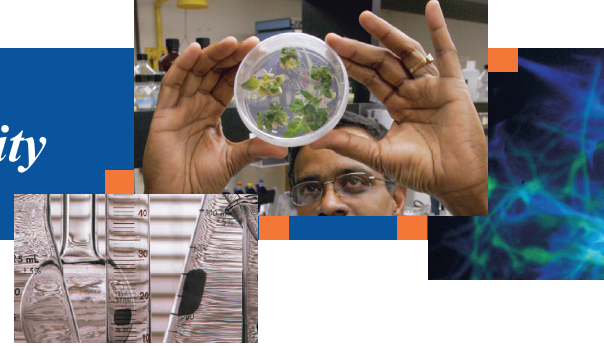


**Online Music Sharing**

# Grooveshark



Grooveshark is an online music brokerage application that compensates users for the music they share. The need for a viable, legal music-sharing application has emerged in the past decade as illegal applications have generated wide popularity. Every year, the music industry loses more than \$50-60 billion dollars to music piracy. It is not just record companies that suffer from these losses; the effects of illegal music sharing harm musicians, legitimate retailers, and honest consumers. Yet the allure of illegal music sharing remains strong for a number of reasons, including the lack of access to complete music libraries.

Grooveshark turns illegal music from music-sharing programs into revenue-generating songs. Users who upload music to Grooveshark receive credit every time someone downloads one of their songs. Users' credit sits in an account that contributes to future transactions. Whenever a user buys a song from someone's music library, commissions are split between Grooveshark and the copyright holders. With demand-based prices capped at 99 cents, Grooveshark benefits consumers in both price and value while at the same time producing profits in the music industry where currently there is a loss.

## Technology

Grooveshark's features go beyond all previous music-downloading applications. Grooveshark harnesses the power of user-generated and user-provided content on a web-based platform, which ensures easier portability and accessibility through all major devices and operating systems. This means that users can listen to the music they download on whatever mp3 device they currently own, a feature of Grooveshark that current content providers limit.

Additionally, Grooveshark offers a novel social network feature that allows users to do more than just share music; Grooveshark offers groups, a chat feature, a profile system, and message boards to bring together users with similar musical tastes. Users can establish relationships and share their personal photos and videos. On top of that, the social network offers marketing opportunities for artists, labels, and publishers as artist event pages can have photos and videos from events (concerts, performances, etc.) and artists can sell merchandise on their pages.

## Market Potential

Research indicates that nearly 70% of illegal music users would pay for songs using the Grooveshark digital downloading solution. Grooveshark has the potential to revolutionize the online music industry and trump previous success stories in the user-generated content movement. Unlike other user-generated content applications, Grooveshark's financial model is stronger and will generate revenue from transactions and advertising immediately after release.

## Strategy

With Grooveshark, users act as distribution points on a person-to-person marketplace through a social network. Grooveshark's UserComp algorithm ranks users according to how much music they buy, how much music they contribute, and how much they input to the community. Grooveshark users contribute their songs to the library, which builds a forum for fixing all the ID3 tags (artist, song, title, etc.) in the Grooveshark library. When users manually fix ID3 tags and flag poor quality songs, they earn a higher rank in the Grooveshark system. The higher a user's rank, the more often that user will earn compensation for contributions to the Grooveshark library. This alleviates the problem of users who are not willing to pay while still harnessing their immense user-generated power. With users motivated to fix ID3 tags and share more, quality improves, tag inconsistencies decrease, and revenue for copyright holders increases. Additionally, Grooveshark has a variable pricing system with four tiers: 25 cents, 50 cents, 75 cents, and 99 cents. Based on download demand, the algorithm adjusts prices appropriately to maximize profit.

# Grooveshark

## Management Team

*Founder & CEO* – Sam Tarantino

An Economics major at the University of Florida and part-time musician, Sam has done research in the economic ramifications of person-to-person networks.

*Co-Founder* – Josh Greenberg

Josh is a Business Administration major at the University of Florida. He has been a programmer for over five years, has previously owned and managed DevelopedWeb, Inc.

*Co-Founder* – Andres Barreto

Andres co-founded and served as CEO of Orgpoint, LLC, a web application development company focused on online social networks.

## Contact Information

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