, up from 45.4 million unique viewers and 206 million videos when last year's top 10 list was published in August.

Social analytics company Next Big Sound made a big enough splash in 2010 to make the top startups tally. Since then the company has been working to marry its social data with its customers' transaction data, co-founder/CEO Alex White says. "It's really exciting because we finally have the data we wanted from the beginning to understand how social ties to sales."

Much has happened at Next Big Sound since August 2010. The company has doubled its staff—"mostly tech," White says—and moved into a new office space. It won the B2B award from MidemNet Lab, and White and the company's two other co-founders, Samir Rayani and David Hoffman, were finalists in Bloomberg Businessweek's



list of America's Best Young Entrepreneurs. And the company partnered with Billboard for two new charts, the Social 50 and Next Big Sound 25.

One of the less familiar startups on the list is working hard to become a standard in the industry. Nashville-based MyWerx has created a system to improve the integrity and timeliness of data used in intellectual

property industries. Founder Tim Smith has spent the last year raising funding and improving the software in a bid to partner with record labels and music publishers and help them reduce costs. MyWerx has raised more than \$2 million and is in discussions for more funding, Smith adds.

The first version of MyWerx focused on making it useful for creative people, Smith says. The next version connects the service to businesses in the intellectual property supply chain. Smith says a startup can have problems finding investors willing to ride out the research and development phase, and he now targets a May 2012 launch. "It's a longer commercialization cycle than I expected," he says.

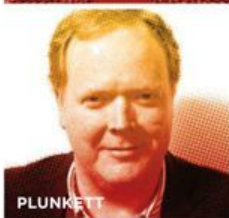
But Smith believes intellectual property businesses need to do with data what total quality management, a philosophy that strives for continuous improvement, did for auto defects: make working with the data faster and more efficient. American companies originally dismissed total quality management but embraced it after Japanese manufacturers excelled with it. "I hope America hears the message," Smith says. "There's the possibility another country will pick it up and kick our ass for decades." —Glenn Peoples

2010'S TOP 10

1. RDIO
2. VEVO
3. SONGKICK
4. KICKSTARTER
5. MFLOW
6. ROOTMUSIC
7. NEXT BIG SOUND
8. GUVERA
9. HELLO MUSIC
10. MYWERX

8. SUPERGLUED

FOUNDERS: Rush Doshi (@rdoshi), Thomas Plunkett (@plunkett)
FUNDING: undisclosed
LOCATION: New York
LAUNCHED: 2009



Location was a big theme among music startups this year, and Superglued (@superglued) took advantage of this by tying location check-ins with music. While Foursquare users check in to virtually any venue, Superglued refined this usage for the concert scene. Users check in to shows and locate friends. They use the resulting data to find other concerts to attend, get real-time show updates and discuss the gig with other attendees. The activity is shared across social platforms like Facebook and Twitter. It works with both iPhone and Android devices.

Usage has increased 250% since February, with some 2,000 concert listings are added to the service weekly. A partnership with BandsInTown lets users buy tickets to events discovered through the platform, and a collaboration with Paste magazine and MTV Hive led to a Summer Music Junkie Contest, with competitors earning points for every show attended.

Initially focused on the New York live music scene, the company is now expanding nationally.

9. SONGZA

EXECUTIVES: Elias Roman, CEO; Peter Asbill, COO; Michael Hensen, chief technical officer; Elliot Breece, chief product officer
FUNDING: undisclosed
LOCATION: New York
RELAUNCHED: August 2010



"Playlists for everything"—that's what Songza's home page claims, and that well-encapsulates the New York-based startup's goal. From bluegrass to Bollywood, there's a Songza playlist for just about any mood or interest.

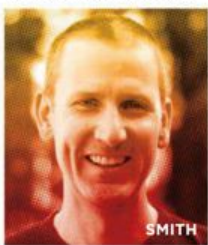
"Our thesis has always been about curation," CEO Elias Roman says. He was a co-founder of Amie Street, a dynamic-pricing download store acquired by Amazon in 2010. Amie Street's founders acquired Songza (@songza), then an on-demand streaming service, in 2008 and relaunched the company as a noninteractive streaming service. "Now we're focused on making it outrageously easy for people to find the right song at the right time," Roman says. Songza's busy first year has included the release of versions for the Web, iOS and Android platforms. Roman says Songza, which operates only in the United States, had more than 100,000 active users at the end of October.

Facebook integration means its users' activity is shared on the social network. Since registration with the service isn't necessary to begin listening, the integration creates a frictionless experience, Roman says. "You're one click away."

The company is aiming big. In November it'll launch an app optimized for Amazon's Kindle Fire tablet. The company wants to bring Songza into the living room, on platforms like Sonos or Roku. And Roman says getting Songza into cars is a "big priority" for 2012.

10. EX.FM

FOUNDERS: Dan Kantor, CEO; Charles Smith, COO; Marshall Jones, creative director
FUNDING: \$1.3 million; Spark Capital Partners, Betaworks, others
LOCATION: New York
LAUNCHED: March 2010



While some apps help users discover new music, Ex.fm (@exfm) helps them find music *blogs*, where they can then go to find new tunes. The service began as an extension of Google's Chrome Internet browser, built using application programming interfaces from the Echo Nest and Last.fm. Initially, it simply notified users of music files available on any website visited, and specifically which songs friends indicated as noteworthy. It also allows users to aggregate songs into playlists so they can stream them when navigating to other sites, and share favorites on social networks. ¶ Ex.fm has added a highly anticipated iPhone app, which extends this same functionality to mobile, and has also added support for Firefox and Safari. ¶ Ex.fm indexes some 20 million songs through the Web. The new site makes it easier to find them, with search tools and a recommended album of the week, as well as curated playlists, genre pages and tastemakers' sections. Through a simple click, users can follow others using the service by importing friends from Last.fm, Facebook and Twitter.

THE CLASS OF 2012?

STARTUPS THAT COULD MAKE NEXT YEAR'S LIST

Music startups that Billboard may name as the best of 2012 have already launched and built their products. It should be an exciting group. Already, companies like **Bckstgr**, which connects artists and fans, and **TrackTrack.it**, a system for sending protected music files, are addressing needs in the music industry.

Perhaps no other startup is aiming as big as **Beyond Oblivion**. The New York-based company is nearing the launch of **Boinc**, an innovative music service that allows hardware manufacturers to bundle an on-demand music service with devices. Founded in 2008, the company has raised \$87

million in funding from News Corp. and Wellcome Trust.

Boinc (short for Beyond Oblivion Inc.) has had a lengthy development cycle and is expected to debut in early 2012. In the meantime, company executives have been making the rounds, appearing at conferences and introducing the service to rights-holders.

Boinc takes licensed, on-demand music in a different direction. Today's standard approach—popularized by Spotify—is to allow access to a limited free version and entice people to become paying subscribers. **Boinc** builds the price of the

service into the hardware—PCs, tablets, smartphones—and can be used for the life of the device. It allows the user an unlimited amount of downloading and sharing with other **Boinc** devices. The service will also be available to add onto existing devices as a paid subscription.

Boinc takes the price of the service into the hardware—PCs, tablets, smartphones—and can be used for the life of the device. It allows the user an unlimited amount of downloading and sharing with other **Boinc** devices. The service will also be available to add onto existing devices as a paid subscription.

Boinc takes the price of the service into the hardware—PCs, tablets, smartphones—and can be used for the life of the device. It allows the user an unlimited amount of downloading and sharing with other **Boinc** devices. The service will also be available to add onto existing devices as a paid subscription.

Boinc takes the price of the service into the hardware—PCs, tablets, smartphones—and can be used for the life of the device. It allows the user an unlimited amount of downloading and sharing with other **Boinc** devices. The service will also be available to add onto existing devices as a paid subscription.

—Glenn Peoples

