

15. 352

Selecting User Innovations for Investment

Patrick Koppula

GarageBand





Patrick Koppula

- B.A. in Environmental Science and Public Policy, focus on System Science
- Worked in municipal finance and capital markets focus on option analysis and risk
- Began at GarageBand as the Executive Producer of GarageBand.com
- Arranged employee buy-out of the previous investors with help of new investor
- Interested in creative financing structures, strategic planning, self managing communities/ecosystems, game theory and, the democritization of capital.

Garageband - the world's largest community of musicians and their fans

Current Top 5 Dance		
full chart all-time chart		
1	Solarstorm by 2-trance	
2	Misinterpreted by Gavinizer	
3	Shine by Gavin Borg	
4	Sweet Sweet Summer by Jamini Featuring Eddie La	

UPCOMING GIGS NEAR YOU				
Sat	10/11	 A TRIP at The Quarte..	Sunnyvale	Funk
Sat	10/11	 KARMA at Monterey S..	Monterey	Pop/R
Sat	10/11	plā (pop lovers anonymous) at ..	San Fran..	Pop/R

New music

the definitive charts of the best independent music in every genre

Local scene

the most comprehensive calendar of live gigs and music events

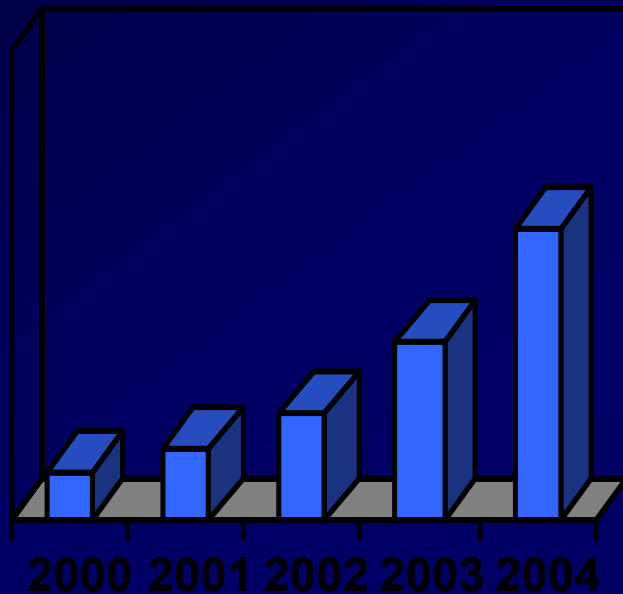
Community

online tools to help people meet each other and exchange ideas

Key Asset: Review System

A Darwinian system where only the fittest songs survive.

GarageBand - vibrant and growing

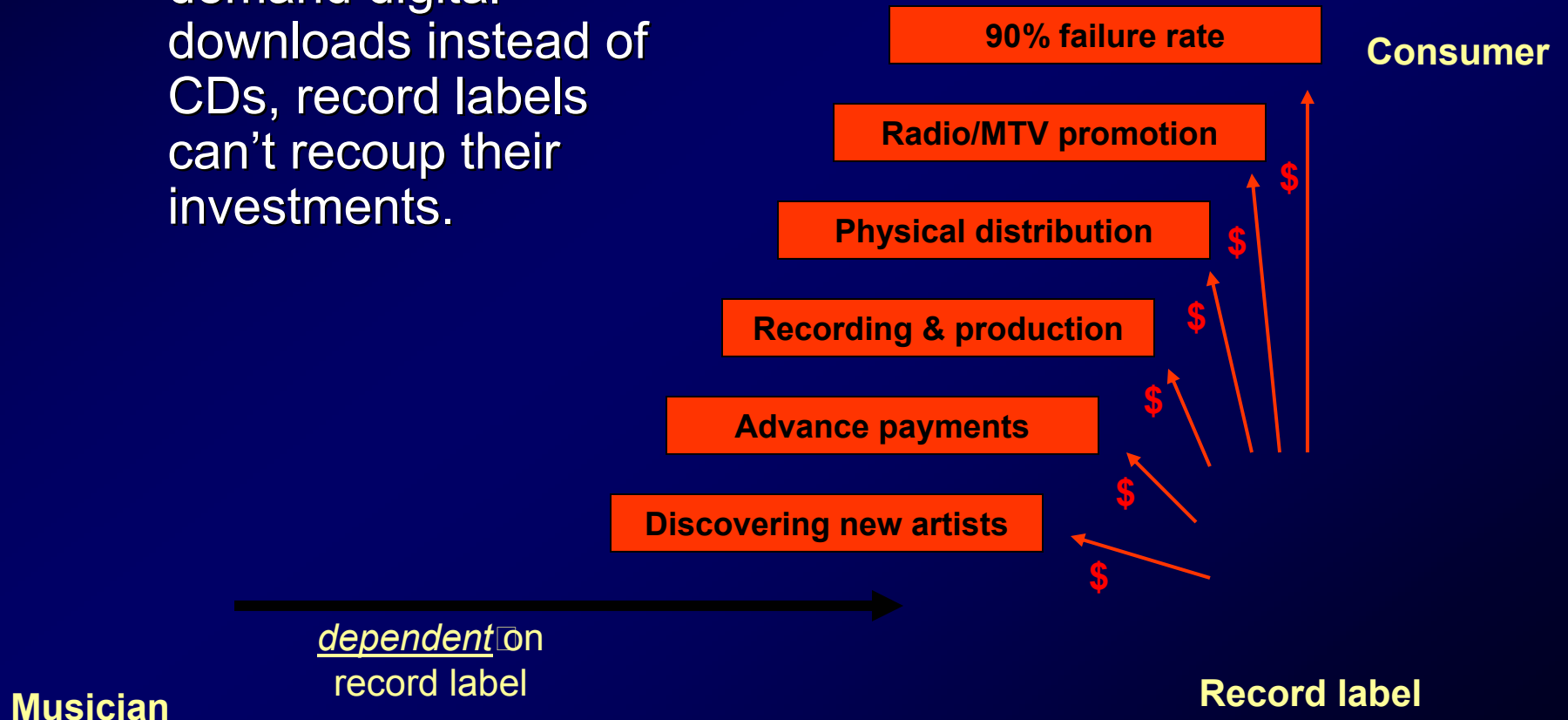


Membership

- “the last happy haven for unsigned or amateur musicians.” - NYTimes May 2003
- 500,000 members
- 130,000 bands
- almost 50% growth every year!
- 3,000 new songs per month

The problem in the music industry

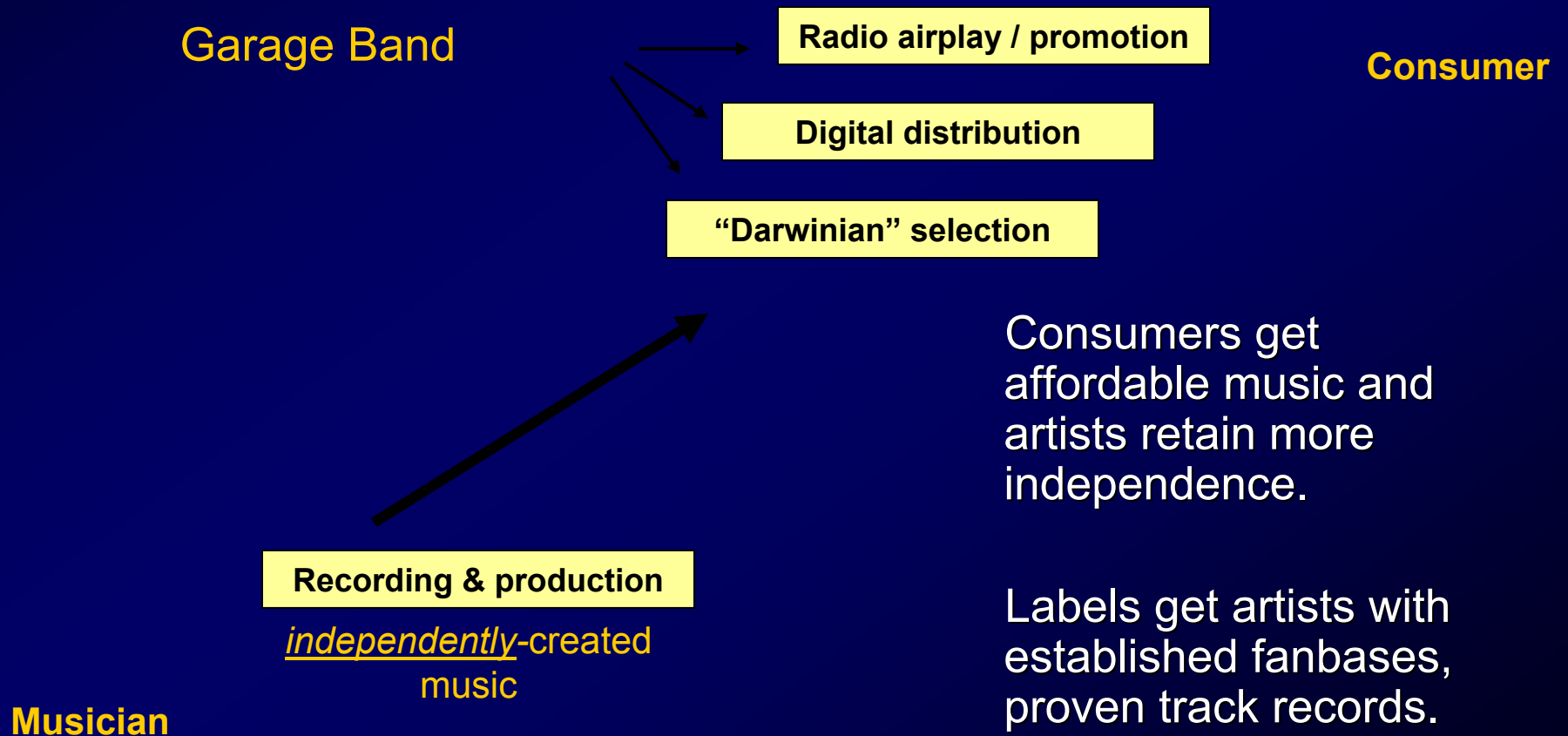
When consumers demand digital downloads instead of CDs, record labels can't recoup their investments.



The problem in the music industry

- Executive and experts select **musicians**
- Enormous upfront investment in creating product
- High marketing costs
- High chance of failure (Cave's "Nobody Knows" problem)
- Loss recoupment leads to high cost to listeners and low payments to musicians
- Need to create superstars to generate a profit

The GarageBand solution

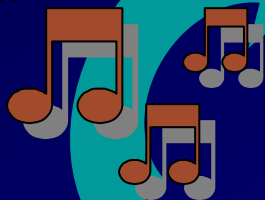


The GarageBand solution

- Musician self-invests in creation of product
- Market-based selection of **product** by the musicians themselves
- Staged/targeted marketing Investment as product succeeds in sequentially expanding markets (begin with digital)
- Lower chance of failure ('cause you do know)
- Lower cost to listeners and greater payments to musicians, without loss of margin
- Agnostic to whether there are a few superstars or many smaller successes

A “Darwinian” system where the best songs survive

2. To submit a song, first you need to review 30 songs by other bands.



3. Listeners are randomly assigned to review every new song.



SCORE	★★★★★ 5.0
CONTEST RANKING	Active contest: #1 of 129 in Blues

The best-rated songs climb the charts, getting exposure and recognition.

1. Musicians write and record songs on their own.



4. The bands get unbiased feedback.

Alternatives to the GarageBand approach

- Call-out research
- Collaborative filtering
- Data mining

Call-out research - Hit finding

- Survey takers call selected listeners
- Play 30 sec clips of songs for respondents
- Collect response data

Collaborative filtering - Taste matching

- Collect usage data (listens, purchases, etc.) per user
- Overlap individual usage data with the usage data of all users in the system
- Predicts that data points with the strongest relationship to the overlap set are a good fit for the user

Customers who bought this title also bought:

- [Hot Fuss](#) ~ Killers ([Rate It](#))
- [Franz Ferdinand](#) ~ Franz Ferdinand ([Rate It](#))
- [Contraband \[EXPLICIT LYRICS\]](#) ~ Velvet Revolver ([Rate It](#))
- [Songs About Jane](#) ~ Maroon 5 ([Rate It](#))
- [Good News For People Who Love Bad News](#) ~ Modest Mouse ([Rate It](#))
- [Love, Angel, Music, Baby](#) ~ Gwen Stefani ([Rate It](#))
- [Chuck](#) ~ Sum 41 ([Rate It](#))
- [Dookie](#) ~ Green Day ([Rate It](#))

► **Explore Similar Items:** [20 in Music](#), [19 in Books](#), and [19 in DVD](#)

Data mining - Grassroots discovery

- Identify target demographic
- Extract relevant search query data (Band name searches)
- Analyze patterns in the data

Leaders					Movers		
Rank	Prev.	Subject (Days on Chart)	Move	Score	Rank	Subject	1-Day Move
1	▲ 3	Britney Spears (932)	+20	153	1	Chuck Berry	166.52%
2	▼ 1	50 Cent (111)	-33	115	2	Brian Head Welch	157.01%
3	▲ 4	Usher (111)	-21	80	3	Melissa Etheridge	137.43%
4	▲ 5	Beyonce Knowles (111)	+3	66	4	Willa Ford	132.02%
5	▲ 16	Ashlee Simpson (145)	0	61	5	Bono	125.32%
6	▲ 18	Kelly Clarkson (74)	+4	58	6	Korn	96.96%

GarageBand Review System accomplishes all three (and then some)

- Mines the largest grassroots community of independent musicians
- Songs are evaluated for hit potential in a rigorous survey format in a real listening context
- Each song has a profile that can be matched to well known artists, radio stations, and collaborative data
- Incentives are internal to the system
- System is organic, responsive and flexible
- Creates promotional capital at the same time it creates data