Longing and Belonging: The Dynamics of Using a Subscription Model for Physical Music Products

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Acknowledgments

This moment in time would not have been possible without the invaluable help from the people around me. Most of them know I'm not a strictly formal studies man.

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Abstract

The music consumption landscape is ever-changing, constantly adapting to technological paradigm shifts, the rise and fall of new media, and trends in the industry reflect that (Li et al., 2020). With competitiveness on the rise, powered by always-on connectivity, major changes in management and business models are essential to maintain or generate a competitive advantage (Schuhs et al., 2020). In this context, subscription models make a comeback (Erdogan et al., 2020) aiming at financial stability, focusing on the customer and closer relationships enabled by widespread access to broadband internet, e-commerce platforms and credit cards.

An increasing manifestation of the subscription trend is the number of record clubs popping around the world. They bring in a community of music lovers that subscribe, pay periodically and proceed to anxiously await each special edition of vinyl record sent their way. However, contrasting with the digital subscription-based services in music, such as Spotify and Apple Music, record clubs have to deal with the physical aspect of their endeavours.

How do they work their distribution, customer acquisition and retention, curatorship, licensing, demand prediction and organise in general? There are thousands of questions surrounding the topic. This study comes from a personal demand to find a feasible path to setting up a startup in the record club segment. The objective is to understand the nuances and propose, if needed, a model to analyse and implement such building blocks starting with personal reflection, cross-referenced with literature review and case studies counting on in-depth interviews and scenario validations.

The main conclusions are the proposed business model itself, with the critical building blocks and its challenges, the framing of subscription companies as being mostly directed at collectible media, and the complexity of adding secondary products or services to the roster of key activities a record club already needs to master.

Music industry professionals and entrepreneurs may find the contents of this research useful to understand the market, potential roadblocks and absorb expert takes on growth possibilities within the subscription model applied to physical music products.

Keywords: subscription model; record club; music; business model

Resumo

O cenário de consumo de música está sempre a mudar, adaptando-se constantemente às novidades tecnológicas, o surgimento e queda de novos médias, e as tendências da indústria refletem isso (Li et al., 2020). Com o crescimento na competitividade, alimentado pela conectividade constante, imensas mudanças de gestão são essenciais para manter ou gerar vantagem competitiva (Schuhs et al., 2020). Neste contexto, modelos de subscrição ressurgem (Erdogan et al., 2020) como um caminho para a estabilidade financeira, com foco no consumidor e relações mais próximas, viabilizadas pelo acesso popular à internet de banda larga, plataformas de e-commerce e cartões de crédito.

Uma manifestação crescente da tendência de subscrição é o número de clubes de vinil mundo afora. São empresas que reúnem uma comunidade de fãs da música que subscrevem, pagam periodicamente e aguardam ansiosamente por cada edição especial de vinil que lhes é enviada. Entretanto, em contraste com a subscrição de produtos musicais digitais, como Spotify e Apple Music, clubes de vinil precisam de lidar com os aspetos físicos dos seus negócios.

Como é que trabalham eles a sua distribuição, aquisição e retenção de clientes, curadoria, licenciamento, previsão de demanda? Como se organizam, em geral? Há milhares de questões neste tópico. Este estudo nasce de uma demanda pessoal por encontrar um caminho viável e sustentável para um projeto corporativo pessoal, uma startup no segmento dos clubes de vinil. O objetivo é perceber as nuances e propor, se necessário, um modelo para analisar e implementar os seus blocos. O passo inicial é uma observação pessoal, cruzada com revisão de literatura e estudos de caso, apoiando-se na realização de entrevistas em profundidade e validações de cenário.

As principais conclusões são o modelo de negócio em si, com os principais blocos e os seus desafios, a descoberta do segmento ser quase totalmente direcionado a médias colecionáveis, e a complexidade de adicionar produtos ou serviços secundários na já complicada miríade de atividades que precisam ser dominadas por um clube de vinil

Profissionais e empreendedores da indústria da música podem apoiar-se nas descobertas desta pesquisa para perceber o mercado, dificuldades em potencial, e absorver opiniões de experts sobre as possibilidades de crescimento dentro do modelo de subscrição voltado a produtos musicais físicos.

Palavras-chave: subscrição; modelo de negócio; música; clube de vinil

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1. Introduction

The music consumption landscape is ever-changing, continuously adapting to technological paradigm shifts, the rise and fall of new media, as well as technical implications of mass-adopted behaviour. From tapes to vinyl to CD to streaming, players in the music industry shaped their work to keep up with the times, pivoting aspects of their business model whenever necessary. At first, a slightly different production model with the correct mastering technique was enough. These days, though, major changes in management and business models are essential to maintain or generate competitive advantage.

Subscription models are one of the paths to financial stability, focusing on the customer and closer relationships enabled by widespread access to broadband internet, e-commerce platforms and credit cards. With a much simpler structure, it has been around for magazines and newspapers for decades, but there is little scientific research about them as revenue streams. In music, subscription is as old as 1683. Still, countless technological and social evolutions helped shape it into streaming's go-to selling point – Apple Music, Spotify, Tidal, Deezer, Rdio, and so many others are living proof of it.

However, when we throw all these aspects into the mix, with 2021 as a background, what are the standards for using digital subscription channels to sell physical music products? How should one set up a subscription business for vinyl records, cassettes or CDs? Is there a reference model that addresses the technological possibilities we have today, helps tackle the industry's challenges, and makes the most out of the generated revenue? There are thousands of questions surrounding the topic, and this study is a vehicle to research some of them.

1.1 Motivation for Studying the Topic

Considering the novel business models applied to music, namely the subscription model, there is no scientific research directed at physical products. There are, on the other hand, plenty of articles regarding digital content charged periodically. Most of it comes from the digital music trend, where a modest fee grants a user access to millions of tracks instantly, or even at no cost, in exchange for being targeted by ads and having some feature limitations. It is a freemium model that helped shape people's very consumption of music, turning it into a commodity that's available on multiple devices, anywhere, at any time.

In the opposite direction, there is an old medium making a huge comeback: vinyl. The 12" discs are now the #1 physical media format worldwide, surpassing CD sales over the last years. This growth was one of the cornerstones behind Lusofonia Record Club (LRC), a project created by the author and approved in the StartUp Voucher program by IAPMEI, as part of the Portugal 2020 initiative. The first subscription-based record club in Portugal and the first-ever record club dedicated to lusophone music. The LRC project will be built from scratch with support from ANJE as the incubator, following a work plan for an entire year. Most of the time, the author will be directly working on implementing and improving a business model that supports the idea.

Most of the motivation for this dissertation comes from the possibility of aligning scientific theory and hands-on, full-time work in developing innovative work in the country. The rest is explained by the author's background in the music industry – working with licensing soundtracks, promoting events, doing press office and PR for artists – meeting a Master's program in Innovation and Technological Entrepreneurship. It all points to a reality-checked dissertation study and a theoretical-heavy project development, so it is a win-win situation.

1.2 Research Objective

The objective of the research is to understand how physical music products fit in the subscription-based business model. With that in mind, the main question posed is **How are physical music products sold through the subscription model?** There are subsequent interrogative points to be considered. Some of the most relevant are:

- Is there a reference model for the sales through subscription of physical products?
- If so, what are the main building blocks of it, and how do they work with physical music products?
- If not, can we propose a reference model to be applied to physical music products?

Further questioning is a way of translating the subscription model into a specific set of building blocks for a business model canvas. That is done so that exploration will make clear whether there is a single model that works and is replicable or if the market lacks one, in which case there is room for proposing one.

Stemming from those initial exploration points, there are several questions to be considered, although in a secondary manner. They may bring answers to some of the pressing issues that will inevitably surface while studying the topic in depth. They will not be the leading guides to conducting the research but will be kept in mind when evaluating and registering the findings throughout the research process. Some of them are:

- Is the subscription model fit for selling physical music products rather than services?
- What would be the revenue challenges of a subscription model for those products?
- What makes a product desirable in a subscription-based purchase?
- What are the main subscription-based music products out there?

There are also five hypotheses to be tested:

- Is selling additional products a way of improving and diversifying income?
- Is selling additional services a way of improving and diversifying income?
- How interesting is it to act as a third-party/outsourced partner using the expertise to generate clean revenue in the form of a flat fee?
- How interesting is it to produce events to promote the brand, get customer loyalty, and grow the community while generating revenue?
- Does sustainability play a key role in subscription-based physical music products companies such as record clubs?

2. Review of Background Concepts

2.1 Business Model

According to Osterwalder & Pigneur (2010), a business model describes the rationale of how an organization creates, delivers, and captures value. A Business Model represents how a firm goes over its business, but it is essential to explain further.

For instance, a high-definition speaker company might say they are "the most affordable audio output solutions in the market" while a recording studio can say they "blend professional expertise in all things post-production with state-of-the-art equipment to generate the best possible sound" – and both answers could be correct depictions of each business, but they are entirely different approaches. One goes about pricing, while the latter explains their uniqueness as being quality-oriented. Moreover, both definitions lack depth about who their customers are, where they sell their products or offer their services, whom they partner with, and so on. There is also no further definition of whether they have proprietary software, if they sell retail or if their market is local or global, among other things.

Osterwalder & Pigneur (2010) propose a tool that incorporates nine business model building blocks, called the Business Model Canvas. The nine blocks cover the four main areas of a business: customers, offer, infrastructure, and financial viability. The business model is like a blueprint for a strategy to be implemented through organizational structures, processes, and systems (Osterwalder & Pigneur, 2010). The nine building blocks brought together form the canvas, as Figure 1 illustrates. The building blocks are: customer segments, channels, value propositions, customer relationships, revenue streams, key resources, key activities, key partnerships and cost structure.

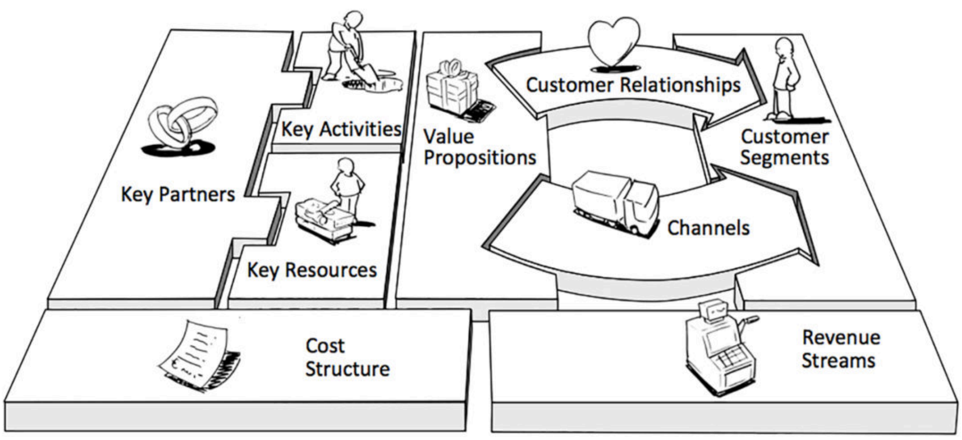

Figure 1 – Business Model Canvas Building Blocks (Osterwalder & Pigneur 2010)

Even with the acceptance of Alexanders Osterwalder's proposed Business Model Canvas as a perfected modelling tool for businesses, there is still no complete agreement between authors as to which building blocks exactly make up a business model (Gassmann et al., 2013). So, in order to study any phenomenon related to business model variants, it is important to choose a framework or at least complement concepts to bring a better understanding. For this thesis, the author chose to reinforce context with the 55 business model's patterns (Gassmann et al., 2013) as a way of approaching four main building blocks (Who, What, How, Value) in a straightforward manner, since subscription is one of the existing patterns, and then turning its characteristics into Osterwalder's canvas.

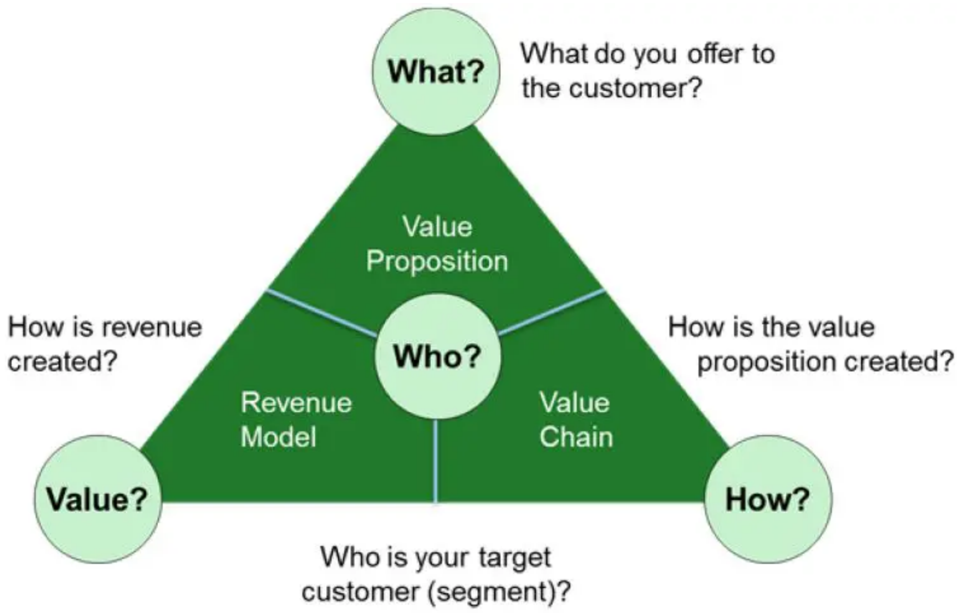

Figure 2 – Gassmann's magic triangle (Gassmann et al., 2013)

2.2 Subscription Business Model

According to Schuh et al. (2019), the objective of this business model is to no longer sell individual products or services to the customer but to offer the customer access to a constantly improving service in exchange for regular payments. One of the primary outcomes – and challenges – is customer retention over customer acquisition. The idea is that a single customer will be charged several times over a period, making each subscriber way more important than a one-time buyer. The scaling of subscription businesses allows for a constant revenue system that anticipates earnings and enables positive cash flow.

As listed by New York Times best-seller author Neil Patel, some examples are Netflix, Spotify and Zipcar, and every SaaS (software as a service) such as Slack, Salesforce, RD Station, and MailChimp. Some companies combine subscriptions and pay-per-product business models, like Amazon and its Prime subscription.

2.3 Subscription Boxes

Subscription boxes are the main form of physical product selling with recurring payment, a way of leveraging the e-commerce business model to deliver a customised box of merchandise periodically by charging a subscription fee (Woo & Ramkumar, 2018). Initially, the format was conceptualised in the United States by Birchbox (Griffith, 2015) and has been further developed, especially with beauty and cosmetics brands. However, it can also refer to much simpler products and dynamics that have been around for ages, like farm-to-table vegetable boxes, but this study focuses on the former.

3. Literature Review

3.1 General Topics Review

To grasp the main concepts and cover as much ground as possible regarding the dynamics in subscription boxes, the selling of physical products via subscription, the business model *per se*, if and how some of these ideas are found in music, three different searches were run on Scopus.

The first one was regarding the subscription boxes business model to start understanding how it works and how it has been treated in different segments. Therefore, the first reduction was the subject area, focusing on research related to the thesis. Next, the results were limited to the past five years, as the idea is to understand more recent development in a format gaining traction in such a period. Then articles were selected based on their title and abstract, which brought the results from 30 to five.

Table 1 - Literature Review Approach #1

Literature Review #1	
Subscription boxes business model **Queries used in *Scopus:*** KEY (subscription AND boxes OR box) **Results found:** 30	
Reduction Criteria	
Limit to subject areas: (Computer Science; Business, Management and Accounting; Social Sciences; Arts and Humanities)	20
Limit to date published (2015 to 2021)	10
Reduction by title adherence to the research topic	7
Reduction by abstract adherence to the topic	5
Total documents used in the review	**5**

The second search within Scopus was a shot at understanding how subscription models work for physical products instead of the ever-growing presence of streaming platforms charging periodic payments from their subscribers. The process conducted was the same as before, and even though it narrowed down to only two articles, both looked very promising and are recent, so there was a great chance of finding state-of-the-art analyses in them. In addition, one of the articles was already selected from the first search, so it was extracted from this one.

Table 2 - Literature Review Approach #2

Literature Review #2	
Subscription-based business model for physical products **Query used in *Scopus:*** KEY (subscription AND "business model") **Results found:** 42	
Reduction Criteria	
Limit to results that were not already in the research:	41
Limit to subject areas: (Computer Science; Social Sciences; Business, Management and Accounting; Decision Sciences)	35
Limit to date published (2015 to 2021)	19
Reduction by title adherence to the research topic	5
Reduction by abstract adherence to the topic	2
Total documents used in the review	**2**

The third and last Scopus search aimed to converge subscription models and music in the same context, possibly finding the most important papers to develop the research further. Unfortunately, since it was a narrower exploration from the beginning, there were less than 20 results – one of the reasons I chose to extend the period gap to 10 years instead of five, along with the notion that subscriptions in music are a strong reality in the last decade. Nevertheless, the five selected papers seemed to present a decent overview of the model's evolution over the years, going into pricing discussion and distinct consumer behaviour traits towards it.

Table 3 - Literature Review Approach #3

Literature Review #3	
Subscription model applied to music	
Query used in *Scopus:* KEY (subscription AND music)	
Results found: 17	
Reduction Criteria	
Limit to subject areas: (Computer Science; Business, Management and Accounting; Decision Sciences; Arts and Humanities)	16
Limit to date published (2011 to 2021)	11
Reduction by title adherence to the research topic	8
Reduction by abstract adherence to the topic	5
Total documents used in the review	**5**

To sum up the results found on the screening above, table 4 presents the main findings in the most relevant articles, to sum up the results found on the screening above. Along with the reference, its contribution and the limitations found in the study.

Table 4 - Literature Review

References	Contributions	Limitations
Erdogan, Senturk & Balasingham (2020)	Defines types of subscription services, being "curation" the most popular. Attributes modern rebirth of the model to beauty boxes. Confirms academic studies on the current model are minimal. Proposes an innovative optimisation model to allocate the contents of the box for each user. Points out subscriptions are getting	Besides the concepts brought on the introduction, it focuses solely on allocation, which is exclusively aimed at boxes where each user gets a specific set of items. The proposed model may be ineffective on large scales.

	more popular in the last years and especially during the COVID-19 crisis.	
References	Contributions	Limitations
Xu (2020)	Reinforces the role of emotions, both positive and negative, in the relationship between customers and subscription box companies. Combines the power of emotion with electronic word-of-mouth in bringing new customers through reviews. Breaks down the analysis in the influence played by subscription time (with the same retailer) and subscription experience (from different retailers) as well as the satisfaction rate over time, as it is a vital aspect of the customer-company relationship.	Focuses on the subscription boxes that have a surprise aspect, therefore not embracing boxes with previously known content. Data collected is exclusively from beauty boxes.
Lee, Sadachar & Manchiraju (2019)	Shows growth in the SBRS (subscription box retail services) as well as big companies embracing it. Confirms with a survey that quality is one of the main reasons towards favourable attitudes. Concludes that product quality, assortment, and product uniqueness are the most important indicators for a positive attitude. Also, concludes price and surprise were not key determinators for it. Establishes NFU (need for uniqueness) as a potential driver in the desirability of the products.	Only approaches the subject from a beauty box perspective. The survey was conducted exclusively with US participants. Does not investigate service quality.
Sivathanu (2018)	Establishes reasons for and against the adoption of subscription-based purchases, some of them applicable to worldwide scenarios.	Subscription boxes were only in the beauty sector, which, combined with the BRT approach, considered too many variants that are not useful for this research. Finally, the study was only done with female Indian participants.
Mimoun, Garnier & Depledt (2015)	Explains the phenomenon of electronic word-of-mouth related to subscription-based products with experience sharing through video. Exemplifies strategy for acquiring new customers targeting influencers and experts. Provides insight as to how video communities help expand people's interest in subscription services. Showcases the influence of unboxing/unpacking videos.	Focuses on a single beauty subscription box service, My Little Box, and the sample was exclusively female.

Reference	Contribution	Limitations
Parry, Bustinza, & Vendrell-Herrero (2012)	Draws a parallel between product-service and strict product in the music industry. Points out servitisation as a tool for a manufacturing firm to promote strategic innovation by selling an integrated product and service solution. Splits consumers into distinct categories that help to understand their behaviour towards music purchasing and value co-production.	The survey was exclusively conducted with UK respondents. Being an online survey about primarily online behaviour, it may have been biased by the positive relation respondents have with the medium.
Seares (2011)	Acknowledges that subscription models applied to music are as old as 1683, working primarily to produce work with anticipated revenue. Features some of the classes that subscribed to musical works centuries ago and strategies towards acquiring them.	Besides the important historical evidence, the paper addresses dealing from hundreds of years ago, so the takeaway might be purely anecdotal or serve as a curiosity.
Li, Luo, Qiu & Bandyopadhyay (2020)	Analyses the pricing strategies of digital music through three models. Calculates profitability related to advertisement revenue streams.	The article works out the primary income and revenue possibilities for digital music pricing but does not refer to digital processes directed at physical products.
Li & Luo (2016)	Analyses the pricing strategies of digital music through two models.	Being an early version of the article above, it features no subsequent developments and has the same limitations.
Cesareo & Pastore (2014)	Focusing on digital music and its characteristics that lead to piracy, opens up opportunities to counter downsides with physical products. Explores negative aspects of people's likelihood or unlikelihood to consume pirated content.	The analyses are based on only two subscription services, both digital: Napster and Spotify. Moreover, the survey was done exclusively with Italian respondents.
Schuhs, Gutzlaff, Cremer, Lammersmann & Liu (2020)	Makes a case for how innovation in the business model leads to substantial competitive advantages. Reinforces how it is hard to monetise from customers with traditional models on Industry 4.0, proposing an ongoing and dynamic shift on value propositions to keep the customer satisfied.	Approaches the subscription model from the industrial manufacturing bias. Does not present an actual business model, focusing more on the interdependencies it may be subject to.

Reference	Contribution	Limitations
Schuh, Frank, Jussen, Rix & Harland (2018)	Acknowledges that there are only a few scientific publications on the subscription model as a revenue stream. Explores building blocks for a business model based on subscription. Resources, information systems, organisational structure and culture form an attractive management model for subscription businesses.	The article is focused on industrial manufacturing, mechanical engineering and the servitisation of such products. Approaches mainly the transformation into a subscription model rather than building one from the ground up.

3.2 Critical Literature Review

As illustrated on the table above, not every selected article is key to building an argument towards the selected theme. Some have similar approaches, and their contribution is not foundational to a new work in the same space. So this critical literature review contains not the whole list of articles, but the majority of them, pointing out the content that's most promising to guide the next steps of the research. Along the way, the selected articles also pointed out more key studies, which were then added to the reading list and are quoted directly in this section. Every choice is part of a narrative, so this critical literature review will hopefully suffice in telling a story, showcasing existing starting points and bringing up vital points to develop the proposed exploration.

Previous studies point out that innovating in business models can achieve more robust competitive advantages than innovations in products and processes alone (Schuhs et al., 2020). In industries such as software and entertainment, subscription business models have changed the competitive landscape and formed new industry giants. Management models are a tool to help companies understand the interdependencies between organisational changes and business models, and the study discusses this relationship along with the evolving dynamics of the subscription economy.

The authors of this first study remember that the business model defines value propositions as a core element. Therefore, their development should be based on what the customer is looking for to tailor them accordingly. The company then operationalises such model and value propositions by putting those building blocks into practice. Since the customer requirements are constantly changing and evolving, subscription providers need to constantly innovate their offers to continue delivering value and benefitting customers' success (Schuh et al., 2019).

The aforementioned study further explains how subscription business models have a significant role in monetising products and services for manufacturing companies in the age of Industry 4.0. Besides explaining how the model works in detail, it parallels older cases and shows how it evolved. It also provides the first clear evidence of a gap in scientific research about subscription-based models. Finally, it features a case study presenting an organisational model that lays the groundwork for basically any segment willing to venture into subscription-based businesses, although focusing specifically on manufacturing and engineering.

That case study, along with the model, highlight the need for successful subscription businesses to optimise turnover through financing and pricing constantly. It talks about how the constant income requires a redesign of the revenue model, the necessity to pre-calculate package prices and the high degree of complexity that should be worked to perfection with essential existing, adequate customer data treated by the company. Having that the study mainly focuses on the transformation of existing businesses to a subscription model, some

Moving on to specifics of the proposal, the first (and only) finding that speaks to both music and subscription in the form of physical products is a case study from centuries ago. Dating back to 1683, famous composers were already selling their work through subscription. That was, according to David Hunter (Seares, 2011), the only way for a composer, compiler or publisher to finance a production without counting on their other sources of income, loans or profits from previous publications. That is how it became a relevant model for selling music (by that time, in the form of a book containing the compositions themselves) and shortening the gap between primary players of that embryonic industry. Its occurrence in British music gained momentum from the late 17th century onwards.

Another relevant study from the UK was on servitisation and value co-production focused on an empirical study of consumer attitudes (Parry et al., 2012). The studied context provides insight into the relationship between players, though making the opposite way: replacing physical products for intangible music file provision via electronic portals, which are substitutes for physical retail space (Graham et al., 2004). It refers to the value of a downloaded music track as only apparent to the customer while they listen to it, making the value-in-use only realised in the process of consumption, which is not valid for physical music products such as vinyl records.

Not long ago, the streaming (subscription-based digital music services) industry was still struggling to reach significant sales numbers, which pointed out a minority of consumers willing to change from the product to the service model and further actively become co-producers. Ten years down the road, though, its revenue grew by 22.9% to US$11.4 billion and, for the first time, accounted for more than half (56.1%) of global recorded music revenue (IFPI, 2020).

The servitisation proposed is defined as a strategic innovation in an organisation's capabilities, representing a shift from selling products to selling an integrated product and service offering (Baines et al., 2007). It is seen as a powerful way for manufacturing firms in developed economies to address the five forces that influence an industry's dynamics and inherent profitability (Porter and Ketels, 2003; Neely, 2005). By the time the study was conducted, consumers were directly and positively related to the product and service "pay as you go" mode of commercialisation, mainly for the market conditions of immediate exchange and pay per unit.

The survey done by the researchers profiles the consumers into categories that are useful to understand their behaviour and can be adopted to further studies, enabling authors to build personas, select respondents for interviews, among other possibilities. The categories are Explorative Consumer, Early Adopter, Cautious Consumer and Band Fan.

In a 2018 quantitative study, McKinsey & Company surveyed e-commerce consumers and found out that 46% of customers pay for an online streaming service (e.g. Netflix, Spotify), and 15% are currently clients of at least one subscription box service. The three main types of subscription boxes are replenishment, curation and access (Erdogan, Senturk & Balasingham, 2020). The most important for this research are the two latter, as music products presume some type of curation, and the limited-edition aspect of such products offers value to subscribers by giving access to them.

The paper states that access-seeking subscribers pay a monthly fee in exchange for lower prices or members-only advantages and that curation services are the most popular type of subscription, amassing 55% of the total numbers. Both statements are perfectly compatible with physical music products. An important – even if logical – finding is that while subscription-based systems have to deal with new subscribers, they also constantly have a decent estimate of their demand, being able to predetermine their need for specific orders.

The subscription model provides several benefits for brands and customers, resulting in possibilities like advertising new products to customers at a lower cost and exposing customers to a variety of products (Lee et al., 2019). According to the same study, the most prominent drivers of positive consumer relation to subscription boxes are quality, assortment and uniqueness (or NFU - need for uniqueness). At the same time, surprise and price are not significant predictors of attitude towards the service. In that case, a subscription box for music products may contain previously known products, as long as they are high quality, finely curated and somewhat unique.

A point of differentiation in subscription boxes is that, beyond the satisfaction of a specific need, customers expect original, uncommon products they would not have thought about or dared to purchase (Mimoun et al., 2015), which further strengthens the role of curation. A huge point of customer acquisition in the segment of subscription boxes is specialised video reviews of the products, called "unboxing videos" and done by a variety of people, from influencers to market professionals to ordinary folk who happen to have a following and like their boxes. The role of this electronic word-of-mouth is to drive loyalty, influence purchase decisions and obtain traction in new segments, so it is a high-value strategy for customer relations and channel picking. Another critical point in the study is that the emotional quest for excitement found in subscribers often translates into subscriptions in new terrains, such as men's beauty products, pet products, wine selections and food.

From reading and studying the assortment of articles reviewed in this proposal and considering previous knowledge the author acquired in the music industry, there is a clear scientific gap on music subscription boxes. Most of the studies regarding subscription-based business models are focused on the beauty industry, with behavioural analyses and sharing motivations. On the other hand, some of the most innovation-related are rooted in the machine and engineering segments. The conclusion is that there is plenty of room to develop studies into the unique challenges a music subscription box can go through and document scientifically how the building blocks of a business model canvas come into play to face them.

4. Research Questions and Research Design

4.1 Research Questions

After concluding the literature review and finding a gap to be studied, the first step is adjusting research questions to move on with the work itself. To better understand how the subscription model can be applied to physical music products, and in particular how it could work for a vinyl record club, the author poses the following questions:

How to sell physical music products using a subscription-based model?

a) What are the main building blocks of said business model?

b) What are the challenges found in such building blocks?

4.2 Research Design

According to Creswell and Creswell (2018, p. 22), research designs are plans and procedures for research that span the decisions from broad assumptions to detailed data collection methods and analysis methods. The research design involves decisions of methods to validate the research questions. Creswell and Creswell (2018, p. 22) also emphasize that selecting these methods is based not only on the research questions but also on the researchers' personal experiences and the study's audiences. To better address the research questions, the research design will be strategically divided into observational and descriptive methods focusing on a qualitative methodology.

In research from Creswell (2018, p. 194), with the mixed methods approach to research, researchers incorporate collecting or analyzing data with different approaches into a single research study. The strategy for using the mixed methods process is to expand one method's findings with the other. An observational evaluation method is a quantitative approach involving a case study. Creswell (2018, p. 95) defines a case study as a strategy of inquiry exploring in depth a program, an event, an activity, a process, or one or more individuals. From researching existing companies and business models to understanding how they work and what is missing in the literature, the case study will help shed a light on the research questions and hopefully turn doubts into answers and applicable knowledge.

A mix of experimental scenarios and informed argument will be applied to experiment on the findings of the research and provide proof of concept on the proposed model. The informed argument will add value to the research because it uses information available to build a convincing argument in favour of the study. The advantage of the scenario method is to see if a specific experiment influences different outcomes. In the opinion of Creswell (2018, p.32), the data collected is analysed using statistical procedures and hypothesis testing.

5. Qualitative Research

5.1 In-depth Interviews

The semi-structured interviews were conducted with upper management in companies that offer subscription-based selling of physical music products. The first meeting was with Brazilian startup Noize Record Club, Latin America's biggest vinyl subscription business. It happened as a videoconference attended by director Pablo Rocha, editor-in-chief Ariel Fagundes and project manager Paeni Ribeiro. Over a 30-minute-long talk, some of the critical points in NRC's business model were presented as country-specific, but most of the points discussed were intrinsic to the subscription model and the particularities of music products. There were also specifics regarding the project's first steps under the wing of Noize magazine, an already well-known publication, that will not be detailed in this thesis. Parallel to the record club, Noize works as a media agency, a platform of specialised websites and blogs for branded content and a music consultancy partner. They were nominated for Company of the Year at SIM São Paulo this year.

A second interview was also conducted with Brazilian label Três Selos, which was born as a collaboration from three labels – hence the name, Portuguese for "Three Labels" – to release a record every month on a subscription model. Their main difference stems from the fact that rather than a record club, or a company planned to work under the subscription model, the goal was to set up a label with a monthly edition – then it turned out to be a perfect opportunity to join the subscription trend, as there was a fit in frequency. A perfect example of adjusting value propositions to keep the customer satisfied (Schuhs et al., 2020). Present at the two-part, long and productive meeting were João Noronha and Rafael Cortes, founders of Três Selos and also owners of renowned labels EAEO and Assustado Discos, both with over a decade of experience in the music business on various fronts.

To offer a broader view on the subject and take into account a whole different culture, the author also interviewed Vinyl Moon, a Los Angeles-based vinyl record subscription service. The work done by Vinyl Moon is slightly different from that of Noize and most record clubs: instead of pressing a complete edition (or reissue) of a specific album, they sell exclusive "mixtapes" with a unique curation of artists for each launch, blending artists and genres from track to track. The interview was done with Brandon Bogajewicz, founder and curator, who created the prestigious music blog The Burning Ear in 2009. Vinyl Moon was featured in outlets such as Forbes magazine, People, Esquire and GQ for their impressive work on editing over 65 titles with cutting-edge artwork.

A characteristic shared by all the interviews is that everyone involved was eager to talk about their experiences, the record club universe and the ways of the music industry nowadays. The meetings were expected to last around 30 minutes, but two of them were over an hour long, one of those being even divided into two sessions. The companies found it interesting to see their business model analysed using scientific methods. It's yet another sign of the gap in research surrounding the topic, as pointed by Erdogan et al. (2020).

The answers presented over the next part represent mainly the consensus found throughout the interviews, with specific comments from each one highlighted with their respective source The interview script (which acted as a starting point for the semi-structured sessions) can be found in the appendix. These main points will also be crossed with the literature review to better comprehend where they converge and whether the market and academia point in different directions on the subject.

One fundamental building block is the Key Partners one, mainly because of the logistics aspect. A company looking to sell periodically needs a solid partner to deliver their products to the final customer in an efficient, timely, safe and financially accessible way. If it is inefficient or takes too long, it impacts the customer relationship negatively. If it is not safe, the products risk being harmed before arriving, which would lead up to an impartial or even totally ruined user experience. If it is too expensive, the cost of goods goes up and renders the subscription fee less affordable. This issue is particularly challenging in big countries like Brazil and the USA, where the package's mileage can mean thousands of kilometres worth of transportation costs. Finally, the licensing partners, namely label and publisher, are at the centre of the project's feasibility. Negotiating with them while maintaining a positive relationship is essential in bringing ideas to life.

Still in the Key Partners, it is essential to give special treatment to a player in another building block and sometimes only there: the customer. Brandon from Vinyl Moon loves to talk to their subscribers whenever possible and is proud of how they formed a true community of Vinyl Moon lovers that help each other, trade their LPs, and even become friends connected by the record club. On the other hand, Noize does not have that much of a direct relationship with their customers. They do have a loyal following, but the numbers tend to oscillate, which is expected, especially considering they have by far the highest number of subscribers among the interviewed companies. At Três Selos, most customers come from a long-time subscription and have a positive attitude towards the label, noting a high loyalty and adherence to the value proposition, with growing satisfaction over time, a finding similar to that of Xu (2020).

They all share a total understanding of how important it is to treat their customers right, going way out of their comfort zone to deliver the very best products even with the challenges imposed by the COVID-19 pandemic. That is a depiction of how the customer plays a role in a co-creating process, where the community helps point out paths to be followed by the company. It helps to achieve a kind of symbiosis that reflects in, among other things, knowing each package will be attractive enough for them to keep the subscription going. Customer retention is a vital aspect of any business that relies on recurring revenue. Every subscription counts, so any higher churn observed may be a sign of misalignment with the demand. That is where curatorship comes in, reinforcing the central role it plays in subscription boxes (Erdogan et al., 2020).

A strong point when it comes to curatorship is that one must believe in the work being released. All three companies highlighted how much they are in sync with the artists, how much they love their work and the unshakable confidence in the titles they put out. To this point, Noize bets as high as to attach a full self-produced magazine about the album being released. Três Selos shares a story about how they opted for a primarily unknown artist with brilliant piano work over an acclaimed band and how each associate has full veto power. Vinyl Moon goes beyond that by saying they see no value in releasing well-known acts versus indie artists with no significant audience of their own, as well as not bending when it comes to the genres they choose not to work put out.

When asked about the main pros of working with a subscription model, the interviewees gave distinct answers. However, they agreed there is a massive weight in favour of the recurring and predictable revenue. Also, they all had their two cents to add. A great example is Três Selos saying the best thing that came out of monthly released subscription products is the effort they need to put in, in line with the concept of "always be releasing" (Schuh et al., 2019) the way this sort of pressure works to bring out the best in the team and maximise the number of releases.

As for the revenue streams, the profit margin is rarely a big one, as products are either being licensed (in which case costs are high) or are not exclusive, which in turn drives down the value. This bit is challenging and brings up a dilemma: should these clubs diversify their revenue streams by adding additional products and services? Should they look to increase their margins by cutting down costs or pricing higher at the risk of losing customers? Is the best scenario to keep it thin but massively increase volume, and is it scalable to the point of high profitability? These questions are yet to be answered by record clubs and similar companies worldwide, which most likely share such worries and seek to innovate in order to find answers. One key takeaway when it comes to building a database of customers is that the power of a closer relationship, maintained through longer periods, can lead to satisfaction rates going up over time (Xu, 2020) and this phenomenon was observed in all three cases.

An important finding that was not predicted in the interview's script was just how much work needs to be invested in a record club. The different turnaround times to deal with each partner, ranging from several weeks to press the record to long months (or even years) negotiating the rights to it, makes the process lengthy and sometimes unpredictable. To compensate for those hardships and guarantee the planned output, it is vital to have multiple titles in the pipeline. At the time of the interview, Vinyl Moon had nine records in production; Três Selos was working with five on the main subscription and three in the parallel one; Noize always works with at least six at a time.

5.2 Scenario Validation

With every company interviewed for this study, the author prepared a set of hypotheses regarding possibilities to diversify revenue streams and working angles. The primary method to do so was to validate these by putting them to the test with the actual company the author is building. However, the delivery timeline was not compatible with the time to market. So the best way to work on such validation was to directly ask the functional, successful companies enlisted for the in-depth interviews. Considering they have different approaches, any consensus reached is significant.

It is important to note that this was not a proper market validation, with real-life results, rather than a validation done with said market experts. Besides running successful companies in the studied space, each interviewee has a distinct curriculum in the music industry, which values their point as professionals with vast experience, therefore eligible to comment on the hypotheses with educated points of view.

The first is regarding additional services, simple things that may share some of the expertise and could add value to clients, like technical cleaning of equipment or curating existing media. The second is similar in reasoning, but considering the addition of products with the main deliverable, such as record cleaning brushes or vinyl stands sold with LP subscriptions, or even functional merchandising like mugs and t-shirts.

In line with the idea of the additional services, there was a more specific hypothesis to be tested: using the expertise to offer similar solutions to third parties. For instance, if the company presses monthly LPs for its subscribers, doing limited editions for bands touring the country would be viable to grow its reach, bring in some extra revenue, and expand the network.

Since the foundation of the study is music, which is manifested live through concerts, installations, festivals, parties and events alike, the fourth hypothesis is about producing them. Similarly to the other ones, the idea is to diversify revenue streams while growing the community and acquiring customer loyalty in different contact points with different audiences.

The last point to be validated is regarding sustainability. Since vinyl production (especially in its early stages) is harmful to the environment, even though it is a long lifecycle product, it may be critical to assess the impact of taking a sustainable path. There are many reasons for that, ranging from social conscience and mission framing to brand differentiation and access to public funding. It is a discussion often overlooked, but one that may be key to scale record clubs in line with the growing discussion around the climate crisis and circular economy.

When presented with these hypotheses, every interviewee nodded their head accordingly while thinking about it. The first reaction was to agree they are interesting points of view that make sense, even confirming they thought of it or even tried doing it themselves. However, they all believe that one should not pursue these changes before dominating the core business to perfection. Whether it is too much work or too much cost, it is not worth the effort to put the company's main activity in harm's way, at the risk of being neglected. Once it is all locked down and working seamlessly, it may be a good idea to diversify the revenue stream and the overall experience. At some point, all three companies agreed it is better to be great at one thing than mediocre in many things.

6. Business Modelling Proposal

Considering the findings of this study, there is no reference model for the sales through subscription of physical products, so the author studied what would be the main building blocks should there be one. Aligned with the objective of proposing such a reference model aimed at selling physical music products on a subscription model, the author suggests using a basic canvas building that encompasses the main points discussed.

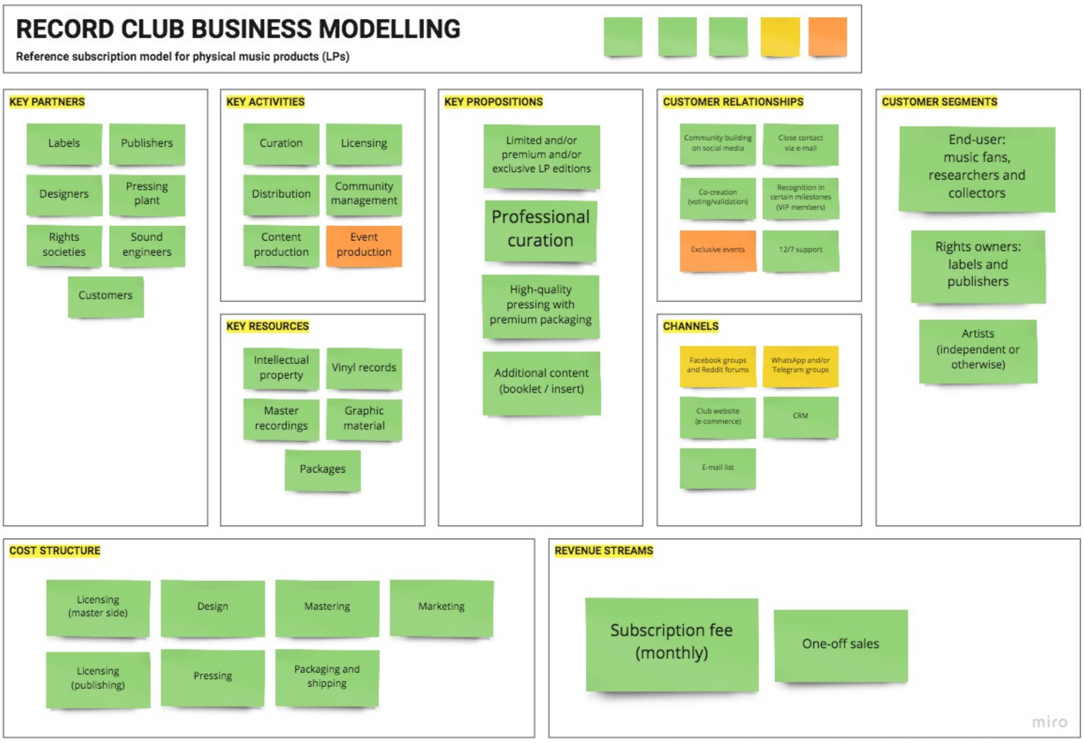

Figure 3 – Proposed Business Model (From the Author, 2021)

The heart of any business model is the customer segments (Osterwalder & Pigneur, 2010) so it is essential to point out who they are in order to build the business model accordingly. It all starts and ends, of course, with the end-user, which has the characteristics of a niche market (Osterwalder & Pigneur, 2010). Besides the end-user, it is essential to consider two additional customer segments: the rights owners, which can make or break interest in the albums they control, and the artists themselves, even if they do not hold any rights. It is fundamental to work on these customer segments to guarantee the intended releases' viability and work towards the best possible product. In this sense, it could be built as a multi-sided platform (Osterwalder & Pigneur, 2010) where at least two segments are required to make the business model work. Of course, one could argue that each customer segment deserves its own business model canvas, but it is best to have a general approach and leave the cliffhanger to future studies.

Customer relationships can be done in multiple ways, but some aspects require further attention. For example, building a community in social media is a path to customer acquisition and improved reach; a close contact via email keeps the subscribers up to date and strengthens the relationship; co-creation or validation of releases is a way of making clients feel like they are part of something bigger, with their voices heard, and points to a higher acceptance of the final product; recognition for subscribers who reach certain milestones, with perks to reward their loyalty, is a great incentive to attain more extended periods of subscription, resulting in more revenue; exclusive events strengthen the community while bringing in opportunities of extra income and inventory sales; and last but not least, the company must run a tight ship when it comes to support. It does not need to be 24/7, but a full day's wait for a response may be critical in keeping a customer facing a problem.

Similarly, the channels should ideally be diverse, using the best features of each platform to engage with the community. For example, Facebook and Reddit are great tools to promote discussion and interactions between members, with dedicated spaces for the company to post. This is a point that is highlighted because not every club has one, but Vinyl Moon point it out as one of the most interesting channels available for them. groups on instant messaging apps such as WhatsApp and Telegram enable direct chatting and the communication around time-sensitive topics; the record club's own website, which is where the main action occurs, a place where members and potential members can see the products, check on past releases, make payments, acquire information and be directed to other channels; and of course, some type of CRM software to keep track of the leads, communication and organise the traffic for email lists.

The key value proposition topics revolve around NFU and quality (Lee et al., 2019) being some of the main drivers of desirability on subscription boxes. Professional curation, or at least dedicated efforts to put out above average releases, is key to retaining customers and generating value for new ones. Additional content helps with the storytelling and the experience behind listening to vinyl, so it is a crucial component for the primary customer segment – the end-user, consisting mainly of music fans in general, fans of specific artists, music researchers, vinyl collectors, and DJs. Mainly, the value proposition bets in customization aspects directed at the customer segments to create value (Osterwalder & Pigneur, 2010) while still taking advantage of economies of scale.

The key activities performed by the club are curation, which is a constant work; licensing, which is vital to work legally with the releases; distribution, which takes up a long time even counting on reliable partners; community management, to be as close as possible to members and help answer their questions; and content production, both for the releases and for the club itself. This is where a critical point comes in: events. From the in-depth interviews, it was clear that events are the most applicable hypothesis within the studies scenarios. They do, however, demand a lot of work to be directed off the core business, so promoting them needs to be done on the smart side of things, ideally with reliable partners that can take in most of the effort and deliver outstanding results.

The key resources synthesise the components of the business model, both in the material and the intangible aspects. In the former, there are the records themselves, the final product and central to the business, the packaging they are sent in and the graphic material that accompanies it. In the latter, we find both sides of the licensing deals, represented by the rights the club needs to hold: the master side, which is the rights over the recording, and the publishing side, which is the intellectual property, linked to the composition.

Another critical building block is key partners, a space filled with players that may seem redundant, but helps clarify who supports the club in its activities. First of all, there are labels and publishers who control the rights and rights societies that represent composers. Then the designers who do the graphic project of every release and the website, social media content, among other things. The pressing plant is responsible for creating the best possible product for the customer to play and ultimately the most dominant partner in deadlines and quality control. The sound engineers who master the recordings to sound how they should on the LP format. And the customers, who act as a community to help co-create the products and, being recurrent buyers, help keep the business alive.

The cost structure sums up every resource and activity aforementioned: licensing both sides, which should cost around 20% over the cost of goods; design, which can be done in-house by the pressing plant for a price; mastering, done by the sound engineer; marketing, so the club can acquire customers and keep those on board; pressing the records, which is the major cost associated with the core business; and the last end of the sale process, which is packaging and shipping, adding costs per unit to properly envelope the product and send it to the customer.

On the other hand, the revenue streams are pretty simple: the subscription fee itself, which can be broken down into pricing plans according to the length of the customer's compromise, and one-off sales. The point of selling single copies is to give people a chance to try the product before committing for a longer period, as well as selling inventory.

7. Conclusions

When it comes to answering the research questions, the first thing that comes to mind is that the main building blocks can vary from case to case, while some follow the subscription logic without much to add. However, four are vital, and solid work in them can be the setting stone for a strong subscription service that sells physical music products: Customer Segments, Customer Relationships, Key Partners and Value Proposition. The challenges in each of them are described throughout the study but are worth going over once again.

It is important to clarify whom the customers are and deliver a unique value proposition for each of them, understanding the different profiles to be worked with. The way a subscription company interacts with its customers dictates the likeness of keeping them for more extended periods, which means more guaranteed recurring revenue. It can be hard to keep track of all the channels involved, especially with limited staff. The key partners act as a thermometer of said company's success. After all, they are the ones doing the heavy lifting to create superior products, deliver them in time, make sure everyone gets paid and every title is legally compliant, all contributing to the final user experience. Finding the right partners, testing their deliveries, negotiating deadlines and prices is not easy. Moreover, one must have alternatives to every partner, for there is a chance they might fail a delivery, become unstable or go out of business.

Most physical music products nowadays are media products, but there are also specific subscriptions for niche customer segments such as musicians. However, as they are too segmented and based on technical needs, this phenomenon is observed more predominantly in playable and collectable products, such as vinyl LPs, cassette tapes, and CDs. The subscription market in record clubs focused on vinyl is especially heated right now, with companies such as Vinyl Me Please selling over 10 million US$ every year to their subscribers. That is also a trait of the product itself, which has experienced significant growth in specialised and mainstream markets alike.

The market leaning to vinyl offers endless possibilities and does not seem to have a reference model specifically designed to sell these products from a subscription standpoint. Looking at the interviews conducted in this research, three examples may look similar but are distinct and bring in their own differentiation within a totally unique business model, sharing only the main product and recurring payment. A label that presses a monthly LP and distributes it for an audience that's 50% subscribers works differently than a record club that co-produces a magazine with the recording artist. Both are entirely different from a record club that revolves around a mixtape concept, including up to 12 artists in a single LP and enlisting visual artists to deliver premium, tasteful packaging to enhance the experience.

Regarding the "What" aspect of Gassmann's "magic triangle", they not only offer different value propositions, but they also have vastly different purchasing experiences, with specific roadblocks with payment APIs and shipping mechanics. So they differ in how they create value and the product itself, showing no reference model for the central part of the diagram. However, they share some aspects in other top-tier building blocks, such as the customer segments revolving in three big groups: music fans, researchers and collectors; right owners; artists. That is intrinsic to their relationships and key for maintaining the work needed but unrelated to the subscription model. The other aspect they have in common is the revenue stream, mainly driven by the recurring payments of subscribers but also factoring in different plans (annual, quarterly) and one-off purchases, each with its different margins and perks. Even where most of the details are similar, there is no one reference that groups them, especially regarding processing the payments. There are literally hundreds of handlers available, each with its pros and cons.

All hypotheses tested were deemed valid by the interviewees – all three companies have had some experience with the questions posed or thought about these topics. The main takeout when it comes to the additional products and services is that, when it comes to time management, it is unlikely that a company would be able to deliver everything adequately. The consensus was that, first of all, the company needs to execute the core business to perfection. Otherwise, it is a trade-off that will render customers frustrated and ultimately drive down the company's chances of success.

Another consensus observed was that having a subscription-based physical music product company such as a record club is a ton of work. From finding the right partners and suppliers to managing logistics, maintaining customer relationships and updating pricing, all while planning and making top-notch products to keep subscribers interested, is no easy task. Furthermore, the profit margin is usually thin, so to earn a reasonable net income, it is essential to achieve high volume with low churn, which is challenging in such a niche market.

Incurring on the risk of sounding obvious, the author concludes that the phenomenon of using a subscription model for physical music products has been around for quite some time but is not currently being sufficiently studied (Erdogan et al., 2020). It is still an empiric-heavy market, with industry professionals doing their best and adjusting to outside validation – some of them with outstanding results. That means there is an opportunity to dig deeper into the topic, as described in the suggestions for future research, but also points at a significant gap between market and academic study, which the author hopes will be bridged shortly and that this study can somehow contribute to the process.

7.1 Limitations

One limitation of the research is that it focuses on businesses born under the subscription model, not considering transforming from a traditional business model into a subscription-based one. The research made it clear that there are studies on this topic and its implications for companies entering Industry 4.0. This thesis, however, focuses on models built with this specific mindset from the get-go.

Regarding the in-depth interviews, the results are reflective of the companies that were invited and accepted to take part in the study. While they do represent an interesting share of the scenario (the biggest case in Latin America; a renowned label that serves Brazil, Japan and the UK; one of the most distinct and sought out record clubs in the US) they certainly cannot speak on behalf of every subscription-based physical music product company. They are bound mainly by territory, value proposition and supply chain, and present different stages of development, so as much as it is a diverse sample, it cannot be considered an industry-defining one.

A limitation shared by most studies from early 2020 to at least the end of 2021 is the pandemic effects on consumer behaviour. Due to physical restrictions, logistic challenges, sudden shifts to remote work, businesses closing and shortage of prevenue streams, most people were unable to maintain their social lives, lifestyles or even sustain spending with non-essential items, let alone those with high added value.

Ever since the early steps of this research, it was hard to find subscription businesses selling physical music products other than playable and collectible media, mainly vinyl records. So the study reflects that limitation, treating the cases found as a group of similar companies that fit the criteria but do not necessarily reflect the market in its entirety.

7.2 Future Research

If the line of study started here is to continue running by the hands of other researchers, there are countless ways to approach the topic and add to the methodic overview of physical music products sold by subscription. One possibility would be to better understand the cost structure formula behind record clubs, which are challenging and quite unique; another interesting idea would be to study how the scaling of such companies work, with internationalisation as a starting point, or even a business proposal to birth a record club within a major label. Outside of record clubs, one could also shed light on different physical music subscription businesses, such as professional equipment, even though there are not that many. Coming back to reference business models, observing the differentiation offered may reveal paths to value creation, as suggested by Lee et al. (2019) for beauty subscription boxes. For researchers looking to present solutions, there is a clear gap in payment services that deeply understand the needs of physical music subscription companies. Even though there are various options, none of the interviewees were completely satisfied by the ones tested so far.

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Annexe

1- Business Modelling Proposal

Annexe 1 – Proposed Business Model

2- Interview Script

Good morning. Thanks for having me.

First of all, I'd like to emphasise that I am workinglimitat on a project for a record club here in Portugal. I started it with a government program at the beginning of the year, and because of that, I decided to do my thesis along the same path. It's a way of keeping work hours in the same area and applying knowledge to each other, mixing theory and practice. Our Club here has a very different approach, first because of the market, which is initially Portugal and in a second moment, the European Union, but also because of the framework. We are going to release lusophone music records, which, of course, includes Brazilian music, but also a lot in Portugal and the PALOP, African countries whose official language is Portuguese. It will be very mixed in terms of genre, location, era, everything. Most likely, we won't be in Brazil anytime soon. I want to talk to you on the academic side, and as much as we can use something in terms of inspiration, it's a natural process that comes from following you and several other clubs around the world. But I actually think you guys would be one of the most interesting cases to work on here. I believe that studying your case is investigating one of the richest cases in this area.

I'm going to ask questions here to address various points of the business model, mainly customers, channels, cost structure, resources and something about income sources to validate hypotheses towards the end. Anything you don't feel comfortable sharing is OK. What I really want is to be able to study the phenomenon from a theoretical point of view. The concept is already proven, even more than that, so the idea is to explore these points.

1. How many subscribers does the Club have today?
2. Regarding the frequency, it seems complicated to open with monthly releases, but I think it is the ideal interval for both the client and the Club. However, it seems to be very difficult indeed. How did this work for you guys?
3. One of the most important, or most important, blocks is the customer. How is your relationship with subscribers? Do you have an open channel? How is the community? How does this relationship with them work? Is it more the occasional email, is there an exclusive platform, social networks or what?
4. On sales and loyalty: what is the percentage of one-off sales versus subscription sales? Something like 10% of the print run?
5. Now, taking advantage of what has been worked so hard to solve around the world: logistics. What is the biggest challenge? How have you been working on this? Is it 100%

done by a single partner? About charging the freight separately, is it related to the different fees across the country?

6. I’ve noticed that as eclectic as it is, your curation follows a line on some level. There is a lot in common between the albums that will captivate the public, who will always have a somewhat similar taste. Not always the same, but alternating between new and spot-on, or more out of the box but also pleasing. After all, the curatorship work is there to ensure only good music comes out at the club, which helps a lot. But I believe that it is still a challenge to maintain loyalty. Do you have a very high churn? How do you retain the subscriber base over time? Do most of them come from an extended subscription? How many new ones come with each release?
7. To tell you a bit about a conversation I had with my supervisor. He was talking about this wine club he used to subscribe to. They could send him wines he might like a little more or a little less, but he would always drink it. Now in music, if they send an album that he doesn't like, and then another one… He wouldn't want to stay on board. So this ends up being critical, having this proximity to the community so you can kind of read them, right?
8. Do you run campaigns or actions aimed directly at customer retention?
9. It's difficult to talk pre-pandemic or even pandemic terms because there really are many factors. But tell me, despite having a nice organic reach, when it comes to investment in media, whether spontaneous or paid, is the customer acquisition cost too high?
10. Now for the million-dollar question: in the cost structure, what doess the licensing formula look like? What percentage of the cost of goods goes into licensing?
11. A curious thing that we noticed in this division of rights is that, not being 50/50, the master is based a lot on royalties. And a logic I want to test is to have a royalty not for the records sold, but for the entire print run, for the production. One value per copy in the run. Is that basically how you work? A fixed amount per copy that goes into the account of what it costs?

Well, that was the first part of what I wanted to ask you. We now have a second part which is to validate some hypotheses. It was something my supervisor suggested doing: in addition to the case study, testing a scenario. It's something that won't be possible to do hands-on with Lusofonia Record Club because the company won't be launched in time to get the answers, so the idea is to validate it with the market. Talking to you guys and getting that feedback is enough, for now, to understand what makes sense in this vinyl subscription context. There are five hypotheses for you to tell me if you agree, if it makes sense, or even if it's something you've already done.

12. The first is additional services. Record cleaning, curation of existing records… In short, other services, to diversify income. For you today, I imagine that is not the case, after all, you are already at a much higher level. But in terms of starting up, at first, do you think this could be an interesting thing?
13. And along the same lines, the other hypothesis would be additional products. Almost like a "functional merchandising" in the form of vinyl accessories, clothes, mugs, and so on. Things that are branding items but are also really useful. Like, for example, a vinyl brush, something like that. Could it be a good idea for this business model?
14. Another idea that came to us, this time talking to our mentor, was to use our expertise and contacts to press records for third parties. Act as a partner label for acts touring the country whenever possible. For example, Apanhador Só comes to play in Portugal and wants to press a record, make a European edition for this tour. Basically, we could act as partners on titles outside the Club. Is this something you guys have already done? Do you think it's possible or interesting?
15. And of course, the events… At the moment, it's difficult, despite a few happening online and even fewer limited on-site happenings. But thinking about listening parties, launch shows, events of all kinds. It's the kind of thing that seems natural to me, to increase the community, build loyalty, offer an experience and, of course, make money to finance the records and growth. Have you guys done this? What do you think of the idea?
16. Now for the last one. Something that came up in the process with the project's mentor, who is an expert in circular economy. She told us about how essential it is, for a company here, to think about the sustainable aspect. Not only for the impact, being more conscious or moral, but also for getting funded – without this sustainable aspect, it is very difficult to achieve. And the vinyl process, especially pre-production, is polluting, it's just hard to avoid that. Have you had any feedback in this regard? Have you ever thought something along these lines? Have you done or think about doing something about it?