IT'S BACK.

DISCOVER AND BUY MUSIC IN A WHOLE NEW WAY.

Presented By
- Abhay Gupta
- Aravind Nagarajan

Legal Disclosure

⇨ The Value Framework™ and advice given by Mitchell Levy, ECnow.com, Inc. and/or CEOnetworking is to be used at your own discretion. No liability will accrue from any comments, thoughts, ideas, advice and recommendations contained in this document or given in person.

High-level Napster Analysis
via the The Value Framework™

⇨ V = Value Created = $(PTPi)S^3$

    = MS^3 ™

⇨ M = Model = (PTPi)

  ⇨ P = business Process

  ⇨ T = Transaction type

  ⇨ P = Participant

  ⇨ i = influences

⇨ S^3 = $Strategy^3$ = Deploy, Manage

        and Evolve

PROCESSES

TRANSACTIONS

Model

PARTICIPANTS

INFLUENCES

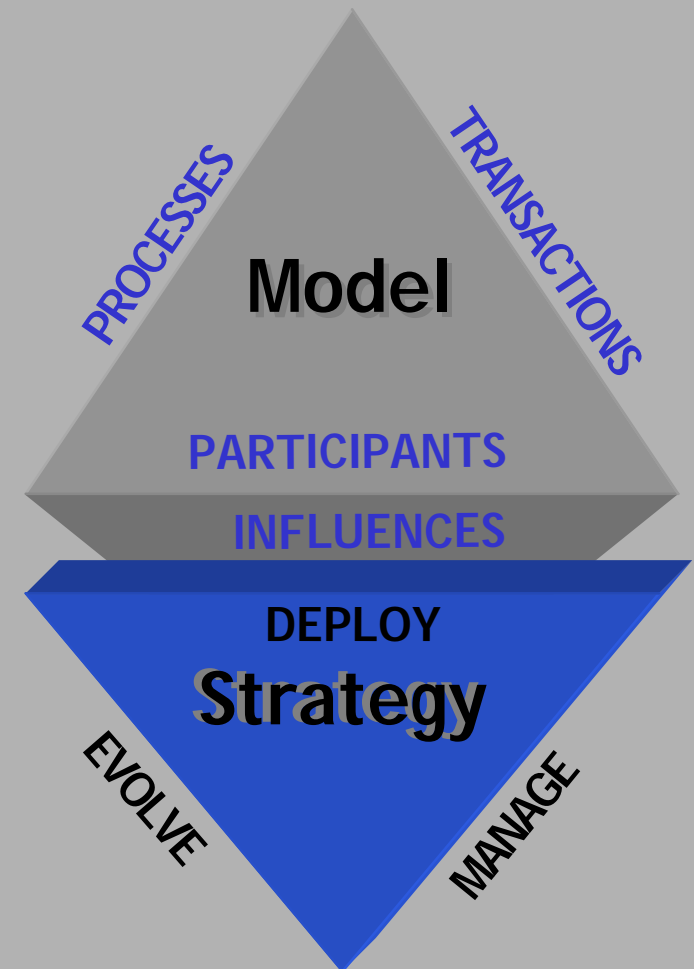DEPLOY

Strategy

EVOLVE

MANAGE

Table of Contents

ECnow.com

30-Second Pitch

Analyzing The Model(s)
- ⇨ Business Processes
- ⇨ Transaction Types
- ⇨ Participants
- ⇨ Influences (internal & external)

Analyzing the Strategy
- ⇨ Deployed
- ⇨ Managed
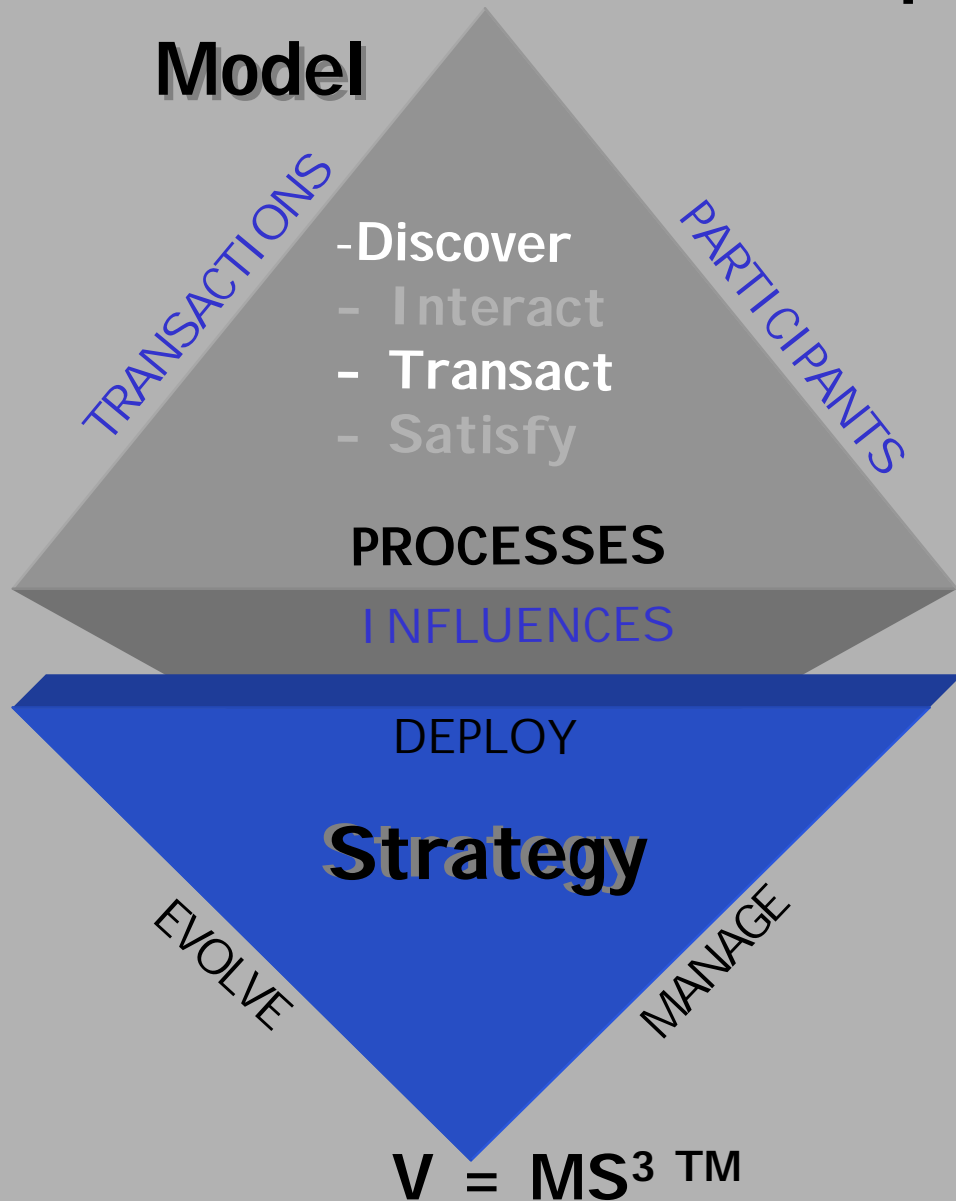- ⇨ Evolved

Recommendations

Napster – 30 Second Pitch

Napster is the world's most recognized brand in online music. Napster has extensive content agreements with the five major record labels, as well as hundreds of independents. Napster delivers access to the largest catalog of online music, with more than 500,000 tracks.

ECnow.com

Model

TRANSACTIONS

PARTICIPANTS

-Discover
- Interact
- **Transact**
- Satisfy

PROCESSES

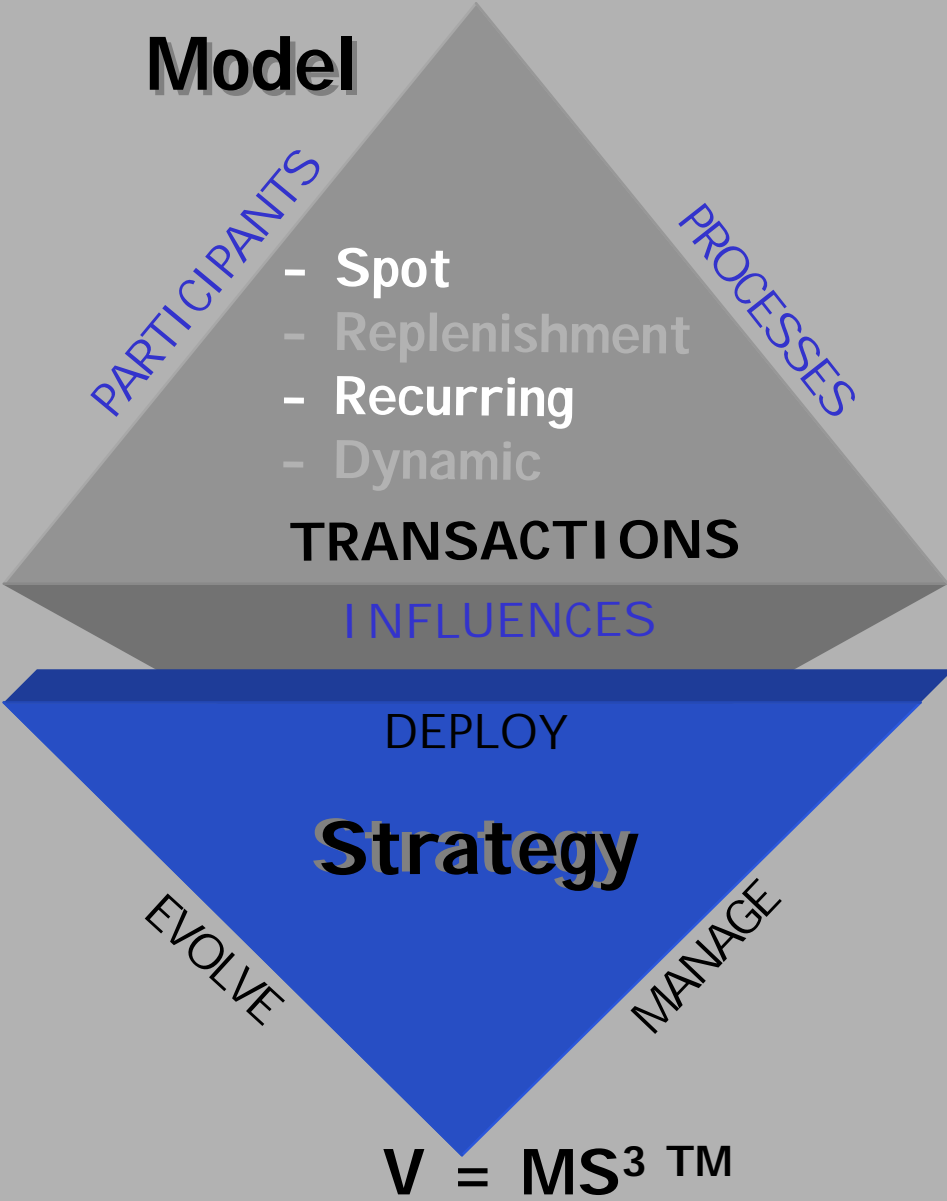INFLUENCES

DEPLOY

Strategy

EVOLVE

MANAGE

$V = MS^3$ ™

⇨ **Discover:** Most sensational online music website 2 yrs back. With key "music download", napster pops as 2nd listing in ask.com, 9th listing on google.com & 8th on yahoo.com.

⇨ **Interact:** Obtuse interface for searching & browsing. Requires several clicks to reach artists,album or song as compared to single click for iTunes. Requires software download to browse.

⇨ **Transact:** Free 30 sec samples. Unlimited streaming music for $9.95 a month.

⇨ **Satisfy:** Confusing for customers. Some tracks are Downloads only or listen-only.
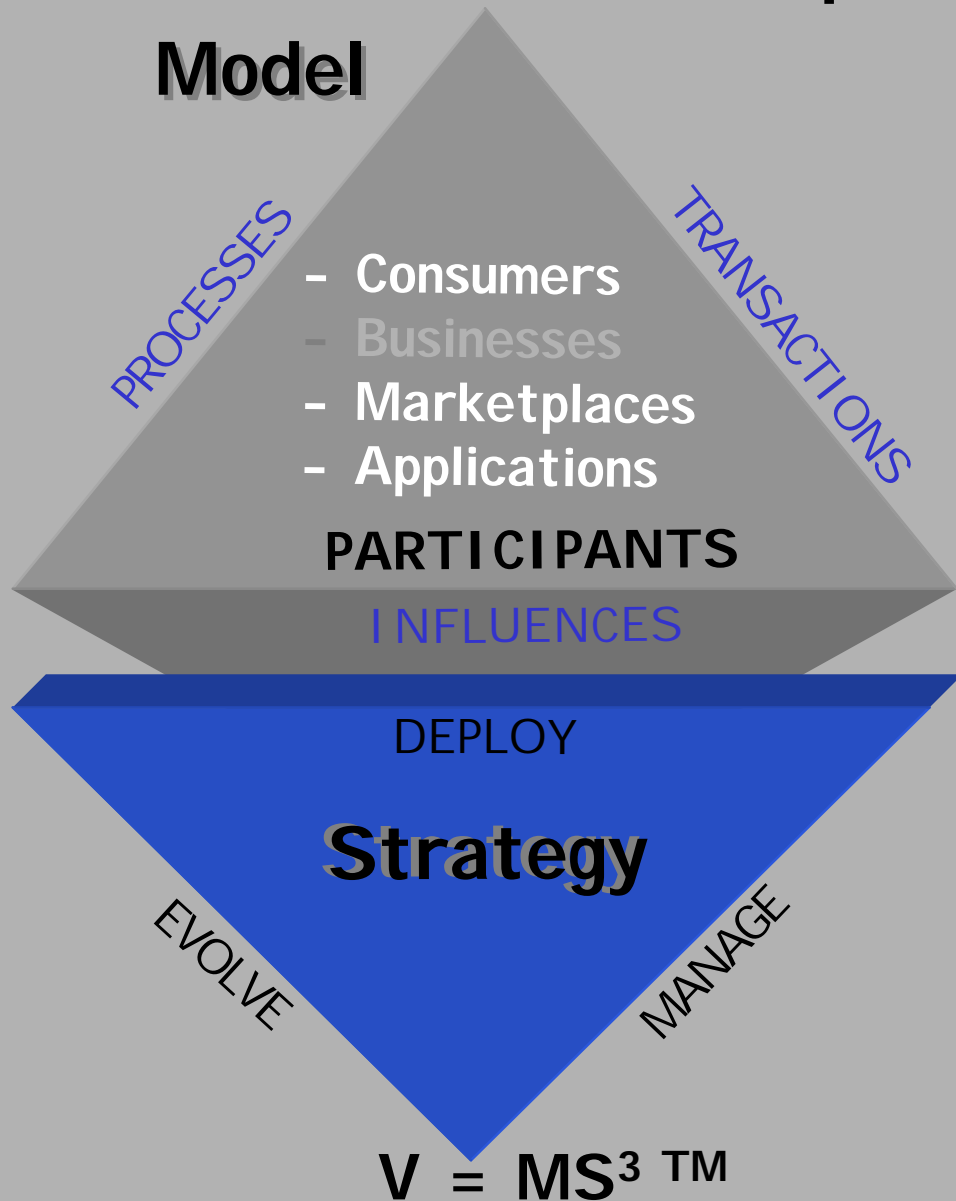
Napster – Transactions

Model

PARTICIPANTS

PROCESSES

– **Spot**
– Replenishment
– **Recurring**
– Dynamic

TRANSACTIONS

INFLUENCES

DEPLOY

Strategy

EVOLVE

MANAGE

$$V = MS^3 \text{ ™}$$

⇨ **Spot:** 99c per track purchase.

⇨ **Replenishment:** N/A

⇨ **Recurring:** Customer credit card stored. $9.95 per month for unlimited streaming and custom radio.
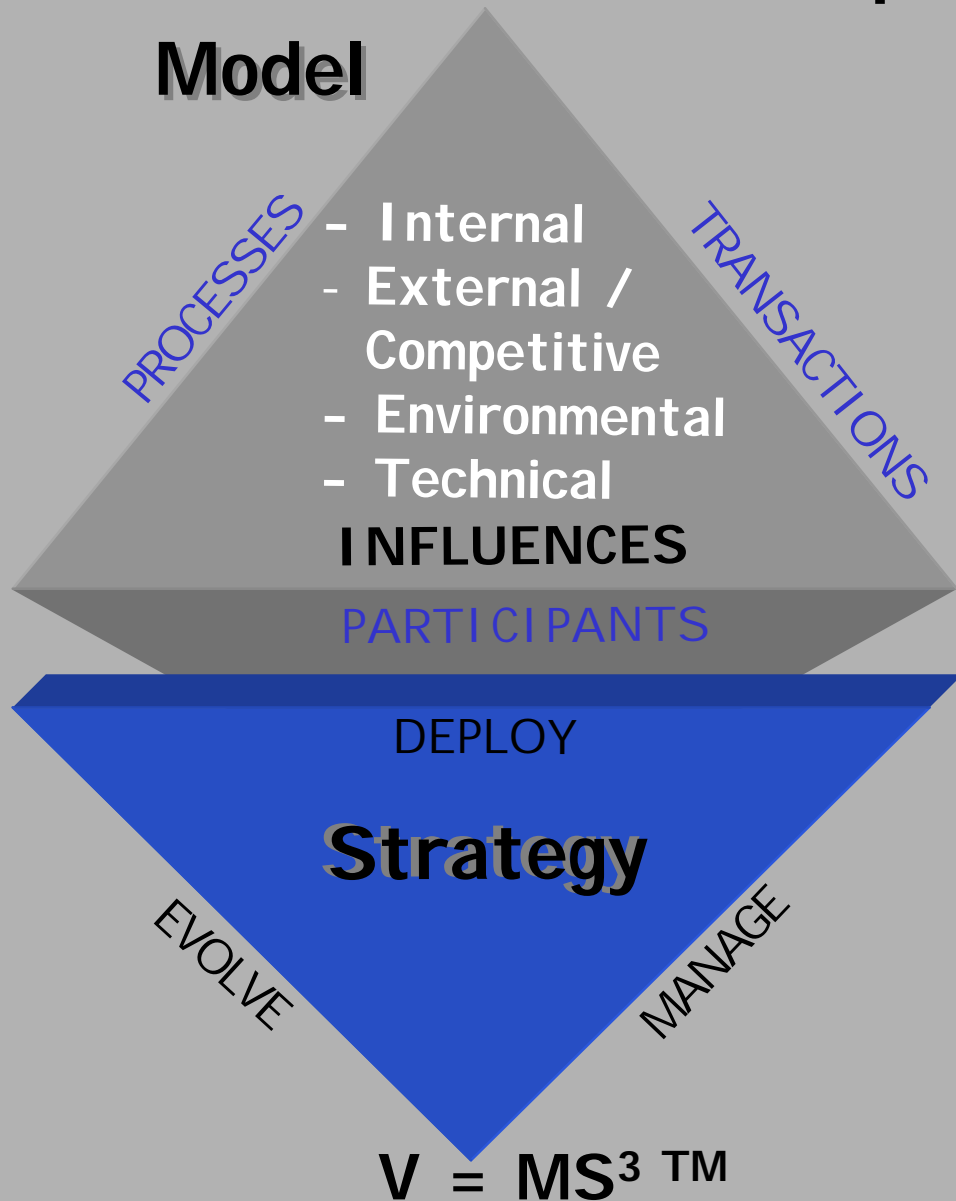
⇨ **Dynamic:** N/A

Napster – Participants

Model

- **Consumers**
- Businesses
- **Marketplaces**
- **Applications**

PROCESSES

TRANSACTIONS

PARTICIPANTS

INFLUENCES

DEPLOY

Strategy

EVOLVE

MANAGE

$$V = MS^3 \text{ ™}$$

⇨ **Consumers:** 3 options Downloads, Streaming and Custom radio available for consumers.

⇨ **Businesses:** The music companies selling the rights of the music are the businesses involved.

⇨ **Marketplaces:** Partnered with 5 major music groups- BMG,EMI ,Sony,Universal and Warner to sell music to consumers. Napster (and its competitors) acting as intermediary between music companies and consumers.

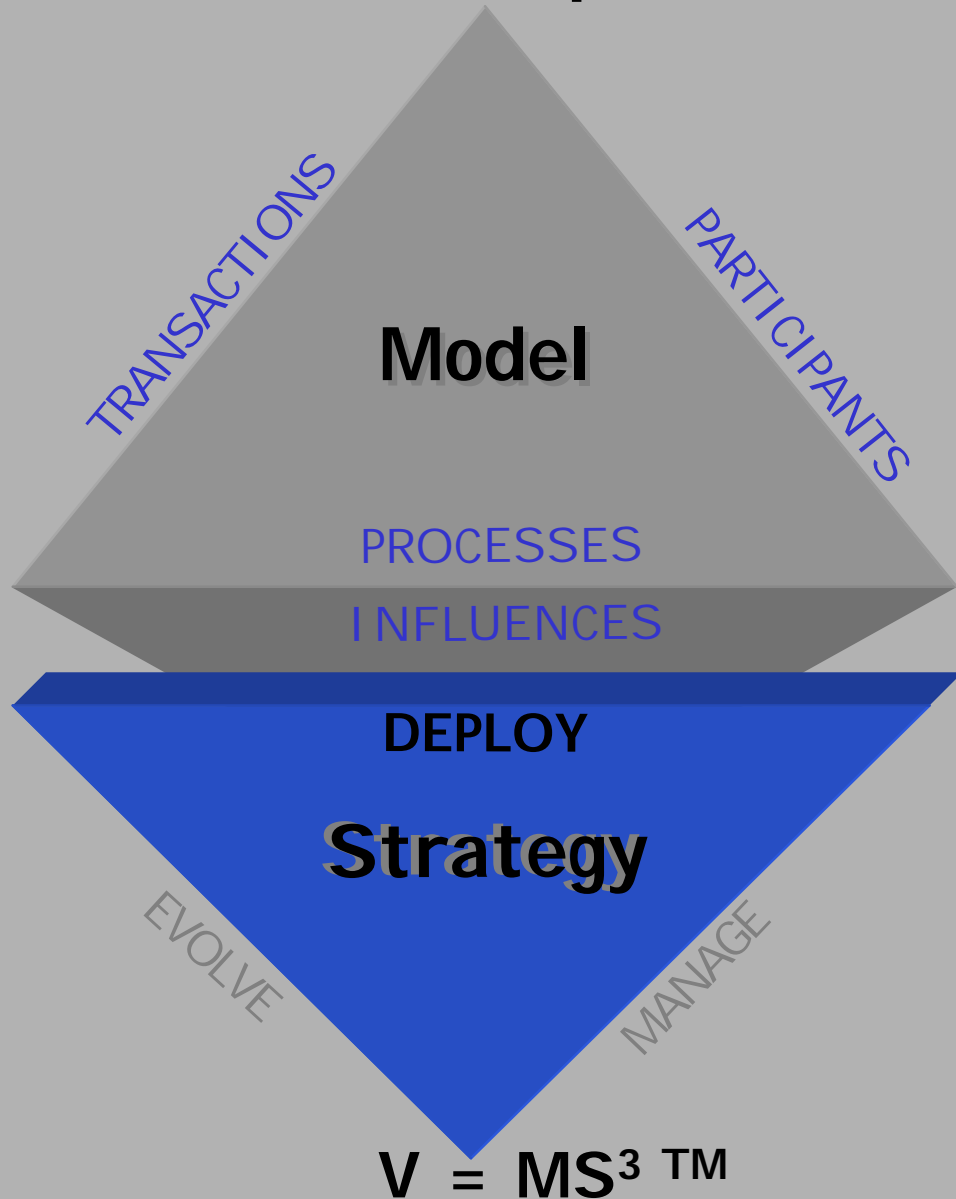⇨ **Applications:** Napster is the application. Napster is the market and the framework is the application (B2A2C)

Napster – Influences

Model

– **Internal**
- **External /
Competitive**
– **Environmental**
– **Technical**
INFLUENCES

PROCESSES

TRANSACTIONS

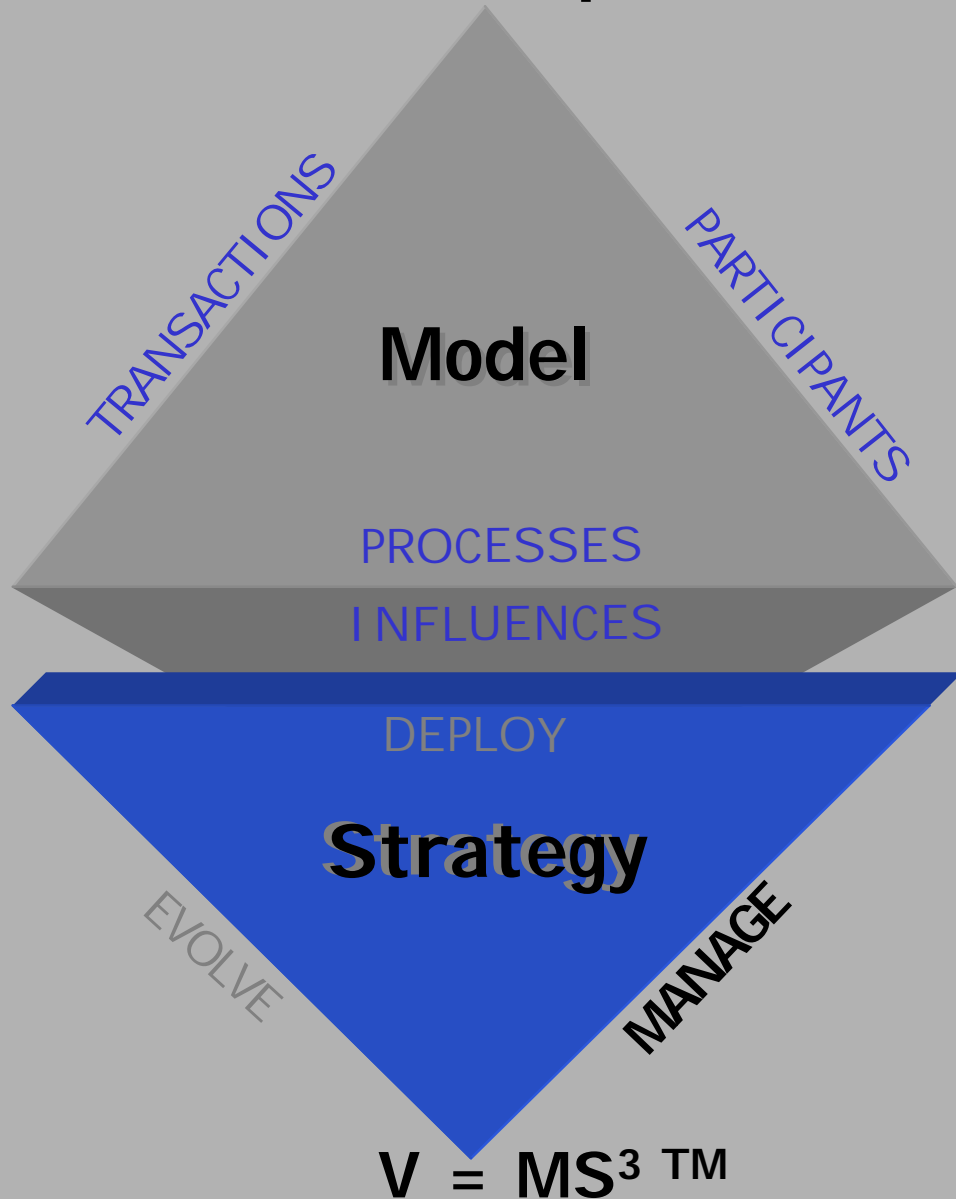PARTICIPANTS

DEPLOY

Strategy

EVOLVE

MANAGE

V = MS³ ™

⇨ **Internal:** To be the best online music store.

⇨ **External/Competitive:**

7 Legal competitors, new big competitors like Wal-Mart, Dell , Sony & Amazon.

Many other illegal competitors like Kazaa offering free music downloads.

⇨ **Environmental:**

▶ Rising trend for online music downloads.

▶ Stricter law enforcement for illegal music downloads.

▶ Big music companies like Sony opening own online music websites.

⇨ **Technical:** Sleeker mp3 players promote Online Music. Currently 300 songs can be downloaded. Expected to increase in future.
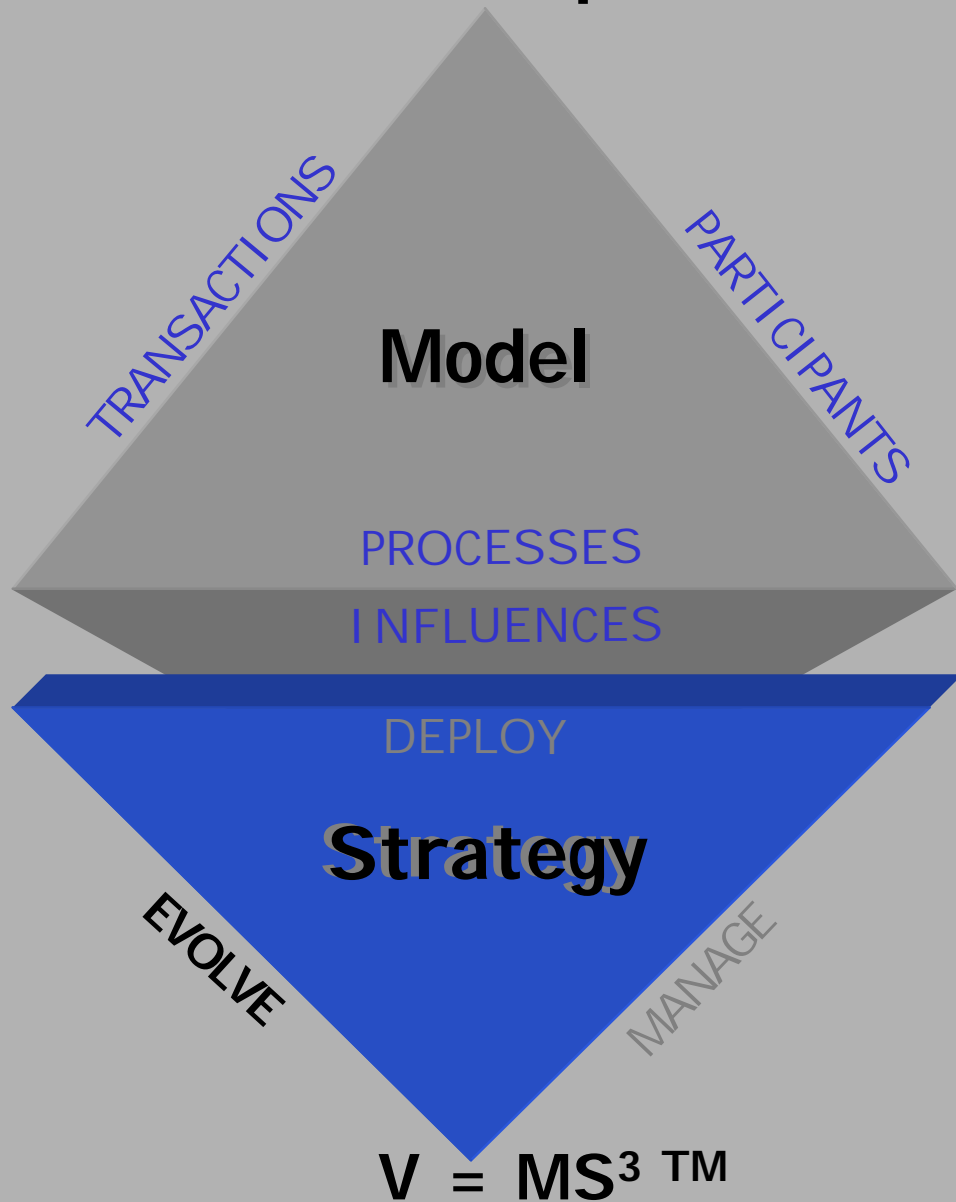
Napster – Strategy Deployed

Model

PROCESSES

INFLUENCES

TRANSACTIONS

PARTICIPANTS

DEPLOY

Strategy

EVOLVE

MANAGE

$V = MS^3 \ ^{TM}$

⇨ **Strategies common to Industry:**

▶ Convenience of Internet.

▶ Flexibility of choosing tracks in Album.

▶ Option to listen to 30 sec samples.

▶ Option to pay individually (99c) for each track making it cost effective for people who don't want the whole album.

▶ Compliant with the new online music downloads.

⇨ **Strategies specific to Napster:**

▶ Napster name used for fast popularity.

▶ Acquired Pressplay – one of the pioneers in the online music download field.
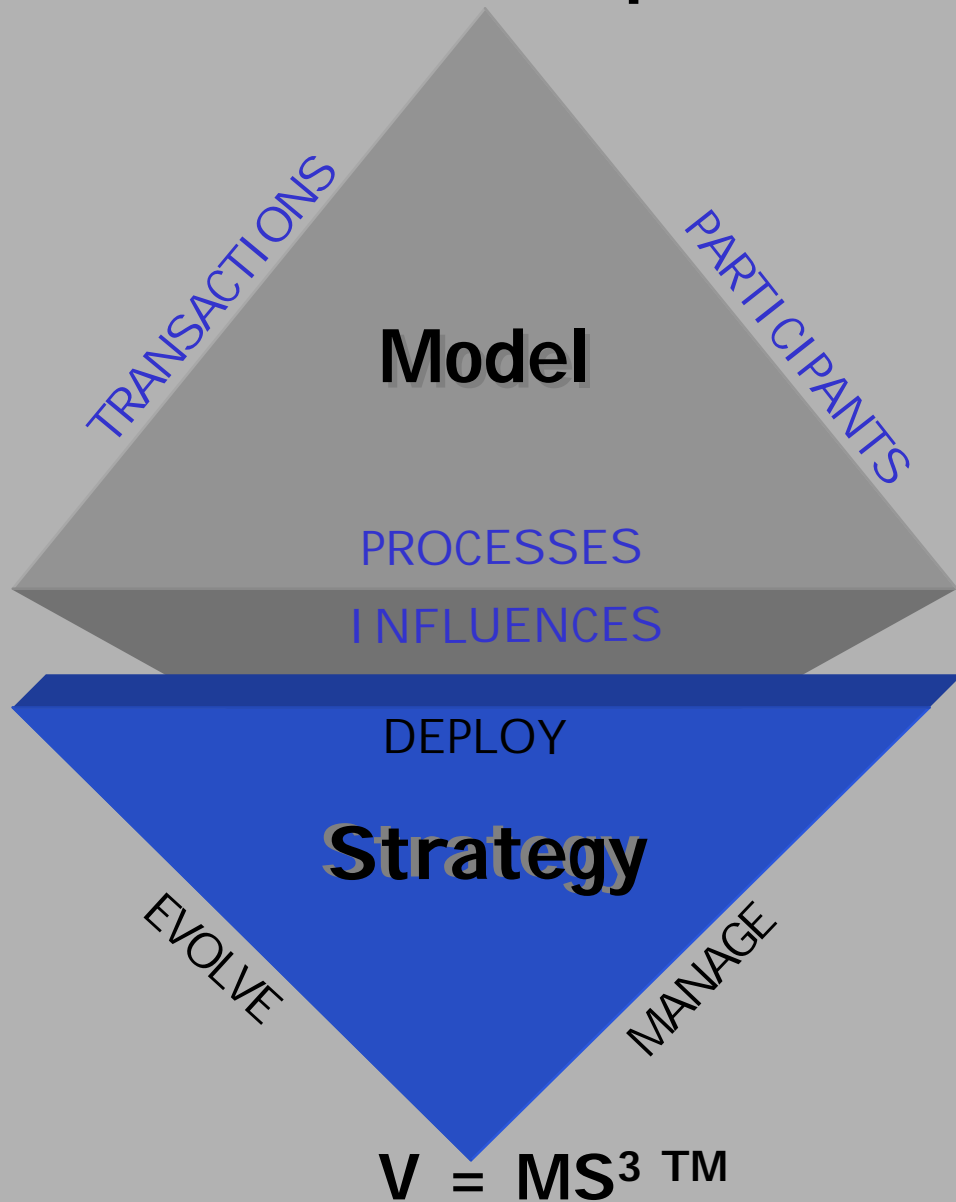
Napster – Strategy Managed

Model

TRANSACTIONS

PARTICIPANTS

PROCESSES

INFLUENCES

DEPLOY

Strategy

EVOLVE

MANAGE

$$V = MS^3 \text{ ™}$$

⇨ Customer feedback available for any technical problems.

⇨ 3 different options:

▶ **Downloads** – individual tracks.

▶ **Streaming** – unlimited listening for $9.95 a month; also very useful for listening to the songs before downloading.

▶ **Custom Radio** – Music Channels; allowing subscribers to skip the songs they don't like.

⇨ Striking more deals with music companies for new/old popular music that is not yet licensed to be sold online.

ECnow.com

Model

TRANSACTIONS

PARTICIPANTS

PROCESSES

INFLUENCES
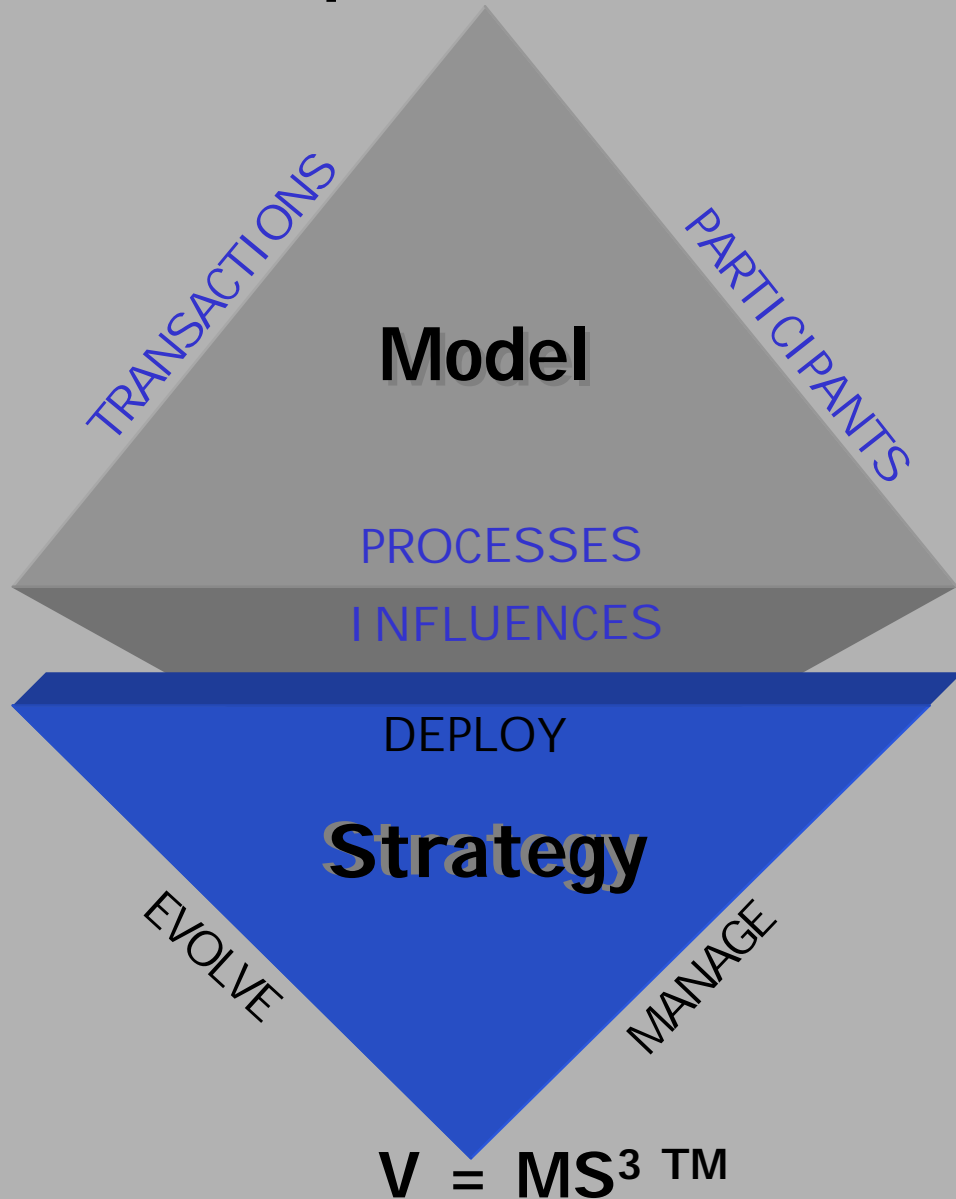
DEPLOY

Strategy

EVOLVE

MANAGE

$$V = MS^3 \text{ ™}$$

⇨ Not Clear if Napster has any new strategy planned for near future.

⇨ **Suggestions for new revenue sources for Napster in future:**

▶ Selling big artists memorabilia like t-shirts, posters, mugs etc.

▶ Choose tracks to burn on CD for people with dial up/slow connections and ship it to them for nominal charges.

Napster – Recommendations

Model

TRANSACTIONS

PARTICIPANTS

PROCESSES

INFLUENCES

DEPLOY

Strategy

EVOLVE

MANAGE

$$V = MS^3 \text{ ™}$$

⇨ Simplify the interaction – several clicks required to reach a certain album/artist as compared to single click for iTunes.

⇨ No opportunity for customers to share their good/bad experiences with Napster. A suggestion box might generate some great ideas.

⇨ Need to generate more diverse revenues sources: a pre-sale of latest albums released would trigger the transaction dynamically on the album release day.

⇨ Create seamless transaction for spot purchase.

Napster – Recommendations (contd.)

TRANSACTIONS

PARTICIPANTS

Model

PROCESSES

INFLUENCES

DEPLOY

Strategy

EVOLVE

MANAGE

$$V = MS^3 \text{ }^{TM}$$

⇨ Foresee intense competition with big players.

⇨ Unfair advantage to music companies (Sony) selling their music cheaper (future possibility?)

⇨ **Pricing: Napster too expensive?**

▶ At least 50% albums cost > $9.95 as compared to iTunes where most albums are $9.95

▶ Not all songs can be streamed out for listening as well as individually downloaded.